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SW-02199A-11-0330

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Part 3 of 4

EXHIBIT
RUCO-3
ADMITTED
PENGAD 800-631-6989

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

DIRECT TESTIMONY

OF

ROBERT B. MEASE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 27, 2012

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EXECUTIVE SUMMARY

Pima Utility Company ("Pima" or "Company") is a Class B public service water and wastewater corporation organized as an S corporation under Subtitle A, Chapter 1, Subchapter S of the Internal Revenue Code. The Company serves approximately 10,188 water customers in portions of Maricopa County, Arizona.

Pima filed general rate applications for both the Company's Water and Wastewater Divisions with the Arizona Corporation Commission ("ACC" or "Commission") on August 29, 2011 using a test year ending on December 31, 2010.

On September 19, 2011, Pima filed a Motion to Consolidate Docket Numbers W-02199A-11-0329 and SW-02199A-11-0330. In its Motion, Pima stated that the Company's water and wastewater customer bases are largely the same and Pima is operated and managed as one utility. The Commission subsequently found the Applications sufficient on September 30, 2011 and consolidated the two dockets as W-02199A-11-0329 et al. for purposes of hearing.

For Pima's Water Division, the Company is requesting a gross revenue increase of $1,023,565 or a 51.76 percent increase over Test Year adjusted revenue of $1,977,627. RUCO recommends a $566,048 or 28.62 percent increase over Water Division Test Year adjusted revenue of $1,977,627.

The Company is seeking a 9.47 percent rate of return on a $9,097,529 Water Division fair value rate base for an operating income of $861,536. RUCO recommends a 9.01 percent rate of return on a $9,073,286 Water Division fair value rate base for an operating income of $817,503.

Based on RUCO's analysis of Pima Water Division's rate Application, RUCO is recommending a three-tiered rate design that will result in an increase of $2.11, or 19.79 percent, over the present monthly rate of $10.66 for a residential customer with a 5/8" x 3/4" meter using an average of 6,395 gallons per month.

RUCO analyst Timothy J. Coley will provide direct testimony on Pima's Wastewater application.

RUCO's Chief of Accounting and Rates William A. Rigsby will provide direct testimony on RUCO's recommended cost of capital and the Company's request to include income taxes in rates.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Robert B. Mease. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix 1, which is attached to this testimony, describes my educational background, work experience and regulatory matters in which I have participated. In summary, I joined RUCO in October of 2011. I graduated from Morris Harvey College in Charleston, WV and attended Kanawha Valley School of Graduate Studies. I am a Certified Public Accountant and have been licensed to practice in West Virginia and Montana. My years of work experience include serving as Vice President and Controller of a public utility and energy company in Great Falls, Montana and have participated in several rate case filings on behalf of the utility.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding Pima Utility Company's ("Pima" or "Company") Water Division Application for a determination of the current fair value of its utility plant and property and for a permanent increase in its rates and charges based

thereon for water utility service. The test year utilized by the Company in connection with the preparation of this Application is the 12-month period that ended December 31, 2010. Mr. Tim Coley will be providing testimony for work completed on his review of the Wastewater Division.

BACKGROUND

Q. Please describe your work effort on this project?

A. I reviewed financial data provided by the Company and performed analytical procedures necessary to understand the Company's filing as it relates to operating income, rate base, and the overall revenue requirement for Pima's Water Division. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of information provided by the Company to RUCO in data requests, the review and analysis of the Company's responses to four Commission Staff data requests, and a review of prior ACC dockets related to the Company's Water Division. RUCO's participation in this proceeding is the cumulative effort of RUCO witnesses; myself Robert B. Mease, and William A. Rigsby. I was responsible for the rate base, the operating income and expense adjustments that determine RUCO's revenue requirement recommendations as well as rate design. RUCO's Chief of Accounting and Rates, Mr. Rigsby, will present separate testimony on policy related to

the income tax issue in this case, and RUCO's cost of capital recommendation.

Q. Can you please identify the exhibits you are sponsoring?

A. I am sponsoring schedules numbered RBM-1 through RBM-19 for the determination of the Water Division's revenue requirement and schedules RBM RD-1 through RBM RD-7 for the establishment of the recommended rate design for residential and commercial ratepayers. I am also sponsoring schedules RBM RD-1 through RBM RD-5 for the irrigation ratepayers..

SUMMARY OF DIRECT TESTIMONY

Rate Base Adjustments Summary

Q. Can you please provide a summary of the adjustments to the rate base in your testimony?

A. Yes, in summary, adjustments to the rate base that RUCO is recommending include the following:

<u>Rate Base Adjustment #1 – Convert Advances in Aid of Construction (AIAC) to Contribution in Aid of Construction (CIAC).</u>

RUCO is proposing a reclassification from Advances In Aid of Construction (AIAC) to Contributions in Aid Construction (CIAC) due to the bankruptcy of a large developer. This adjustment reduces AIAC by

$374,236 and increases CIAC by $423,629 to which the Company has agreed. The adjustment between these accounts also affects depreciation expense discussed in Operating Income Adjustment #1.

Rate Base Adjustment #2 – Capitalize an Expensed Plant Item

The Company has charged to Repairs and Maintenance Expense and Contractual Services – Engineering Expense costs that are more appropriately Utility Plant in Service (UPIS) and should be included in rate base. The adjustment to UPIS related to these costs also has a minor effect on the Company's Accumulated Depreciation Account. The Company has agreed to this adjustment in its response to Staff data request 1-29 and 1-31.

Operating Income Adjustments Summary

Q. Can you please summarize RUCO's operating income adjustments in your testimony?

A. In summary the adjustments to operating income RUCO is recommending includes the following:

Operating Income Adjustment #1– Depreciation Expense

The adjustment recalculates Depreciation Expense based on RUCO's recommended plant level. The adjustment relates to the reclassification of Repairs and Maintenance Expense and Contractual Services Expense – Engineering from expense to UPIS. In addition RUCO is recommending an increase in Amortization Expense related to the reclassification

between AIAC and CIAC. The $19,120 total of these two adjustments is also reflected in the Company's Accumulated Depreciation and Amortization Account.

Operating Income Adjustment #2 – Property Taxes

The adjustment reduces property tax expense by $6,851 and is primarily related to calculating property tax expense based on a modified Arizona Department of Revenue ("ADOR") formula that has been adopted by the Commission in a number of prior rate cases.

Operating Income Adjustment #3 – Remove Repairs and Maintenance ExpenseThat Should Have Been Capitalized

The adjustment reduces Repairs and Maintenance Expenses by $21,629 related to costs more appropriately charged to UPIS.

Operating Income Adjustment #4 – Remove Contractual Services Expense – Engineering That Should Have Been Capitalized

The adjustment reduces Contractual Services Expense – Engineering by $3,902 also related to costs more appropriately charged to UPIS.

Operating Adjustment #5 – Rate Case Expense

This adjustment reflects RUCO's $150,000 recommended level of rate case expense, to be normalized over four years. The adjustment decreases the Company-proposed level of annual rate case expense by $12,500 for an annual rate case expense of $37,500.

Operating Income Adjustment #6 – Miscellaneous Expense - Banking Fees

Miscellaneous Expense related banking fees is reduced by $6,354. Banking fees are to be charged fifty percent to the water division and fifty percent to the wastewater division. However, all fees were recorded as an expense on the books of the water division.

Operating Income Adjustment #7 – Salaries and Wages Officers

Salaries and Wages Officers are excessive compared to CEO executives within the industry. Pima has allocated in excess of $90,000 to the Chairman of the Board based on 56.25 reported hours worked for the Water Division.

Operating Income Adjustment #8 – Intentionally Left Blank

Operating Income Adjustment #9 – Intentionally Left Blank

Operating Income Adjustment #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

This adjustment removes the Company's pro forma adjustment in the amount of $27,157. The Company had taken a credit for income taxes due to a net operating loss in its test year adjustments. Mr. Rigsby, will discuss income tax allowances in his direct testimony.

Revenue Requirements Summary

Q. Can you please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirements for the Company's water division.

A. RUCO is recommending an increase in revenues of $566,092, or 28.62 percent compared to the Company's request of $1,023,565, or a 51.76 percent increase.

Rate Design Summary

Q. Can you please explain the Water Divisions rate classifications?

A. The Water Division's rates are classified into residential, commercial and irrigation. The Company has requested an increase for residential customers of 41.24 percent, an increase of 55.19 percent increase for commercial customers and an increase of 91.47 percent for its irrigation customers.

Q. What are RUCO's recommended increases by customer classification?

A. RUCO is recommending an increase to residential customers rates of 24.32 percent, an increase of 36.76 percent to commercial customers and an increase of 35.64 percent to the Company's irrigation customers.

RATE BASE ADJUSTMENTS

Q. Is RUCO recommending any changes to the Company's proposed rate base?

A. Yes. RUCO analyzed the Company's rate base adjustments to its historical test year and made adjustments to the rate base as filed by the Company. The cumulative review, analysis and adjustments made by RUCO are explained on the succeeding pages.

Rate Base Adjustment #1 – Convert Advances in Aid of Construction (AIAC) to Contribution in Aid of Construction (CIAC).

Q. Can you please explain the adjustment that converts the balance in the Company's AIAC to CIAC?

A. During the discovery phase in this case, it was determined by the Company that it had a single line extension contract recorded as AIAC in the Wastewater Division. Pima stated the following:

> [1]Due to the bankruptcy of the developer, Pima has been unable to pay the refunds due to the developer and is unaware of a successor entity to which payments can be made. Since it is unlikely that Pima will ever be able to actually pay the amounts due, Pima believes it may be more appropriate to eliminate the account payable to the developer and reclassify the full amount of the original advance to Contributions in Aid of Construction.

[1] See Company Response to Staff Data Request CSB 1-11

Q. Does RUCO agree with the Company's suggestion to reclassify the AIAC balance to CIAC?

A. Yes.

Q. What adjustment did you make to convert the AIAC to CIAC?

A. RUCO reversed the existing balance remaining in AIAC of $374,236 and included it in CIAC. In addition Pima calculated $49,353 due to the developer in 2010 but due to bankruptcy of the developer has been unable to pay the refunds. There is no successor to the bankrupt developer. RUCO believes as does the Company[2] that the remaining funds of $374,236 as well as the $49,353 established as a payable to the developer, for a total of $423,589, be transferred to CIAC. Pima is requesting a Staff recommendation including the appropriate accounting order to reclassify this AIAC to a more appropriate CIAC non-refundable account.

Rate Base Adjustment #2 – Capitalize Expensed Items to Plant

Q. Is RUCO recommending other adjustments to the Company's adjusted test year rate base?

A. Yes, RUCO is recommending reclassification of expenses reported in two separate expense accounts to UPIS. [3]During the discovery phase Pima was requested to explain the increases in several expense accounts.

[2] See Company Response to Staff Data Request CSB 1-11
[3] See Company Response to Staff Data Request CSB 1-29 and CSB 1-31

Based on their review of Repairs and Maintenance Expense and Contractual Services Expense – Engineering, the Company identified $21,629 and $3,902 respectively, which were inappropriately classified to expense rather than UPIS.

Q. Does RUCO agree with the reclassification of these expenses?

A. Yes, RUCO agrees with this reclassification. We reviewed the nature and description of the expenses and concluded that they should be included in UPIS.

OPERATING INCOME ADJUSTMENTS

Operating Income Summary

Q. Can you please explain the operating income adjustments that RUCO is recommending in your testimony?

A. After performing a review of the Company's filing RUCO is recommending the following adjustments.

Operating Income Adjustment #1 - Depreciation Expense

Q. Is Pima Water Division proposing a change in depreciation rates in their application going forward?

A. Yes, Pima Water Division is requesting an adjustment in depreciation rates going forward. The Water Division has been depreciating UPIS service at the rate of 3% per year as was approved in Decision No. 58743,

dated August 11, 1994. They are now proposing to use account specific rates on a going forward basis.

Q. Does RUCO agree with the request to adjust depreciation rates?

A. Yes. The rates being proposed are the same rates as published by the Arizona Corporation Commission Utilities Staff in general guidelines dated April 21, 2000. These guidelines are still in effect as they have not been updated since that time.

Q. Did you recalculate annual depreciation since the last rate case filing and what were the results of your recalculation?

A. Yes, I did recalculate the depreciation expenses since last rate case filing and I found no discrepancies.

Q. Have you made any changes to the Company's adjusted test year depreciation expense?

A. Yes, as a result of reclassifying, during the test year, Repairs and Maintenance Expense of $21,629 and Contractual Services Expense – Engineering of $3,902, from expense to UPIS, Depreciation Expense has been increased to $1,945.

Q. Have you recommended any adjustments resulting from the reclassification from AIAC to CIAC that RUCO is recommending?

A. Yes, RUCO has proposed an increase of $21,065 related to the amortization of the additional CIAC as previously discussed.

Q. What is the result of these two adjustments?

A. As shown on Schedule RBM-10 the net effect of the two adjustments is a reduction in total Depreciation Expense of $19,120.

Operating Income Adjustment #2 – Property Tax Expense

Q. Is RUCO recommending an adjustment to Property Tax Expense for the Water Division as filed by the Company?

A. Yes, RUCO is recommending a reduction in test year Property Tax Expense of $6,851. There are two separate adjustments that make up the total amount of the reduction.

Q. Can you please explain the first adjustment?

A. The first adjustment of $6,167 is related to what the Company has included in their property tax adjustment titled "Tax on Parcels." In the recent Goodman Water Company rate case, Docket No. W-02500A-10-0382, Staff witness testified as follows:

> "I contacted the Arizona Department of Revenue personnel that deal with centrally valued properties and inquired about why there might be any such thing in a water utility's tax bill and they assured me that there is no such thing; and they

> did some research on it and got back to me, and they assured me that there is no such thing, and that one hundred percent of the property tax is based on revenues. And so we just want to comment that we don't anticipate that in future rate cases that we'll be providing any amount for taxes on Parcels."[4]

Q. What is the second adjustment that RUCO is proposing?

A. RUCO is proposing a reduction in the composite property tax rate from 10.0442 percent to 9.9952 percent. This small reduction in percentage reduces property tax expense by $684.

<u>Operating Income Adjustment #3 – Remove Repairs and Maintenance Expense Reclassified to UPIS</u>

Q. Can you please explain the adjustment that you are making to Repairs and Maintenance Expense?

A. Yes, as previously discussed in Rate Base Adjustment #2, the Company recorded $21,629 in Repairs and Maintenance Expense that should be more appropriately classified as UPIS. [5]The Company, during discovery, identified the improper classification and indicated they would adjust, if necessary, in future testimony.

[4] Tr. Pages 969 and 970 (Mr. Gordon L. Fox)
[5] See Company Response to Staff Data Request CSB 1-29

Operating Income Adjustment #4 – Contractual Services Expense – Engineering Reclassified to UPIS

Q. Can you please explain the adjustment that you are recommending to Contractual Services Expense - Engineering?

A. Yes, as previously discussed in Rate Base Adjustment #2, the Company recorded $3,902 in Contractual Services Expense - Engineering that should be more appropriately classified as UPIS. [6]During discovery, the Company, identified the improper classification and indicated they would adjust, if necessary, in future testimony.

Q. Do you agree with the reclassification of both Repairs and Maintenance Expense and Contractual Services Expense Engineering to UPIS?

A. Yes. After reviewing the nature of these expenses they should have been accounted for a UPIS.

Operating Income Adjustment #5 – Rate Case Expense

Q. Has RUCO made an adjustment to Pima's requested level of rate case expense?

A. Yes. RUCO has reduced Pima's requested total level of rate case expense of $200,000 by $50,000 for a total rate case expense of $150,000 or 37,500 per year over a four-year period.

[6] See Company Response to Staff Data Request CSB 1-31

Q. How did RUCO arrive at its adjustment to rate case expense?

A. RUCO's compared the Company-proposed level of rate case expense to levels of rate case expense that were incurred in other rate cases before the Commission. Based on RUCO's review, RUCO believes that the Company's request is not reasonable in this case.

Q. What other rate cases did RUCO review?

A. RUCO reviewed a number of cases that involved utilities such as Arizona Water Company ("AWC") and UNS Gas, Inc. ("UNSG"). The most compelling case that RUCO looked at involved Sunrise Water Co.[7] ("Sunrise"), a Class B water provider organized as an S corporation like Pima. In that case, which was filed in August 2008 and decided on in December, 2009, the Commission adopted a total level of rate case expense of $82,500 or $27,500 to be amortized over three years. The Sunrise rate case involved a number of ratemaking issues including the recovery of income taxes in rates. Sunrise obtained the services of an outside attorney and a professional consultant (Mr. Ray Jones who is also testifying in this case on behalf of Pima). Given the similarities of the two cases, RUCO believes that the Sunrise case is a good yardstick for determining the reasonableness of Pima's requested level of rate case expense. Despite the similarities, RUCO's recommended total rate case

[7] Docket No. W-02069A-08-0406

expense of $150,000 for Pima is $67,500 more than what the Commission adopted for Sunrise in Decision No. 71445.

Q. How did the rate case expense levels of other utilities compare with the level of rate case expense requested by Pima?

A. In a prior rate cases for AWC's Northern and Eastern Groups[8], which were comprised of five and eight individual water systems respectively, the Commission approved a total of $250,000 in rate case expense for each Group, or $50,000 more than Pima's requested level of expense in this proceeding. The Commission later authorized $250,000 in rate case expense for a case involving AWC's Western Group[9] which was comprised of five separate water systems. In the most recent rate cases for AWC's Western and Eastern Groups, AWC requested total rate case expense of $626,156[10] and $476,874 respectively. While these requested amounts are $226,156 and $76,874 higher than the $400,000 that Pima is seeking for both its Water and Wastewater Systems, it has to be remembered that AWC is a statewide Class A utility and its filings consisted of multiple water systems where this case only involved two operating divisions.

[8] Decision No. Decision No. 64282, dated December 28, 2001 and Decision No. 66849, dated March 19, 2005

[9] Decision No. 68302, dated November 14, 2005

[10] AWC eventually agreed to RUCO's total rate case expense figure of $304,975

In the pending UNSG rate case, UNSG requested a total rate case expense of $700,000. UNSG is a Class A public service corporation that serves far more customers over a much larger service territory than Pima. UNSG's rate case is much bigger, involved more parties and also deals with more complex ratemaking issues such as decoupling. Both ACC Staff and RUCO are recommending that UNSG's requested level of expense be reduced to $400,000, which is the same amount that Pima is requesting for the Company's Water and Wastewater Divisions combined.

Based on the comparisons provided above RUCO believes that its $37,500 recommended annual level of rate case expense is reasonable and should be adopted by the Commission.

Q. Are there any other issues regarding rate case expense that RUCO wants to address?

A. Yes. RUCO is concerned that traditional rate recovery for rate case expense is an inequitable solution for Pima. Normally, rate case expense is amortized / normalized over a short period of years that is reflective of the typical amount of time a utility stays out between rate cases. However, Pima does not come in for rate cases very often. The water division filed its last rate case with a Test Year ending December 31, 1992 while the wastewater division's last rate case was filed with a Test Year ending December 31, 1997.

If history repeats itself and it normally does, this long stay out would result in a windfall to the Company since rate case expense is a non-recurring expense and will be collected through rates until the Company's next rate case. For example, this scenario is based on the Company Wastewater Division's requested amount of annual rate case expense of $50,000 ($200,000 of total rate case expense / amortized over 4 years = $50,000 of annual rate case expense). If the Company does not file another rate case for another 20 to years, the Company would collect $1,000,000 ($50,000 of annual rate case expense x 20 years = $1,000,000) in rate case expense through its base rates from Pima's ratepayers. If the Company does not file another rate case for 15 years, Pima would collect $750,000 in rate case expense through its base rates. This amounts to an over-collection of rate case expense of five-fold in the 20 year scenario and 3.75 times in the 15 year scenario. Had the Commission authorized a $50,000 annual rate case expense in Decision Nos. 58743 and 62184 dated August 11, 1994, and January 5, 2000 respectively, the scenario described above would have actually happened.

Q. Why does RUCO believe that it "is likely" that the Company will not file a rate case for another 15 to 20 years?

A. By the Company's own admission,[11] "Pima Utility Company's service area is built out." There are limited reasons in the foreseeable future for the Company to file another rate case anytime soon.

Q. What does RUCO recommend to prevent or curtail that event from happening in the future?

A. RUCO offers three different options that would prevent the above scenario from happening. First, a surcharge for rate case expense could be applied as a separate line item on the customers' bill. When the rate case expense authorized in this proceeding has been fully collected through the surcharge, the surcharge would be eliminated and nothing but base rates would apply going forward.

The second option is to extend the normalization period to ten years. This option would lower rates. If the Company were to file a rate case prior to fully collecting the authorized rate case expense, RUCO recommends that the Company be granted a deferred accounting order, which would allow Pima to amortize the remaining unrecovered expense over some period of time. This option completely eliminates the possibility of under-collecting the authorized level of rate case expense. The third option simply reduces

[11] See Company data response to Staff data request CSB 1-12.

the Company's level of authorized rate case expense with no deferred accounting order.

Of the three options, RUCO recommends the second option. Increasing the normalization will ameliorate the rate impact on ratepayers. It will further avoid the often unfavorable response of the public to a surcharge. Finally, while RUCO would not object to a reduction in the overall rate case expense, it is recommending. RUCO will reserve its right to further explore this option in coming up with a final recommendation as to a reasonable amount of rate case expense.

Operating Income Adjustment #6 – Miscellaneous Expense Bank Fees

Q. Will you please explain your adjustment to Banking Fees?

A. Yes. RUCO made an adjustment decreasing test year Miscellaneous Expenses by $6,354 related to the Water Division. During discovery Pima's responded to data request as follows:

> "These costs were paid directly by Robson Communications, Inc. (RCI) on behalf of several affiliate companies. These costs are directly attributable to the amount of monthly transactions that occurred in the Pima bank operating account. These costs were allocated 100 percent to the water company, but should have been allocated on a 50/50 basis. The support for these transactions has been provided."

Based on Pima Company's internal procedures these costs were to be shared by both the Water and Wastewater Divisions but were absorbed

entirely by the Water Division. The appropriate adjustment is being made to correct the error.

Operating Income Adjustment #7 – Salaries and Wages Officers

Q. Is RUCO recommending an adjustment to salaries paid to officers?

A. Yes. RUCO believes that $90,267 is an excessive salary paid to the Chairman of the Board based on the Company's reporting that he worked 56.68 hours for the Water Division.

Q. How did you become aware that he reported 56.68 hours as working for the Water Division?

A. The Company's response to data request, for salary and wage details, provided a Schedule of Names, Titles and Burden by General Ledger Account of all individual salary and wages charged to the Water Division. Included on the salary schedule were the names of all individuals and the number of hours charged to the Water Division for the entire year. Included on the schedule was Mr. Robson, E.J., his title as Chairman of the Board, the number of hours charged to the division, 56.68, and gross salary paid of $90,294. In addition, the Company is also requesting the same amount as salary related to his duties for the Wastewater Division. In summary, the Company is requesting an annual salary of $180,588 for the Chairman of the Board when his reported hours worked for both

divisions was 113. RUCO believes that this is unreasonable and Arizona utility ratepayers should not have to bear this excessive expense.

Q. Based on the number of hours and salary paid how much does that calculate to be on an hourly basis?

A. Based on the hours reported the hourly rate paid to Mr. Robson is $1,593 per hour.

Q. Has RUCO made an adjustment for Salaries and Wages Officers paid by the Water Division?

A. Yes. RUCO is recommending a salary of $7,085. RUCO's recommendation is based on the number of hours reported multiplied by $125 per hour. The hourly rate of $125 is based on a comparable CEO of a Class A Water Company within the local area.

Operating Income Adjustment #8, #9 and #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

Q. Can you please explain the adjustment you made to Income Tax Expense?

A. Yes. This adjustment removes the Company's pro forma adjustment in the amount of $27,157. The Company had taken a credit for income taxes

due to a net operating loss in its test year adjustments. Mr. Rigsby, will discuss income tax allowances in his direct testimony.

RATE DESIGN

Q. Can you please summarize RUCO's rate design for Pima Utilities Water Division?

A. Based on my analysis of the Company's rate application and determination of recommended revenues, RUCO is recommending a rate structure for the three classes of ratepayers as follows:

	Company Present Revenues	RUCO Revenues	% Change
[12]Residential	$1,391,693	$1,730,177	24.32%
Commercial	$ 274,663	$ 375,632	36.76%
Irrigation	$ 317,458	$ 430,594	35.64%

Q. Can you please describe RUCO's rate design?

A. RUCO's rate design essentially mirrors the company proposed two and three-tiered, inverted block rate design which captures approximately 44.36 percent of total revenue through the monthly minimum charge for residential ratepayers.

[12] See Schedules RBM RD-1 through RBM RD-7 attached for Residential and Commercial ratepayers and Schedules RBM- RD-1 through RBM RD-5 for Irrigation ratepayers.

Q. What would a typical monthly bill be for a 5/8 x 3/4 inch meter residential customer under RUCO's recommended rates?

A. Under RUCO's recommended residential rates, a 5/8 x 3/4 inch meter using an average of 6,395 gallons per month, would have a typical monthly bill of $12.77 which is $2.11, or 19.79 percent, higher than the current bill of $10.66.

Q. Does this conclude your testimony on revenue requirements and rate design?

A. Yes it does.

APPENDIX

ROBERT B. MEASE
Education and Professional Qualifications

EDUCATION

Bachelor's Degree Business Administration / Accounting - Morris Harvey College.

Attended West Virginia School of Graduate Studies and studied Accounting and Public Administration

Attended numerous courses and seminars for Continuing Professional Educational purposes.

WORK EXPERIENCE

Controller
Knives of Alaska, Inc., Diamond Blade, LLC., and Alaska Expedition Company.

Financial Manager / CFO
All Saints Camp & Conference Center

Energy West, Inc.
Vice President, Controller

- Led team that succeeded in obtaining a $1.5 million annual utility rate increase
- Coached accountants for proper communication techniques with Public Service Commission, supervised 9 professional accountants
- Developed financial models used to negotiate an $18 million credit line
- Responsible for monthly, quarterly and annual financial statements for internal and external purposes, SEC filings on a quarterly and annual basis, quarterly presentations to Board of Directors and shareholders during annual meetings, coordinated annual audit
- Communication with senior management team, supervised accounting staff and resolved all accounting issues, reviewed expenditures related to capital projects
- Monitored natural gas prices and worked with senior buyers to ensure optimal price obtained

Junkermier, Clark, Campanella, Stevens
Consulting Staff

- Established a consulting practice that generated approximately $160k the first year of existence
- Prepared business plan and projections for inclusion in clients financing documents
- Prepared written reports related to consulting engagements performed
- Developed models used in financing documents and made available for other personnel to use
- Performed Profit Enhancement engagements
- Participated during audit of large manufacturing client for two reporting years

Prior to 1999, held various positions: TMC Sales, Inc. as **Vice President / Controller**, with American Agri-Technology Corporation as **Vice President / CFO** and with Union Carbide Corporation as A**ccounting Manager. (Union Carbide was a multi-national Fortune 500 Company that was purchased by Dow Chemical)**

PROFESSIONAL AFFILIATIONS
Member - Institute of Management Accountants
Member - American Institute of CPA's
Past Member –WV Society of CPA's and Montana Society of CPA's

PIMA WATER DIVISION

REVENUE SCHEDULES

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RBM-17	1	OPERATING INCOME ADJUSTMENTS NO 8, 9, 10, - INTENTIONALLY LEFT BLANK
RBM-18	1	OPERATING INCOME ADJUSTMENT NO. 11- INCOME TAXES
RBM-19	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base (RBM-2)	$ 9,097,529	$ 9,073,286
2			
3	Adjusted Operating Income (Loss)	$ 132,560	$ 258,968
4			
5	Current Rate of Return (L3 / L1)	1.46%	2.85%
6			
7	Required Operating Income (L9 X L1)	$ 861,536	$ 817,503
8			
9	Required Rate of Return on Fair Value Rate Base (RBM-19)	9.47%	9.01%
10			
11	Operating Income Deficiency (L7 - L3)	$ 728,976	$ 558,535
12			
13	Gross Revenue Conversion Factor (RBM-1, Page 2)	1.4041	1.0135
14			
15	Required Increase in Gross Revenue Requirement (L11 X L13))	$ 1,023,565	$ 566,048
16			
17	Adjusted Test Year Revenue (RBM-7)	$ 1,977,627	$ 1,977,627
18			
19	Proposed Annual Revenue (L15 + L17)	$ 3,001,192	$ 2,543,675
20			
21	Required Percentage Increase in Revenue (L15 / L17)	51.76%	28.62%

References:
Column (A): Company Schs. A-1
Column (B): RUCO Schs. RBM-1 page 2, RBM-2, RBM-7, and RBM-19

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:	
1	Revenue	100.0000%
2	Proposed Bad Debt Expense (Per Co. Work papers)	-
3	Subtotal (L1 thru L2)	100.0000%
4	Property Tax Rate (RBM-11)	1.3274%
5	Subtotal (L3 - L4)	98.6726%
6	**Revenue Conversion Factor** (L1 / L5)	**1.0135**

SUMMARY RATE BASE - ORIGINAL COST

		(A) COMPANY AS FILED OCRB/FVRB	(B) Summary RUCO Rate Base Adjustments	(C) Adjusted End of Test Year
1	Gross Utility Plant in Service	$ 14,546,128	$ 25,531	$ 14,571,659
2				
3	Less:			
4	Accumulated Depreciation	(4,788,167)	$ (383)	$ (4,788,550)
5				
6	Net Utility Plant in Service (L1 + L4)	$ 9,757,961	$ 25,148	$ 9,783,109
7				
8	Advances in Aid of Construction	$ (374,236)	$ 374,236	$ -
9				
10	Contribution in Aid of Construction	(632,417)	$ (423,629)	$ (1,056,046)
11	Accumulated Amortization CIAC	346,223	$ -	$ 346,223
12				
13	Net CIAC (L10 + L11)	$ (286,194)	$ (423,629)	$ (709,823)
14				
15	Add:			
16	Allowance for Working Capital	$ -	$ -	$ -
17				
18	Net Regulatory Asset (Liability)	$ -	$ -	$ -
19	Rounding	$ (2)	$ -	$ -
20				
21				
22	Total Rate Base (L6 + L8 + L13+L19)	$ 9,097,529	$ (24,245)	$ 9,073,286
23				
24				
25	Columns (A), and (B) - Schedule RBM-3			
26	Columns (C) - Columns (A) + (B)			
27				
28				
29				
30				
31				
32				

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		COMPANY AS FILED OCRB/FVRB	ADJMT NO. 1 CONVERT AIAC TO CIAC	ADJMT NO. 2 CAP / EXP ITEMS	ADJMT NO. 3 LEFT BLANK	ADJMT NO. 4 LEFT BLANK	ADJMT NO. 5 LEFT BLANK	Summary Rate Base Adjustments	Adjusted End of Test Year
1	Gross Utility Plant in Service	$ 14,546,128	$ -	$ 25,531	$ -	$ -	$ -	$ 25,531	$ 14,571,659
2									
3	Less:								
4	Accumulated Depreciation	(4,788,167)	-	(383)	-	-	-	$ (383)	$ (4,788,550)
5									
6	Net Utility Plant in Service (L1 - L4)	$ 9,757,961	-	$ 25,148	-	-	-	$ 25,148	$ 9,783,109
7									
8	Advances in Aid of Construction	$ (374,236)	$ 374,236	-	-	-	-	$ 374,236	$ -
9									
10	Contribution in Aid of Construction	(632,417)	$ (423,629)					$ (423,629)	$ (1,056,046)
11	Accumulated Amortization CIAC	346,223	-		-	-	-	$ -	$ 346,223
12									
13	Net CIAC (L10 + L11)	$ (286,194)	$ (423,629)	-	-	-	-	$ (423,629)	$ (709,823)
14									
15	Add:								
16	Allowance for Working Capital	$ -	-	-	-	-	-	$ -	$ -
17									
18	Net Regulatory Asset (Liability)	$ -	-	-	-	-	-	$ -	$ -
19	Rounding	$ (2)	-	-	-	-	-	$ -	$ -
20									
21									
22	Total Rate Base (L6 + L8 + L13)	$ 9,097,529	$ (49,393)	$ 25,148	$ -	$ -	$ -	$ (24,245)	$ 9,073,286
23									
24									
25	Column (A) Per Company Schedules								
26	Column (B) - RBM-6								
27	Column (C) - RBM-6, Page 2								
28	Column (G) - Sum Column (A) to (F)								
29	Column (F) - Column (A) - (G)								
30									
31									
32									

ORIGINAL COST PLANT IN SERVICE WITH COMPANY ADJUSTMENTS

		Description	(A) Original Cost	(B) RECLASSIFIED to Sewer Division	(C) RECLASSIFIED from Sewer Division	(D) Retirement Adjustments	(E) Prior Decision Conforming Adjustments	(F) Plant Reclassification	(G) Adjusted Cost
1	301	Organization Cost	-	-	-	-	-	-	-
2	302	Franchise Cost	-	-	-	-	-	-	-
3	303	Land and Land Rights	97,637	-	-	-	-	-	97,637
4	304	Structures & Improvements	2,291,996	(246,883)	3,950	(6,400)	-	(1,727,538)	315,125
5	305	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-	-	-	-	-
7	307	Wells & Springs	1,789,332	(972,509)	-	(43,942)	-	(166,182)	606,699
8	308	Infiltration Galleries	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	-	-	-	-	-	-	-
10	310	Power Generation Equipment	-	-	-	-	-	-	-
11	311	Pumping Equipment	829,942	(1,587,774)	-	(424,468)	-	3,446,101	2,263,801
12	320	Water Treatment Equipment	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	-	(713)	-	(17,634)	-	76,602	58,255
15	330	Distribution Reservoirs & Standpipes	2,707,572	-	-	-	-	(2,707,572)	-
16	330.1	Storage Tanks	-	-	-	(1,000)	-	1,103,197	1,102,197
17	330.2	Pressure Tanks	-	-	-	(11,433)	-	85,370	73,937
18	331	Transmission & Distribution Mains	3,056,451	-	9,148	-	-	(149,550)	2,916,049
19	333	Services	4,498,820	(6,613)	-	-	-	216,941	4,709,148
20	334	Meters	1,011,318	(5,144)	-	-	-	(82,972)	923,202
21	335	Hydrants	891,614	-	-	(3,000)	-	(1,233)	887,381
22	336	Backflow Prevention Devices	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	657,115	-	-	(1,687)	-	(651,188)	4,240
25	340.1	Computers & Software	-	-	-	(5,014)	-	33,493	28,479
26	341	Transportation Equipment	-	-	-	(18,572)	-	80,207	61,635
27	342	Stores Equipment	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	-	(1,423)	2,305	(24,634)	15,121	143,137	134,506
29	344	Laboratory Equipment	-	-	-	-	-	-	-
30	345	Power Operated Equipment	59,539	-	-	-	-	65,360	124,899
31	346	Communication Equipment	13,239	-	-	(10,126)	-	235,826	238,939
32	347	Miscellaneous Equipment	-	-	-	-	-	-	-
33	348	Other Tangible Plant	-	-	-	-	-	-	-
34		Const. Work in Progress	-	-	-	-	-	-	-
		TOTALS	$ 17,904,574	$ (2,821,059)	$ 15,403	$ (567,910)	$ 15,121	$ (1)	$ 14,546,128

Less: Accumulated Depreciation	(4,788,167)
Utility Plant In Service end of Test Year	$ 9,757,961

Column (A) - Original Cost per Company books prior to adjustments.
Column (B), (C), (D), (E) - Adjustments identified per Company review and testimony.

Pima Utility Company - Water Division
Docket No. W-02199A-11-0329, et al.
Test Year Ended December 31, 2010

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DIRECT PLANT AND ACCUMULATED DEPRECIATION

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Corrected Plant at 12/31/1992	Accum. Deprec. At 12/31/1992	2010 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	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	92,551	-	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	63,366	27,823	-	-	-	-	-	-	-	9,454	315,125	139,449
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	153,447	67,375	11,050	-	11,050	-	-	-	-	18,035	606,700	261,441
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	204,563	89,819	220,917	(52,091)	168,826	-	77,407	77,407	-	66,543	2,263,798	369,988
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	19,839	8,711	8,051	-	8,051	-	2,000	2,000	-	1,657	58,255	9,890
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	215,634	94,681	-	-	-	-	-	-	-	33,066	1,102,197	490,208
17	330.2	Pressure Tanks	3.00%	10,000	4,391	1,433	-	1,433	-	1,433	1,433	-	2,218	73,936	24,279
18	331	Transmission & Distribution Mains	3.00%	1,100,025	482,998	-	-	-	-	-	-	-	87,481	2,916,048	1,625,867
19	333	Services	3.00%	527,245	231,502	199,648	-	199,648	20,746	-	20,746	-	138,591	4,709,148	861,057
20	334	Meters	3.00%	162,498	71,350	29,776	-	29,776	-	-	-	-	27,249	923,202	361,691
21	335	Hydrants	3.00%	428,450	188,123	-	-	-	-	-	-	-	26,621	887,382	550,135
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	2,640	1,159	3,867	-	-	-	-	-	-	127	4,240	110
25	340.1	Computers & Software	3.00%	-	-	-	-	3,867	-	-	-	-	796	28,479	278
26	341	Transportation Equipment	3.00%	14,826	6,510	-	-	-	5,851	-	5,851	-	1,937	61,635	(51,074)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	41,317	18,141	24,539	-	24,539	-	-	-	-	3,667	134,507	34,251
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	5,239	-	5,239	-	-	-	-	3,668	124,899	34,114
31	346	Communication Equipment	3.00%	1,561	686	-	-	-	-	-	-	-	7,168	238,939	76,482
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress					-		-	-		-			
35															
36		TOTALS		3,037,962	1,293,269	504,520	(52,091)	452,429	26,597	80,840	107,437	-	428,280	14,546,127	4,788,167

Reviewed each year additions and deletions since last rate case in 1992
Calculated depreciation each year based on depreciation rate (3%) established last rate case
Results - Determined that plant balances each year and Accumulated Depreciation at the end of test year were correct.

RATE BASE ADJUSTMENT NO. 1
RECLASSIFICATION (AIAC) TO (CIAC)

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	AIAC as Company Filed	$ 374,236	$ (374,236)	$ -
2	RUCO Recommended AIAC Adjustment			$ 374,236
3	Net CIAC as Company Filed	$ 632,418	$ (423,629)	$ (1,056,047)
4	RUCO Recommended CIAC Adjustment			$ (423,629)

RUCO CIAC ADJUSTMENT CALCULATION:

5	Company Net CIAC as Filed	$ 632,418
6	RUCO's Recommended Net AIAC Conversion to CIAC as Company Filed	374,236
	Plus:	
7	Unpaid AIAC Refunds as Calculated by Company (See Co. Response to Staff Sewer DR CSB 1-12)	49,393
8	RUCO's Recommended Gross AIAC Conversion to CIAC Adjustment (Line 6 + Line 7)	$ 423,629
9	RUCO Recommended CIAC Adjustment (Line 8)	$ (423,629)

RATE BASE ADJUSTMENT NO. 2
CAPITALIZE PREVIOUSLY EXPENSED ITEMS TO PLANT ACCOUNTS

Line No.				Amount
	Reclass from Repairs and Maintneance Expense (see below)			
1				
2	Capitalize Expensed Items to NARUC Plant Accounts:			
3	311 - Pumping Equipment			$ 3,371
4	320.2 - Solution Chemicals Feeders			2,566
5	333 - Services			15,692
6				
7	**Reclass from Repairs and Maintneance Expense (see below)**			$ 21,629
8				
9	Calculation of Accumulated Depreciation			
10	Total Reclass to UPIS	$ 21,629		
11	Test Year Depreciation Rate	3%		
12	Calculated Depreciation Expense	$ 649		
13				
14	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 324	
15				
16				
17	**Reclass from Contractural Services - Engineering (see below)**			
18				
19	Capitalize Expensed Items to NARUC Plant Accounts:			
20	311 - Pumping Equipment			$ 3,902
21				
22	**Reclass from Contractural Services Expense**			$ 3,902
23				
24	Calculation of Accumulated Depreciation			
25	Total Reclass to UPIS	$ 3,902		
26	Test Year Depreciation Rate	3%		
27	Calculated Depreciation Expense	$ 117		
28				
29	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 59	
30				
31				

32	**SUMMARY**	Account Number			
33		**311**	**320.2**	**333**	**Total**
34	Reclass from Repairs and Maintneance Expense	$ 3,371	$ 2,566	$ 15,692	$ 21,629
35	Reclass from Contractural Services Expense	$ 3,902	$ -	$ -	$ 3,902
36	TOTAL RECLASS FROM EXPENSE TO UPIS	$ 7,273	$ 2,566	$ 15,692	$ 25,531

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	**Revenues**					
2	Metered Water Revenues	$ 1,970,366		$ 1,970,366	566,048	$ 2,536,414
3	Unmetered Water Revenues	-		-		-
4	Other Water Revenues	7,261		7,261		7,261
5	**Total Revenues**	1,977,627	-	1,977,627	566,048	2,543,675
6	**Operating Expenses**					
7	Salaries and Wages	220,827	-	220,827		220,827
8	Salaries and Wages - Officers and Directors	90,294	(83,209)	7,085		7,085
9	Employee Pensions and Benefits	64,900	-	64,900		64,900
10	Purchased Water	-	-	-		-
11	Purchased Power	252,454	-	252,454		252,454
12	Chemicals	16,721	-	16,721		16,721
13	Repairs and Maintenance	100,885	(21,629)	79,256		79,256
14	Office Supplies and Expense	67,321	-	67,321		67,321
15	Contractual Services - Engineering	5,283	(3,902)	1,381		1,381
16	Contractual Services - Accounting	3,067	-	3,067		3,067
17	Contractual Services - Legal	14,175	-	14,175		14,175
18	Contractual Services - Other	54,797	-	54,797		54,797
19	Contractual Services - Water Testing	18,737	-	18,737		18,737
20	Rents - Equipment	3,203	-	3,203		3,203
21	Transportation Expenses	44,637	-	44,637		44,637
22	Insurance - Vehicle	17,464	-	17,464		17,464
23	Insurance - General Liability	10,840	-	10,840		10,840
24	Insurance - Worker's Comp	1,009	-	1,009		1,009
25	Regulatory Commission Expense	3,671	-	3,671		3,671
26	Regulatory Commission Expense - Rate Case	50,000	(12,500)	37,500		37,500
27	Bad Debt Expense	4,766	-	4,766		4,766
28	Miscellaneous Expense	15,934	(6,354)	9,581		9,581
29	Depreciation Expense	686,997	(19,120)	667,877		667,877
30	Taxes Other Than Income	40,883	-	40,883		40,883
31	Property Taxes	83,358	(6,851)	76,507	7,513	84,020
32	Income Tax	(27,157)	27,157	-	-	-
33						
34	**Total Operating Expenses**	1,845,067	(126,408)	1,718,659	7,513	1,726,173
35	**Operating Income**	132,561	126,408	258,968	558,535	817,502

Column (A) and Column (B) - RBM-8
Column (C) - Sum Column (A) + (B)
Column (E) - Sum Column (C) + (D)

Pima Utility Company - Water Division
Docket No. W-02199A-11-0329, et al.
Test Year Ended December 31, 2010

Water Division
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SCHEDULE OF OPERATING INCOME - TEST YR WITH COMPANY RUCO ADJUSTMENTS

Line No.		[A] Test Year Ended 12/31/2010	(B) Depreciation IS - 1	[C] Property Taxes IS - 2	[D] Repairs and Maintenance IS - 3	(E) Contractual Engineering IS - 4	(F) Rate Case Expense IS - 5	(G) Miscellaneous Bank Fees IS - 6	(H) Shareholder Salaries IS - 7	(I) LEFT BLANK IS-8	(J) LEFT BLANK IS-9	(K) LEFT BLANK IS-10	(L) Income Tax IS - 11	(M) SUMMARY ADJUSTMENTS	(N) TEST YEAR ADJUSTED RESULTS
1	**Revenues**														
2	Metered Water Revenues	$ 1,970,366												$ -	$ 1,970,366
3	Unmetered Water Revenues	-												-	-
4	Other Water Revenues	7,261												-	7,261
5	**Total Revenues**	$ 1,977,627	$ -	$ -	$ -	$ -	$ -	$ -	$ -				$ -	$ -	$ 1,977,627
6	**Operating Expenses**														
7	Salaries and Wages	220,827												-	220,827
8	Salaries and Wages - Officers and Directors	90,294							(83,209)					(83,209)	7,085
9	Employee Pensions and Benefits	64,900												-	64,900
10	Purchased Water	-												-	-
11	Purchased Power	252,454												-	252,454
12	Chemicals	16,721												-	16,721
13	Repairs and Maintenance	100,885			(21,629)									(21,629)	79,256
14	Office Supplies and Expense	67,321												-	67,321
15	Contractual Services - Engineering	5,283				(3,902)								(3,902)	1,381
16	Contractual Services - Accounting	3,067												-	3,067
17	Contractual Services - Legal	14,175												-	14,175
18	Contractual Services - Other	54,797												-	54,797
19	Contractual Services - Water Testing	18,737												-	18,737
20	Rents - Equipment	3,203												-	3,203
21	Transportation Expenses	44,637												-	44,637
22	Insurance - Vehicle	17,464												-	17,464
23	Insurance - General Liability	10,840												-	10,840
24	Insurance - Worker's Comp	1,009												-	1,009
25	Regulatory Commission Expense	3,671												-	3,671
26	Regulatory Commission Expense - Rate Case	50,000					(12,500)							(12,500)	37,500
27	Bad Debt Expense	4,766												-	4,766
28	Miscellaneous Expense	15,934						(6,354)						(6,354)	9,581
29	Depreciation Expense	686,997	(19,120)											(19,120)	667,877
30	Taxes Other Than Income	40,883												-	40,883
31	Property Taxes	83,358		(6,851)										(6,851)	76,507
32	Income Tax	(27,157)											27,157	27,157	-
33															
34	**Total Operating Expenses**	$ 1,845,067	$ (19,120)	$ (6,851)	$ (21,629)	$ (3,902)	$ (12,500)	$ (6,354)	$ (83,209)	$ -	$ -		$ 27,157	$ (126,408)	$ 1,718,659
35	**Operating Income**	$ 132,561	$ 19,120	$ 6,851	$ 21,629	$ 3,902	$ 12,500	$ 6,354	$ 83,209	$ -	$ -	$ -	$ (27,157)	$ 126,408	$ 258,968

Column (A) RBM-9
Column (B) RBM-10
Column (C) RBM-11
Column (D) RBM-12
Column (E) RBM-13
Column (F) RBM-14

Column (G) RBM-15
Column (H) RBM-16
Column (L) RBM-18

Pima Utility Company - Water Division
Docket No. W-02199A-11-0329, et al.
Test Year Ended December 31, 2010

Water Division
Final Schedule RBM-9
Page 1

SCHEDULE OF OPERATING INCOME - TESR YR WITH COMPANY ADJUSTMENTS

Line No.		[A] Test Year Ended 12/31/2010	(B) Depreciation IS - 1	[C] Property Taxes IS - 2	[D] Rate Case Expense IS - 3	(E) Revenue Annualization IS - 4	(F) Purchased Power Misc IS - 5	(G) Annualized Purchased Power IS - 6	(H) Interest Synch. IS - 7	(I) Income Tax IS - 8	SUMMARY ADJUSTMENTS	TEST YEAR ADJUSTED RESULTS
1	**Revenues**											
2	Metered Water Revenues	$ 1,976,508				$ (6,142)					$ (6,142)	$ 1,970,366
3	Unmetered Water Revenues	-									-	-
4	Other Water Revenues	7,261									-	7,261
5	**Total Revenues**	$ 1,983,769	$ -	$ -	$ -	$ (6,142)	$ -	$ -	$ -	$ -	$ (6,142)	$ 1,977,627
6	**Operating Expenses**											
7	Salaries and Wages	220,827									-	220,827
8	Salaries and Wages - Officers and Directors	90,294									-	90,294
9	Employee Pensions and Benefits	64,900									-	64,900
10	Purchased Water	-									-	-
11	Purchased Power	228,469					27,205	(3,220)			23,985	252,454
12	Chemicals	16,721									-	16,721
13	Repairs and Maintenance	100,885									-	100,885
14	Office Supplies and Expense	67,321									-	67,321
15	Contractual Services - Engineering	5,283									-	5,283
16	Contractual Services - Accounting	3,067									-	3,067
17	Contractual Services - Legal	14,175									-	14,175
18	Contractual Services - Other	54,797									-	54,797
19	Contractual Services - Water Testing	18,737									-	18,737
20	Rents - Equipment	3,203									-	3,203
21	Transportation Expenses	44,637									-	44,637
22	Insurance - Vehicle	17,464									-	17,464
23	Insurance - General Liability	10,840									-	10,840
24	Insurance - Worker's Comp	1,009									-	1,009
25	Regulatory Commission Expense	3,671									-	3,671
26	Regulatory Commission Expense - Rate Case	-			50,000						50,000	50,000
27	Bad Debt Expense	4,766									-	4,766
28	Miscellaneous Expense	15,934									-	15,934
29	Depreciation Expense	477,551	209,446								209,446	686,997
30	Taxes Other Than Income	40,883									-	40,883
31	Property Taxes	94,465		(11,107)							(11,107)	83,358
32	Income Tax	-								(27,157)	(27,157)	(27,157)
33												
34	**Total Operating Expenses**	$ 1,599,900	$ 209,446	$ (11,107)	$ 50,000	$ -	$ 27,205	$ (3,220)	$ -	$ (27,157)	$ 245,167	$ 1,845,067
35	**Operating Income**	$ 383,870	$ (209,446)	$ 11,107	$ (50,000)	$ (6,142)	$ (27,205)	$ 3,220	$ -	$ 27,157	$ (251,309)	$ 132,561
36												
37												
38	Per Company Schedules C-1											
39												

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	(A) Original Cost	(B) ADJMT NO. 1 Expense Reclass	(C) Adjusted Original Cost	(D) Proposed Rates	(E) Depreciation Expense
1	301	Organization Cost	-		-	-	-
2	302	Franchise Cost	-		-	-	-
3	303	Land and Land Rights	97,637		97,637	-	-
4	304	Structures & Improvements	315,125		315,125	3.33%	10,494
5	305	Collecting & Impounding Reservoirs	-		-	2.50%	-
6	306	Lake, River, Canal Intakes	-		-	2.50%	-
7	307	Wells & Springs	606,699		606,699	3.33%	20,203
8	308	Infiltration Galleries	-		-	6.67%	-
9	309	Raw Water Supply Mains	-		-	2.00%	-
10	310	Power Generation Equipment	-		-	5.00%	-
11	311	Pumping Equipment	2,263,801	7,273	2,271,074	12.50%	283,884
12	320	Water Treatment Equipment	-		-	-	-
13	320.1	Water Treatment Plants	-		-	3.33%	-
14	320.2	Solution Chemical Feeders	58,255	2,566	60,821	20.00%	12,164
15	330	Distribution Reservoirs & Standpipes	-		-	-	-
16	330.1	Storage Tanks	1,102,197		1,102,197	2.22%	24,469
17	330.2	Pressure Tanks	73,937		73,937	5.00%	3,697
18	331	Transmission & Distribution Mains	2,916,048		2,916,048	2.00%	58,321
19	333	Services	4,709,148	15,692	4,724,840	3.33%	157,337
20	334	Meters	923,202		923,202	8.33%	76,903
21	335	Hydrants	887,381		887,381	2.00%	17,748
22	336	Backflow Prevention Devices	-		-	6.67%	-
23	339	Other Plant & Misc Equipment	-		-	6.67%	-
24	340	Office Furniture & Equipment	4,239		4,239	6.67%	283
25	340.1	Computers & Software	28,479		28,479	20.00%	5,696
26	341	Transportation Equipment	61,635		61,635	20.00%	12,327
27	342	Stores Equipment	-		-	4.00%	-
28	343	Tools, Shop & Garage Equipment	134,506		134,506	5.00%	6,725
29	344	Laboratory Equipment	-		-	10.00%	-
30	345	Power Operated Equipment	124,899		124,899	5.00%	6,245
31	346	Communication Equipment	238,939		238,939	10.00%	23,894
32	347	Miscellaneous Equipment	-		-	10.00%	-
33	348	Other Tangible Plant	-		-	10.00%	-
34			$ 14,546,128	$ 25,531	$ 14,571,659		$ 720,389
35							
36		Contributions in Aid of Construction	$ (1,056,046)				
37		Amortization Rate	4.9725%				$ (52,512)
38							
39		Total Depreciation Expense					$ 667,877
40							
41		Total Depreciation per Company					$ 686,997
42							
43		Test Year Decrease in Depreciation and Amortization Expense					$ (19,120)
44							
45							
46				Acct 311	Acct 320.2	Acc 333	TOTAL
47		Reclass from Repairs and Maintenance RBM-12		3,371	2,566	15,692	21,629
48		Reclass from Contractual Services - Engineering RBM-13		3,902	-	-	3,902
49							
50		TOTAL RECLASSIFICATION by ACCOUNT		$ 7,273	$ 2,566	$ 15,692	$ 25,531
51							
52							
53							
54							
55							

OPERATING INCOME ADJUSTMENT 2
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - RBM-7	$ 1,977,627	$ 1,977,627
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 3,955,255	$ 3,955,255
4	RUCO Adjusted Test Year Revenues - 2010	1,977,627	
5	RUCO Recommended Revenue, Per Schedule RBM-7		2,543,675
6	Subtotal (Line 4 + Line 5)	$ 5,932,882	$ 6,498,930
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	$ 1,977,627	$ 2,166,310
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (L8 X L9)	$ 3,955,255	$ 4,332,620
11	Plus: 10% of CWIP -	-	-
12	Less: Net Book Value of Licensed Vehicles	112,709	112,709
13	Full Cash Value (L10 + L11 + L12))	$ 3,842,546	$ 4,219,911
14	Assessment Ratio	20.0%	20.0%
15	Assessment Value (L13 X L14)	$ 768,509	$ 843,982
16	Composite Property Tax Rate (per RUCO Effective Property Tax Calculation Analysis WP)	9.9552%	9.9552%
17			
18	RUCO Proposed Property Tax Expense (L15 X L16)	$ 76,507	
19	Company Proposed Property Tax	83,358	
20			
21	RUCO Test Year Adjustment (L16 - L17)	$ (6,851)	
22	Property Tax - RUCO Recommended Revenue (L15 X L16)		$ 84,020
23	RUCO Test Year Adjusted Property Tax Expense (L18)		76,507
24	Increase/(Decrease) to Property Tax Expense		$ 7,513
25			
26	Increase/(Decrease) to Property Tax Expense		$ 7,513
27	Increase in Revenue Requirement (L5 - L4)		566,047
28	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L26 / L27)		1.3274%

OPERATING EXPENSE ADJUSTMENT NO. 3
REPAIRS AND MAINTENANCE EXPENSE ADJUSTMENT

Line No.	Reclass from Repairs and Maintenance Expense (see below)			Amount
1				
2	Capitalize Expensed Items to NARUC Plant Accounts:			
3	311 - Pumping Equipment			$ 3,371
4	333 - Services			2,566
5	320.2 - Solution Chemicals Feeders			15,692
6				
7	**Reclass from Repairs and Maintenance Expense (see below)**			$ 21,629
8				
9	Calculation of Accumulated Depreciation			
10	Total Reclass to UPIS	$ 21,629		
11	Test Year Depreciation Rate	3%		
12	Calculated Depreciation Expense	$ 649		
13				
14	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 324	
15				
16				
17				
18				
19				

20	SUMMARY	Account Number			
21		311	320.2	333	Total
22	Reclass from Repairs and Maintenance Expense	$ 3,371	$ 2,566	$ 15,692	$ 21,629
23				$ -	
24	TOTAL RECLASS FROM EXPENSE TO UPIS	$ 3,371	$ 2,566	$ 15,692	$ 21,629

OPERATING EXPENSE ADJUSTMENT NO. 4
CONTRACTURAL SERVICES - ENGINEERING

Line No.	**Reclass from Contractual Services - Engineering (see below)**				Amount
1					
2	Capitalize Expensed Items to NARUC Plant Accounts:				
3	311 - Pumping Equipment				$ 3,902
4					
5	**Reclass from Contractual Services Expense**				$ 3,902
6					
7	Calculation of Accumulated Depreciation				
8	Total Reclass to UPIS	$ 3,902			
9	Test Year Depreciation Rate	3%			
10	Calculated Depreciation Expense	$ 117			
11					
12	**One-Half Year Convention to Test Year Accumulated Depreciation**			$ 59	
13					
14					
15	**SUMMARY**	**Account Number**			
16		**311**			
17	Reclass from Contractual Services Engineering Expense	$ 3,902			
18					
19	TOTAL RECLASS FROM EXPENSE TO UPIS	$ 3,902			

OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE ADJUSTMENT

Line No.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense - Water Division	$ 200,000	$ (50,000)	$ 150,000
2				
3	Amortization Period - 3 years			4
4				
5	RUCO Rate Case Expense Recommended Per Year			$ 37,500
6				
7				
8				
9				
10	Rate Case Expense as filed By Company Per Year		$ 50,000	
11				
12	Rate Case Expense as Recommended by RUCO Per Year		$ 37,500	
13				
14	Rate Case Expense Adjustment		$ 12,500	
15				
16				
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35				
36				
37				

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE - BANK ANALYSIS FEES

Line No.	Description	Date		Amount
1				
2	JPMorgan Chase Bank	Jan. 2010	$	1,067
3	JPMorgan Chase Bank	Feb. 2010		913
4	JPMorgan Chase Bank	Mar. 2010		1,097
5	JPMorgan Chase Bank	Apr. 2010		1,136
6	JPMorgan Chase Bank	May 2010		1,069
7	JPMorgan Chase Bank	Jun. 2010		1,066
8	JPMorgan Chase Bank	Jul. 2010		1,015
9	JPMorgan Chase Bank	Aug. 2010		1,073
10	JPMorgan Chase Bank	Sep. 2010		1,080
11	JPMorgan Chase Bank	Oct. 2010		1,068
12	JPMorgan Chase Bank	Nov. 2010		1,007
13	JPMorgan Chase Bank	Dec. 2010		1,116
14				
15	Total Bank Charges Recorded 100% to Water Division (Per Staff DR 1.38)		$	12,707
16				
17	RUCO Miscellaneous Expense Adjustment to Water Division (Line 15 X -50%)		$	(6,354)
18				
19	RUCO Miscellaneous Expense Adjustment to Sewer Division (Line 15 X 50%)		$	6,354

Per Company Data Response Bank Fees to be charged 50% to Water and50% to Waste Water. All were recorded to Water Division.

OPERATING INCOME ADJUSTMENT NO. 7
SHAREHOLDER SALARIES

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Salaries and Wages Expenses - Officer and Director	$ 90,294	$ 83,209	$ 7,085
2	RUCO Adjustment			$ (83,209)

RUCO OFFICER SALARY ADJUSTMENT CALCULATION:

3	Company as Filed Salary and Wage Expense - Officer and Director	$ 90,294
4	Number of Hours Worked for Water Division per Company Response to Staff DR 1.29	56.68
5	Hourly Chargeable Rate to Water Davison per Company Response to Staff 1.29 (L3 / L 4)	$ 1,593
6	RUCO Recommended Hourly Pay Rate	$ 125
7	RUCO Recommended Salary and Wage Expense (L4 X L6)	$ 7,085

OPERATING INCOME ADJUSTMENT NO. 8, 9,10
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OPERATING INCOME ADJUSTMENT NO. 11
INCOME TAX EXPENSE

Line No.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Income Tax Expense	$ (27,157)	$ 27,157	$ -
2				
3				
4				
5	RUCO Recommended Income Tax Expense			$ -
6				
7				
8				
9				
10				
11				
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37				

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 6,125,000	22.53%	7.696%	1.73%
2					
3	Common Equity	21,063,072	77.47%	9.400%	7.28%
4					
5	Total Capitalization	$ 27,188,072	100.00%		
6					
7					
8	WEIGHTED AVERAGE COST OF CAPITAL				9.01%

References:
Columns (A) Thru (D): WAR Testimony

PIMA WATER DIVISION

RATE DESIGN

TABLE OF CONTENTS TO RBM RATE DESIGN SCHEDULES

SCH NO.	TITLE
	RESIDENTIAL RATE DESIGN
RBM RD - 1	REVENUE COMPARISON - RESIDENTIAL
RBM RD - 2	RECOMMENDED RATES
RBM RD - 3	MONTHLY MINIMUM CHARGES
RBM RD - 4	BILLING ANALYSIS - PRESENT RATES
RBM RD -5	BILLING ANALYSIS -RUCO RECOMMENDED
RBM RD - 6	RUCO RECOMMENDED CHANGES IN DOLLARS
RBM RD - 7	REVENUE BY METER SIZE
	COMMERCIAL RATE DESIGN
RBM RD - 1	REVENUE COMPARISON - COMMERCIAL
RBM RD - 2	RECOMMENDED RATES
RBM RD - 3	MONTHLY MINIMUM CHARGES
RBM RD - 4	BILLING ANALYSIS - PRESENT RATES
RBM RD -5	BILLING ANALYSIS -RUCO RECOMMENDED
RBM RD - 6	RUCO RECOMMENDED CHANGES IN DOLLARS
RBM RD - 7	REVENUE BY METER SIZE
	IRRIGATION RATE DESIGN
RBM RD - 1	REVENUE COMPARISON - IRRIGATION
RBM RD - 2	RECOMMENDED RATES
RBM RD - 3	MONTHLY MINIMUM CHARGES
RBM RD - 4	BILLING ANALYSIS
RBM RD -5	REVENUE BY METER SIZE

Pima Utility Company - Water Division
Test Year Ending December 31, 2010
Revenue Comparison - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD-1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 666,421	$ 608,027	$ 1,274,448	$ 860,840	$ 930,731	$ 1,791,571	$ 721,268	$ 858,141	$ 1,579,409
2	3/4 - INCH	-	-	-	-	-	-	-	-	-
3	1 - INCH	42,816	74,270	117,086	54,651	115,181	169,832	46,197	104,571	150,768
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 709,237	$ 682,296	$ 1,391,533	$ 915,492	$ 1,045,912	$ 1,961,404	$ 767,465	$ 962,713	$ 1,730,177
12	PERCENTAGE	50.97%	49.03%	100.00%	46.68%	53.32%	100.00%	44.36%	55.64%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	**(Residential Customers)**			
4	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 6.17
5	3/4 - INCH	$ 5.70	$ 7.36	$ 6.17
6	1 - INCH	$ 16.00	$ 20.67	$ 17.47
7	1 1/2 - INCH	$ 21.00	$ 27.13	$ 22.92
8	2 - INCH	$ 26.00	$ 33.59	$ 28.40
9	3 - INCH	$ 40.00	$ 51.68	$ 43.75
10	4 - INCH	$ 52.00	$ 67.18	$ 56.90
11	6 - INCH	$ 100.00	$ 129.20	$ 109.51
12	8 - INCH	$ -	$ -	$ -
13	10 - INCH	$ -	$ -	$ -
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	**(Residential Customers)**	1,000	-	-
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 4,000 GALLONS:	$ 0.92	$ 0.96	$ 0.91
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 4,001 TO 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.25
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ -	$ 1.86	$ 1.67
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 4,000 GALLONS:	$ 0.92	$ 0.96	$ 0.89
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.23
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ -	$ 1.86	$ 1.66
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 25,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 25,000 GALLONS:	$ 1.08	$ 1.86	$ 1.67
34				
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 50,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 50,000 GALLONS:	$ 1.08	$ 1.86	$ 1.67
39				
40	2 - INCH			
41	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 80,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	$ 1.08	$ 1.86	$ 1.67
43				
44	3 - INCH			
45	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 180,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
46	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 180,000 GALLONS:	$ 1.08	$ 1.86	$ 1.67
47	4 - INCH			
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 250,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 250,000 GALLONS:	$ 1.08	$ 1.86	$ 1.67
50	6 - INCH			
51	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 500,000 GALLONS:	$ 0.92	$ 1.36	$ 1.25
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 50,000 GALLONS:	$ 1.08	$ 1.85	$ 1.66

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 1.66	29.12%	$ 6.17	$ 0.47	8.19%
2	3/4 - INCH	5.70	7.36	1.66	29.12%	6.17	0.47	8.19%
3	1 - INCH	16.00	20.67	4.67	29.19%	17.47	1.47	9.20%
4	1 1/2 - INCH	21.00	27.13	6.13	29.19%	22.92	1.92	9.15%
5	2 - INCH	26.00	33.59	7.59	29.19%	28.40	2.40	9.24%
6	3 - INCH	40.00	51.68	11.68	29.20%	43.75	3.75	9.37%
7	4 - INCH	52.00	67.18	15.18	29.19%	56.90	4.90	9.42%
8	6 - INCH	100.00	129.20	29.20	29.20%	109.51	9.51	9.51%
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present Rates - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$5.70	5.70	$16.00	21.00	26.00	40.00	52.00	100.00
2	1,000	5.70	5.70	16.00	22.08	27.08	41.08	53.08	101.08
3	2,000	6.62	6.62	16.92	23.16	28.16	42.16	54.16	102.16
4	3,000	7.54	7.54	17.84	24.24	29.24	43.24	55.24	103.24
5	4,000	8.46	8.46	18.76	25.32	30.32	44.32	56.32	104.32
6	5,000	9.38	9.38	19.68	26.40	31.40	45.40	57.40	105.40
7	6,000	10.30	10.30	20.60	27.48	32.48	46.48	58.48	106.48
8	7,000	11.22	11.22	21.52	28.56	33.56	47.56	59.56	107.56
9	8,000	12.14	12.14	22.44	29.64	34.64	48.64	60.64	108.64
10	9,000	13.06	13.06	23.36	30.72	35.72	49.72	61.72	109.72
11	10,000	13.98	13.98	24.28	31.80	36.80	50.80	62.80	110.80
12	15,000	19.38	15.06	29.68	37.20	42.20	56.20	68.20	116.20
13	20,000	24.78	16.14	35.08	42.60	47.60	61.60	73.60	121.60
14	25,000	30.18	17.22	40.48	48.00	53.00	67.00	79.00	127.00
15	50,000	57.18	18.30	67.48	75.00	80.00	94.00	106.00	154.00
16	75,000	84.18	19.38	94.48	102.00	107.00	121.00	133.00	181.00
17	100,000	111.18	20.46	121.48	129.00	134.00	148.00	160.00	208.00
18	125,000	138.18	21.54	148.48	156.00	161.00	175.00	187.00	235.00
19	150,000	165.18	22.62	175.48	183.00	188.00	202.00	214.00	262.00
20	175,000	192.18	23.70	202.48	210.00	215.00	229.00	241.00	289.00
21	200,000	219.18	24.78	229.48	237.00	242.00	256.00	268.00	316.00
22	250,000	273.18	25.86	283.48	291.00	296.00	310.00	322.00	370.00
23	500,000	543.18	26.94	553.48	561.00	566.00	580.00	592.00	640.00
24	1,000,000	1,083.18	28.02	1,093.48	1,101.00	1,106.00	1,120.00	1,132.00	1,180.00
25	2,000,000	2,163.18	29.10	2,173.48	2,181.00	2,186.00	2,200.00	2,212.00	2,260.00
26	3,000,000	3,243.18	30.18	3,253.48	3,261.00	3,266.00	3,280.00	3,292.00	3,340.00
27	4,000,000	4,323.18	31.26	4,333.48	4,341.00	4,346.00	4,360.00	4,372.00	4,420.00
28	5,000,000	5,403.18	32.34	5,413.48	5,421.00	5,426.00	5,440.00	5,452.00	5,500.00
29									
30									
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-
32									
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-
34	MONTHLY BILL:	$10.66	-	$44.05	-	-	-	-	-
35									
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-
37	MONTHLY BILL:	$8.92	-	$37.78	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	$6.17	$6.17	$17.47	$22.92	$28.40	$43.75	$56.90	$109.51	-	-
2	1,000	7.07	7.07	18.72	24.17	29.65	44.99	58.14	110.75	-	-
3	2,000	7.98	7.98	19.96	25.41	30.89	46.24	59.39	112.00	-	-
4	3,000	8.88	8.88	21.21	26.66	32.14	47.48	60.63	113.24	-	-
5	4,000	9.79	9.79	22.45	27.90	33.38	48.73	61.88	114.49	-	-
6	5,000	11.04	11.04	23.70	29.57	35.05	50.40	63.55	116.15	-	-
7	6,000	12.28	12.28	24.94	31.24	36.72	52.07	65.22	117.81	-	-
8	7,000	13.53	13.53	26.19	32.91	38.39	53.74	66.89	119.47	-	-
9	8,000	14.77	14.77	27.44	34.58	40.06	55.41	68.56	121.13	-	-
10	9,000	16.02	16.02	28.68	36.25	41.73	57.08	70.23	122.79	-	-
11	10,000	17.26	17.26	29.93	37.92	43.40	58.75	71.90	124.46	-	-
12	15,000	25.61	25.61	36.15	46.27	51.75	67.09	80.24	132.76	-	-
13	20,000	33.96	33.96	42.38	54.62	60.10	75.44	88.59	141.07	-	-
14	25,000	42.31	42.31	48.61	62.96	68.44	83.79	96.94	149.37	-	-
15	50,000	84.05	84.05	90.35	104.70	110.18	125.53	138.68	190.90	-	-
16	75,000	125.78	125.78	132.08	146.44	151.92	167.27	180.42	232.42	-	-
17	100,000	167.52	167.52	173.82	188.18	193.66	209.01	222.15	273.95	-	-
18	125,000	209.26	209.26	215.56	229.92	235.40	250.74	263.89	315.48	-	-
19	150,000	251.00	251.00	257.30	271.66	277.14	292.48	305.63	357.00	-	-
20	175,000	292.74	292.74	299.04	313.40	318.88	334.22	347.37	398.53	-	-
21	200,000	334.48	334.48	340.78	355.14	360.62	375.96	389.11	440.06	-	-
22	250,000	417.96	417.96	424.26	438.61	444.09	459.44	472.59	523.11	-	-
23	500,000	835.34	835.34	841.64	856.00	861.48	876.83	889.97	938.38	-	-
24	1,000,000	1,670.12	1,670.12	1,676.42	1,690.78	1,696.26	1,711.60	1,724.75	1,768.91	-	-
25	2,000,000	3,339.67	3,339.67	3,345.97	3,360.32	3,365.80	3,381.15	3,394.30	3,429.98	-	-
26	3,000,000	5,009.22	5,009.22	5,015.52	5,029.87	5,035.35	5,050.70	5,063.85	5,091.04	-	-
27	4,000,000	6,678.77	6,678.77	6,685.07	6,699.42	6,704.90	6,720.25	6,733.40	6,752.11	-	-
28	5,000,000	8,348.31	8,348.31	8,354.62	8,368.97	8,374.45	8,389.80	8,402.95	8,413.18	-	-
29											
30											
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-	-	-
32											
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-	-	-
34	MONTHLY BILL:	$12.77	-	$54.12	-	-	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-	-	-
37	MONTHLY BILL:	$10.41	-	$45.49	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$0.47	$0.47	$1.47	$1.92	$2.40	$3.75	$4.90	$9.51
2	1,000	1.37	1.37	2.72	2.09	2.57	3.91	5.06	9.67
3	2,000	1.36	1.36	3.04	2.25	2.73	4.08	5.23	9.84
4	3,000	1.34	1.34	3.37	2.42	2.90	4.24	5.39	10.00
5	4,000	1.33	1.33	3.69	2.58	3.06	4.41	5.56	10.17
6	5,000	1.66	1.66	4.02	3.17	3.65	5.00	6.15	10.75
7	6,000	1.98	1.98	4.34	3.76	4.24	5.59	6.74	11.33
8	7,000	2.31	2.31	4.67	4.35	4.83	6.18	7.33	11.91
9	8,000	2.63	2.63	5.00	4.94	5.42	6.77	7.92	12.49
10	9,000	2.96	2.96	5.32	5.53	6.01	7.36	8.51	13.07
11	10,000	3.28	3.28	5.65	6.12	6.60	7.95	9.10	13.66
12	15,000	6.23	10.55	6.47	9.07	9.55	10.89	12.04	16.56
13	20,000	9.18	17.82	7.30	12.02	12.50	13.84	14.99	19.47
14	25,000	12.13	25.09	8.13	14.96	15.44	16.79	17.94	22.37
15	50,000	26.87	65.75	22.87	29.70	30.18	31.53	32.68	36.90
16	75,000	41.60	106.40	37.60	44.44	44.92	46.27	47.42	51.42
17	100,000	56.34	147.06	52.34	59.18	59.66	61.01	62.15	65.95
18	125,000	71.08	187.72	67.08	73.92	74.40	75.74	76.89	80.48
19	150,000	85.82	228.38	81.82	88.66	89.14	90.48	91.63	95.00
20	175,000	100.56	269.04	96.56	103.40	103.88	105.22	106.37	109.53
21	200,000	115.30	309.70	111.30	118.14	118.62	119.96	121.11	124.06
22	250,000	144.78	392.10	140.78	147.61	148.09	149.44	150.59	153.11
23	500,000	292.16	808.40	288.16	295.00	295.48	296.83	297.97	298.38
24	1,000,000	586.94	1,642.10	582.94	589.78	590.26	591.60	592.75	588.91
25	2,000,000	1,176.49	3,310.57	1,172.49	1,179.32	1,179.80	1,181.15	1,182.30	1,169.98
26	3,000,000	1,766.04	4,979.04	1,762.04	1,768.87	1,769.35	1,770.70	1,771.85	1,751.04
27	4,000,000	2,355.59	6,647.51	2,351.59	2,358.42	2,358.90	2,360.25	2,361.40	2,332.11
28	5,000,000	2,945.13	8,315.97	2,941.14	2,947.97	2,948.45	2,949.80	2,950.95	2,913.18
29									
30									
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-
32									
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-
34	MONTHLY BILL:	$2.11	-	$10.07	-	-	-	-	-
35									
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-
37	MONTHLY BILL:	$1.49	-	$7.71	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Residential

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 7

Residential

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	$721,268	$858,141	$ 1,579,409
2	3/4 - INCH	-	-	-
3	1 - INCH	46,197	104,571	150,768
4	1 1/2 - INCH	-	-	-
5	2 - INCH	-	-	-
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 767,465	$ 962,713	$ 1,730,177
12	PERCENTAGE OF TOTAL REVENUE	44.36%	55.64%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Comparison - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 4,304	$ 21,701	$ 26,004	$ 5,557	$ 35,427	$ 40,984	$ 4,710	$ 32,332	$ 37,042
2	3/4 - INCH	211	1,589	1,800	353	1,896	2,249	299	1,759	2,058
3	1 - INCH	8,736	20,516	29,252	11,286	32,038	43,324	9,565	29,161	38,726
4	1 1/2 - INCH	2,814	7,886	10,700	3,635	11,758	15,393	3,081	10,659	13,740
5	2 - INCH	30,134	179,125	209,259	38,931	280,332	319,263	32,996	251,070	284,066
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 46,198	$ 230,817	$ 277,015	$ 59,762	$ 361,451	$ 421,214	$ 50,652	$ 324,981	$ 375,632
12	PERCENTAGE	16.68%	83.32%	100.00%	14.19%	85.81%	100.00%	13.48%	86.52%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	**(Commercial Customers)**			
4	5/8 X 3/4 - INCH	$5.70	$7.36	$6.24
5	3/4 - INCH	5.70	7.36	6.24
6	1 - INCH	16.00	20.67	17.52
7	1 1/2 - INCH	21.00	27.13	22.99
8	2 - INCH	26.00	33.59	28.47
9	3 - INCH	40.00	51.68	43.80
10	4 - INCH	52.00	67.18	56.94
11	6 - INCH	100.00	129.20	109.50
12	8 - INCH	-	-	-
13	10 - INCH	-	-	-
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	**(Commercial Customers)**	1,000	-	-
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 10,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
24				
25	3/4 - INCH			
26	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 10,000 GALLONS:	$ 0.92	$ 0.96	$ 0.89
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.22
28				
29				
30	1 - INCH			
31	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 25,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 25,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
33				
34	1 1/2 - INCH			
35	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 50,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
36	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 50,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
37				
38	2 - INCH			
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 80,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
40	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
41				
42	3 - INCH			
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 160,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 160,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
45				
46	4 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 250,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 250,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65
49				
50	6 - INCH			
51	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 500,000 GALLONS:	$ 0.92	$ 1.36	$ 1.22
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 500,000 GALLONS:	$ 1.08	$ 1.86	$ 1.65

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schdule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 1.66	29.12%	$ 6.24	$ 0.54	9.44%
2	3/4 - INCH	5.70	7.36	1.66	29.12%	6.24	0.54	9.44%
3	1 - INCH	16.00	20.67	4.67	29.19%	17.52	1.52	9.49%
4	1 1/2 - INCH	21.00	27.13	6.13	29.19%	22.99	1.99	9.50%
5	2 - INCH	26.00	33.59	7.59	29.19%	28.47	2.47	9.50%
6	3 - INCH	40.00	51.68	11.68	29.20%	43.80	3.80	9.50%
7	4 - INCH	52.00	67.18	15.18	29.19%	56.94	4.94	9.50%
8	6 - INCH	100.00	129.20	29.20	29.20%	109.50	9.50	9.50%
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present Rates - Commercial

Docket No. W02199A-11-0329 et al.
Summary Schedule RBM RD - 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$5.70	$5.70	$16.00	$21.00	$26.00	$40.00	$52.00	$100.00
2	1,000	6.62	6.62	16.92	21.92	26.92	40.92	52.92	100.92
3	2,000	7.54	7.54	17.84	22.84	27.84	41.84	53.84	101.84
4	3,000	8.46	8.46	18.76	23.76	28.76	42.76	54.76	102.76
5	4,000	9.38	9.38	19.68	24.68	29.68	43.68	55.68	103.68
6	5,000	10.30	10.30	20.60	25.60	30.60	44.60	56.60	104.60
7	6,000	11.22	11.22	21.52	26.52	31.52	45.52	57.52	105.52
8	7,000	12.14	12.14	22.44	27.44	32.44	46.44	58.44	106.44
9	8,000	13.06	13.06	23.36	28.36	33.36	47.36	59.36	107.36
10	9,000	13.98	13.98	24.28	29.28	34.28	48.28	60.28	108.28
11	10,000	14.90	14.90	25.20	30.20	35.20	49.20	61.20	109.20
12	15,000	20.30	20.30	30.60	35.60	40.60	54.60	66.60	114.60
13	20,000	25.70	25.70	36.00	41.00	46.00	60.00	72.00	120.00
14	25,000	31.10	31.10	41.40	46.40	51.40	65.40	77.40	125.40
15	50,000	58.10	58.10	68.40	73.40	78.40	92.40	104.40	152.40
16	75,000	85.10	85.10	95.40	100.40	105.40	119.40	131.40	179.40
17	100,000	112.10	112.10	122.40	127.40	132.40	146.40	158.40	206.40
18	125,000	139.10	139.10	149.40	154.40	159.40	173.40	185.40	233.40
19	150,000	166.10	166.10	176.40	181.40	186.40	200.40	212.40	260.40
20	175,000	193.10	193.10	203.40	208.40	213.40	227.40	239.40	287.40
21	200,000	220.10	220.10	230.40	235.40	240.40	254.40	266.40	314.40
22	250,000	274.10	274.10	284.40	289.40	294.40	308.40	320.40	368.40
23	500,000	544.10	544.10	554.40	559.40	564.40	578.40	590.40	638.40
24	1,000,000	1,084.10	1,084.10	1,094.40	1,099.40	1,104.40	1,118.40	1,130.40	1,178.40
25	2,000,000	2,164.10	2,164.10	2,174.40	2,179.40	2,184.40	2,198.40	2,210.40	2,258.40
26	3,000,000	3,244.10	3,244.10	3,254.40	3,259.40	3,264.40	3,278.40	3,290.40	3,338.40
27	4,000,000	4,324.10	4,324.10	4,334.40	4,339.40	4,344.40	4,358.40	4,370.40	4,418.40
28	5,000,000	5,404.10	5,404.10	5,414.40	5,419.40	5,424.40	5,438.40	5,450.40	5,498.40
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$33.76	$38.10	$52.95	$79.54	$180.32	-	-	-
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$12.12	$9.79	$25.90	$52.34	$100.70	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$6.24	$6.24	$17.52	$22.99	$28.47	$43.80	$56.94	$109.50
2	1,000	7.46	7.12	18.74	24.22	29.69	45.02	58.16	110.73
3	2,000	8.69	8.01	19.97	25.44	30.92	46.25	59.39	111.95
4	3,000	9.91	8.89	21.19	26.67	32.14	47.47	60.61	113.18
5	4,000	11.13	9.78	22.41	27.89	33.36	48.70	61.83	114.40
6	5,000	12.36	10.66	23.64	29.11	34.59	49.92	63.06	115.62
7	6,000	13.58	11.55	24.86	30.34	35.81	51.15	64.28	116.85
8	7,000	14.81	12.43	26.09	31.56	37.04	52.37	65.51	118.07
9	8,000	16.03	13.32	27.31	32.79	38.26	53.59	66.73	119.30
10	9,000	17.25	14.20	28.54	34.01	39.49	54.82	67.96	120.52
11	10,000	18.48	15.09	29.76	35.23	40.71	56.04	69.18	121.74
12	15,000	26.72	21.21	35.88	41.36	46.83	62.16	75.30	127.87
13	20,000	34.96	27.33	42.00	47.48	52.95	68.28	81.42	133.99
14	25,000	43.20	33.45	48.12	53.60	59.07	74.40	87.54	140.11
15	50,000	84.40	64.06	89.32	84.20	89.68	105.01	118.15	170.71
16	75,000	125.60	94.66	130.52	125.40	120.28	135.61	148.75	201.32
17	100,000	166.79	125.26	171.72	166.60	159.36	166.22	179.35	231.92
18	125,000	207.99	155.87	212.92	207.80	200.56	196.82	209.96	262.52
19	150,000	249.19	186.47	254.12	249.00	241.76	227.43	240.56	293.13
20	175,000	290.39	217.08	295.31	290.20	282.96	264.39	271.17	323.73
21	200,000	331.59	247.68	336.51	331.39	324.16	305.59	301.77	354.34
22	250,000	413.99	308.89	418.91	413.79	406.55	387.98	362.98	415.55
23	500,000	825.97	614.93	830.90	825.78	818.54	799.97	774.97	721.59
24	1,000,000	1,649.95	1,227.02	1,654.88	1,649.76	1,642.52	1,623.95	1,598.95	1,545.57
25	2,000,000	3,297.90	2,451.20	3,302.83	3,297.71	3,290.47	3,271.90	3,246.90	3,193.52
26	3,000,000	4,945.85	3,675.37	4,950.78	4,945.66	4,938.42	4,919.85	4,894.85	4,841.47
27	4,000,000	6,593.81	4,899.55	6,598.73	6,593.61	6,586.37	6,567.80	6,542.80	6,489.42
28	5,000,000	8,241.76	6,123.72	8,246.68	8,241.56	8,234.33	8,215.76	8,190.75	8,137.37
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$47.26	$41.39	$65.75	$93.57	$232.49	$43.80	$56.94	$109.50
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$14.78	$10.17	$30.55	$60.33	$114.95	$43.80	$56.94	$109.50

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$0.54	$0.54	$1.52	$1.99	$2.47	$3.80	$4.94	$9.50
2	1,000	0.84	0.50	1.82	2.30	2.77	4.10	5.24	9.81
3	2,000	1.15	0.47	2.13	2.60	3.08	4.41	5.55	10.11
4	3,000	1.45	0.43	2.43	2.91	3.38	4.71	5.85	10.42
5	4,000	1.75	0.40	2.73	3.21	3.68	5.02	6.15	10.72
6	5,000	2.06	0.36	3.04	3.51	3.99	5.32	6.46	11.02
7	6,000	2.36	0.33	3.34	3.82	4.29	5.63	6.76	11.33
8	7,000	2.67	0.29	3.65	4.12	4.60	5.93	7.07	11.63
9	8,000	2.97	0.26	3.95	4.43	4.90	6.23	7.37	11.94
10	9,000	3.27	0.22	4.26	4.73	5.21	6.54	7.68	12.24
11	10,000	3.58	0.19	4.56	5.03	5.51	6.84	7.98	12.54
12	15,000	6.42	0.91	5.28	5.76	6.23	7.56	8.70	13.27
13	20,000	9.26	1.63	6.00	6.48	6.95	8.28	9.42	13.99
14	25,000	12.10	2.35	6.72	7.20	7.67	9.00	10.14	14.71
15	50,000	26.30	5.96	20.92	10.80	11.28	12.61	13.75	18.31
16	75,000	40.50	9.56	35.12	25.00	14.88	16.21	17.35	21.92
17	100,000	54.69	13.16	49.32	39.20	26.96	19.82	20.95	25.52
18	125,000	68.89	16.77	63.52	53.40	41.16	23.42	24.56	29.12
19	150,000	83.09	20.37	77.72	67.60	55.36	27.03	28.16	32.73
20	175,000	97.29	23.98	91.91	81.80	69.56	36.99	31.77	36.33
21	200,000	111.49	27.58	106.11	95.99	83.76	51.19	35.37	39.94
22	250,000	139.89	34.79	134.51	124.39	112.15	79.58	42.58	47.15
23	500,000	281.87	70.83	276.50	266.38	254.14	221.57	184.57	83.19
24	1,000,000	565.85	142.92	560.48	550.36	538.12	505.55	468.55	367.17
25	2,000,000	1,133.80	287.10	1,128.43	1,118.31	1,106.07	1,073.50	1,036.50	935.12
26	3,000,000	1,701.75	431.27	1,696.38	1,686.26	1,674.02	1,641.45	1,604.45	1,503.07
27	4,000,000	2,269.71	575.45	2,264.33	2,254.21	2,241.97	2,209.40	2,172.40	2,071.02
28	5,000,000	2,837.66	719.62	2,832.28	2,822.16	2,809.93	2,777.36	2,740.35	2,638.97
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$13.50	$3.29	$12.80	$14.03	$52.17	-	-	-
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$2.66	$0.38	$4.65	$7.99	$14.25	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Commercial

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 7

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	$4,710	$32,332	$ 37,042
2	3/4 - INCH	299	1,759	2,058
3	1 - INCH	9,565	29,161	38,726
4	1 1/2 - INCH	3,081	10,659	13,740
5	2 - INCH	32,996	251,070	284,066
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 50,652	$ 324,981	$ 375,632
12	PERCENTAGE OF TOTAL REVENUE	13.48%	86.52%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Comparison - Irrigation

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	All Sizes	9,540	302,502	312,042	12,323	588,198	600,520	10,453	420,141	430,594
2	TOTALS	$ 9,540	$ 302,502	$ 312,042	$ 12,323	$ 588,198	$ 600,520	$ 10,453	$ 420,141	$ 430,594
3	PERCENTAGE	3.06%	96.94%	100.00%	2.05%	97.95%	100.00%	2.43%	97.57%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates- Irrigation

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2	All Sizes	180.00	232.50	197.23
3				
4	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**	100,000	-	-
5				
6				
7				
8	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
9				
10				
11	All Sizes			
12	COMMODITY RATE (All Gallons)	$ 0.36	$ 0.70	$ 0.50
13				
14				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Irrigation

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	All Sizes	180.00	232.50	52.50	29.17%	197.23	17.23	9.57%
2	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	100,000	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present and RUCO Recommended - Irrigation

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 4

Billing Analysis

LINE NO.	CONSUMPTION IN GALLONS	(A) PRESENT RATES	RUCO REOMMENDED
1	0	$180.00	$197.23
2	1,000	180.00	197.23
3	2,000	180.36	197.73
4	3,000	180.72	198.23
5	4,000	181.08	198.73
6	5,000	181.44	199.23
7	6,000	181.80	199.73
8	7,000	182.16	200.23
9	8,000	182.52	200.73
10	9,000	182.88	201.23
11	10,000	183.24	201.73
12	15,000	185.04	204.23
13	20,000	186.84	206.73
14	25,000	188.64	209.23
15	50,000	197.64	221.73
16	75,000	206.64	234.23
17	100,000	215.64	246.73
18	125,000	224.64	259.23
19	150,000	233.64	271.73
20	175,000	242.64	284.23
21	200,000	251.64	296.73
22	250,000	269.64	321.73
23	500,000	359.64	446.73
24	1,000,000	539.64	696.73
25	2,000,000	899.64	1196.73
26	3,000,000	1259.64	1696.73
27	4,000,000	1619.64	2196.73
28	5,000,000	1979.64	2696.73
29			
30			
31	AVG. NO. OF CUST:	4	4
32			
33	AVG. USE (GAL.):	15,854,381	15,854,381
34	MONTHLY BILL:	$5,887.22	$8,123.92
35			
36	MEDIAN USE (GAL.) :	8,864,900	8,864,900
37	MONTHLY BILL:	$3,371.00	$4,629.18

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Irrigation

Docket No. W-02199A-11-0329 et al.
Summary Schedule RBM RD - 5

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1				
2				
3				
4				
5	All Sizes			
6		10,453	420,141	430,594
7				
8				
9				
10				
11	TOTALS	$ 10,453	$ 420,141	$ 430,594
12	PERCENTAGE OF TOTAL REVENUE	2.43%	97.57%	100.00%

EXHIBIT
RUCO-4
ADMITTED
PENGAD 800-631-6989

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

SURREBUTTAL TESTIMONY

OF

ROBERT B. MEASE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MAY 18, 2012

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EXECUTIVE SUMMARY

Pima Utility Company ("Pima" or "Company") is a Class B public service water and wastewater corporation organized as an S corporation under Subtitle A, Chapter 1, Subchapter S of the Internal Revenue Code. The Company serves approximately 10,188 water customers in portions of Maricopa County, Arizona.

The Residential Utility Consumers Office (RUCO) has reviewed Pima's rebuttal testimony as it pertains to the water division and has made several adjustments based on additional information provided by the Company. The following tables present the rate base and the proposed gross revenue increase, for Pima's Water Division as initially filed in the Company's Application, their adjusted rate base and increase in gross revenue as proposed in their rebuttal testimony and RUCO's surrebuttal recommendations.

Fair Value Rate Base

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendations
$9,097,529	$9,073,324	$9,073,286

In their rebuttal testimony the Company is requesting an 8.29% rate of return on the Fair Value Rate Base (FVRB) of $9,073,324 shown above, while RUCO is recommending a 7.58% rate of return on its recommended rate base of $9,073,286.

Increase in Gross Revenue Requirements

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendations
$1,023,565	$713,480	$416,636
51.76% Increase	36.08% Increase	21.07% Increase

After reviewing the Company's rebuttal filing RUCO agrees with several of the adjustments that the Company has proposed. Specific adjustments that RUCO and the Company do not agree include salaries officers and directors, income tax recoveries and the required rate of return on the fair value rate base.

Using RUCO's surrebuttal revenue requirement and rate design, the average residential 5/8 x 3/4 meter customer would have a typical bill of $11.99 which is $1.33 or 12.48% higher than the current bill of $10.66.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Robert B. Mease. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Have you previously provided testimony regarding this docket?

A. Yes. I filed testimony on this docket on March 27, 2012.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony will address the Company's rebuttal proposals and comments pertaining to adjustments I recommended in my direct testimony. I will also present additional adjustments to test year operating income items resulting from additional information provided by the Company in its rebuttal testimony.

REVENUE REQUIREMENTS

Q. Can you please summarize the results of RUCO's analysis of the Company's rebuttal testimony and identify RUCO's surrebuttal recommended revenue requirements?

A. RUCO's summarized revenue requirements for the Company's Water Division is as follows:

	REVENUE Requirement	Increase	Percent
Company Direct	$ 3,001,192	$ 1,023,565	51.76%
Company Rebuttal	$ 2,691,108	$ 713,480	36.08%
RUCO Direct	$ 2,543,675	$ 566,048	28.62%
RUCO Surrebuttal	$ 2,394,262	$ 416,636	21.07%

SUMMARY OF SURREBUTTAL TESTIMONY

Q. What areas will you address in your surrebuttal testimony?

A. My surrebuttal testimony will address RUCO's recommended rate base and operating income adjustments for the Company's Water Division.

Q. Please identify the exhibits you are sponsoring in your surrebuttal testimony.

A. I am sponsoring schedules numbered RBM-1 through RBM-19 for the determination of the water division's revenue requirement and schedules RBM RD-1 through RBM RD-7 for the establishment of the recommended rate design for residential and commercial ratepayers. I am also sponsoring schedules RBM RD-1 through RBM RD-5 for the irrigation ratepayers.

SUMMARY OF ADJUSTMENTS

Q. After reviewing the Company's rebuttal testimony, did RUCO and the Company find areas of agreement?

A. Yes. RUCO and the Company are in agreement on several of the recommendations made by RUCO for the Water Division including the following:

Rate Base Adjustment #1 – Convert Advances In Aid of Construction (AIAC) to Contribution in Aid of Construction (CIAC)

Rate Base Adjustment #2 – Capitalize an Expensed Plant Item

Operating Income Adjustment #1 – Depreciation Expense

Operating Income Adjustment #2 – Property Tax Expense

Operating Income Adjustment #3 – Remove Repairs and Maintenance Expense That Should Have Been Capitalized

Operating Income Adjustment #4 – Remove Contractual Services Expense – Engineering That Should Have Been Capitalized

Operating Income Adjustment #6 – Miscellaneous Expense – Banking Fees

Q. Can you please identify those adjustments recommended by RUCO that were not accepted by the Company?

A. Yes. The adjustments recommended by RUCO and not accepted by the Company include the following:

Operating Income Adjustment #5- Rate Case Expense

Operating Income Adjustment #7 – Salaries and Wages Officers

Operating Income Adjustment #11 – Income Tax Expense

Q. Were there additional adjustments made by the Company's Water Division in its surrebuttal testimony that are being adopted by RUCO?

A. Yes. There are three additional adjustments that were made by the Company in its rebuttal testimony that are being accepted by RUCO including the following:

Operating Expense Adjustment #3 – Repairs and Maintenance Expense – Tree Removal Normalization

Operating Expense Adjustment #8 – Contractual Services – Testing

SURREBUTTAL RATE BASE ADJUSTMENTS

Rate Base Adjustment #1 – Convert Advances in Aid of Construction (AIAC) to Contribution in Aid of Construction (CIAC

The Company proposed a reclassification from Advances In Aid of Construction (AIAC) to Contributions in Aid Construction (CIAC) due to the

bankruptcy of a large developer. RUCO accepted the Company's reclassification in its testimony.

Rate Base Adjustment #2 – Capitalize an Expensed Plant Item

The Company charged to Repairs and Maintenance Expense, $21,629, and Contractual Services – Engineering Expense costs, $3,902, that are more appropriately Utility Plant in Service (UPIS) and should be included in rate base. The Company accepts RUCO's recommendation to reclassify these expenses and have adjusted rate base accordingly.

SURREBUTTAL OPERATING INCOME ADJUSTMENTS

Q. Can you please summarize RUCO's operating income adjustments in your testimony?

A. In summary the adjustments to operating income RUCO is recommending includes the following:

Operating Income Adjustment #1– Depreciation Expense

The adjustment recalculates Depreciation Expense based on RUCO's recommended plant level. The Company agrees with RUCO's recommendation depreciation expense.

Operating Income Adjustment #2 – Property Taxes

The adjustment reduces property tax expense by $6,167 and is related to the elimination of "parcels" from the property tax calculation.

Operating Income Adjustment #3 – Remove Repairs and Maintenance ExpenseThat Should Have Been Capitalized

The adjustment reduces Repairs and Maintenance Expenses by $21,629 related to costs more appropriately charged to UPIS and $7,860 for the normalization of tree cutting expense.

Operating Income Adjustment #4 – Remove Contractual Services Expense – Engineering That Should Have Been Capitalized

The adjustment reduces Contractual Services Expense – Engineering by $3,902 also related to costs more appropriately charged to UPIS.

Operating Adjustment #5 – Rate Case Expense

This adjustment reflects RUCO's $150,000 recommended level of rate case expense, to be normalized over four years. The adjustment decreases the Company-proposed level of annual rate case expense by $12,500 for an annual rate case expense of $37,500.

Operating Income Adjustment #6 – Miscellaneous Expense - Banking Fees

Miscellaneous Expense related banking fees is reduced by $6,354. Banking fees are to be charged fifty percent to the water division and fifty percent to the wastewater division. However, all fees were recorded as an expense on the books of the water division. The appropriate adjustment is being made to reflect a reduction in this expense item.

Operating Income Adjustment #7 – Salaries and Wages Officers

The annual salary paid to Mr. Robson, Chairman of the Board, is excessive compared to CEO executives within the industry. In their rebuttal testimony Pima reduced its salary request from $90,294 to $40,198 for Mr. Robson and further stated that he does not keep time sheets as was previously reported. The Company is also making the same salary payments to Mr. Robson in the wastewater division.

Operating Income Adjustment #8 – Contractual Services – Water Testing Expense

The Company recorded $9,812 as water testing expense for the water division that was related to the wastewater division's recharge well. The appropriate adjustments have been recorded for both of the Company's divisions.

Operating Income Adjustment #9 – Intentionally Left Blank

Operating Income Adjustment #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

The Company had recorded an income tax expense in its rebuttal testimony when in fact the Company pays no income tax. RUCO's Chief of Accounting and Rates, Mr. Rigsby, will discuss income tax allowances in his direct testimony.

Rate Design Summary

Q. Can you please explain the Water Divisions rate classifications?

A. The Water Division's rates are classified into residential, commercial and irrigation. The Company has requested an increase for residential customers of 41.24 percent, an increase of 55.19 percent increase for commercial customers and an increase of 91.47 percent for its irrigation customers.

Q. What are RUCO's recommended increases by customer classification?

A. RUCO is recommending an increase to residential customer's rates of 16.67 percent, an increase of 30.25 percent to commercial customers and an increase of 27.77 percent to the Company's irrigation customers.

RATE BASE ADJUSTMENTS

Q. Is RUCO recommending any changes to the Company's proposed rate base?

A. Yes. RUCO has recommended two rate base adjustments and the Company is in agreement with both recommendations.

Rate Base Adjustment #1 – Convert Advances in Aid of Construction (AIAC) to Contribution in Aid of Construction (CIAC).

Q. Can you please explain the adjustment that converts the balance in the Company's AIAC to CIAC?

A. Due to the bankruptcy of the developer, Pima has been unable to pay the refunds due to a developer and is unaware of a successor entity to which payments can be made. Since it is unlikely that Pima will ever be able to actually pay the amounts due, Pima has requested the elimination of the account payable to the developer and reclassify the full amount of the original advance to Contributions in Aid of Construction.

Q. Does RUCO agree with the Company's request to reclassify the AIAC balance to CIAC?

A. Yes.

Q. What adjustment did you make to convert the AIAC to CIAC?

A. RUCO reversed the existing balance remaining in AIAC of $374,236 and included it in CIAC. In addition Pima calculated $49,353 due to the developer in 2010 but due to bankruptcy of the developer has been unable to pay the refunds. There is no successor to the bankrupt developer. RUCO believes as does the Company[1] that the remaining funds of $374,236 as well as the $49,353 established as a payable to the

[1] See Company Response to Staff Data Request CSB 1-11

developer, for a total of $423,589, be transferred to CIAC. Pima is requesting a Staff recommendation including the appropriate accounting order to reclassify this AIAC to a more appropriate CIAC non-refundable account.

Rate Base Adjustment #2 – Capitalize Expensed Items to Plant

Q. Is RUCO recommending other adjustments to the Company's adjusted test year rate base?

A. Yes. While providing details to respond to a data request the Company identified Repairs and Maintenance Expense and Contractual Services Expense – Engineering, the Company identified $21,629 and $3,902 respectively, which were inappropriately classified to expense rather than UPIS.

Q. Does RUCO agree with the reclassification of these expenses?

A. Yes. RUCO and the Company have come to agreement on this reclassification and have recorded the appropriate adjustments.

OPERATING INCOME ADJUSTMENTS

Q. Can you please explain the operating income adjustments that RUCO is recommending in your surrebuttal testimony?

A. After performing a review of the Company's filing and rebuttal testimony RUCO is recommending the following adjustments.

Operating Income Adjustment #1 - Depreciation Expense

Q. Have you made any changes to the Company's adjusted test year depreciation expense?

A. Yes, as a result of reclassifying, during the test year, Repairs and Maintenance Expense of $21,629 and Contractual Services Expense – Engineering of $3,902, from expense to UPIS, Depreciation Expense has been increased to $1,936.

Q. Have you recommended any adjustments resulting from the reclassification from AIAC to CIAC that RUCO is recommending?

A. Yes, RUCO has proposed an increase of $21,065 related to the amortization of the additional CIAC as previously discussed.

Q. What is the result of these two adjustments?

A. As shown on Schedule RBM-10 the net effect of the two adjustments is a reduction in total Depreciation Expense of $19,120.

Operating Income Adjustment #2 – Property Tax Expense

Q. Did RUCO recommend an adjustment to Property Tax Expense for the Water Division as filed by the Company?

A. Yes, RUCO is recommended a reduction in test year Property Tax Expense of $6,851. There are two separate adjustments that make up the total amount of the reduction.

Q. Can you please explain the first adjustment?

A. The first adjustment of $6,167 is related to what the Company has included in their property tax adjustment titled "Tax on Parcels." Based on prior testimony before the Commission tax on parcels is not to be included in the property tax calculation. The Company agrees with RUCO's recommendation and has reduced their property tax adjustment by $6,167.

Q. What is the second adjustment that RUCO is proposing?

A. RUCO was proposing a reduction in the composite property tax rate from 10.0442 percent to 9.9952 percent. This small reduction in percentage reduced property tax expense by $684.

Q. Has RUCO changed their recommendation on its second adjustment related to property tax expense?

A. Yes. After further review RUCO has withdrawn this adjustment and recommends that property tax be reduced by the tax on parcels and as previously stated, the Company agrees with RUCO's recommendation.

<u>Operating Income Adjustment #3 – Remove Repairs and Maintenance Expense Reclassified to UPIS</u>

Q. Can you please explain the adjustment that you are making to Repairs and Maintenance Expense?

A. Yes. As previously discussed in Rate Base Adjustment #2, the Company recorded $21,629 in Repairs and Maintenance Expense that should be more appropriately classified as UPIS.

Operating Income Adjustment #4 – Contractual Services Expense – Engineering Reclassified to UPIS

Q. Can you please explain the adjustment that you are recommending to Contractual Services Expense - Engineering?

A. Yes. As previously discussed in Rate Base Adjustment #2, the Company recorded $3,902 in Contractual Services Expense - Engineering that should be more appropriately classified as UPIS.

Q. Do you agree with the reclassification of both Repairs and Maintenance Expense and Contractual Services Expense Engineering to UPIS?

A. Yes. After reviewing the nature of these expenses they should have been accounted for a UPIS. The Company is in agreement with the reclassification and has recorded the appropriate adjustment in its rebuttal testimony.

Operating Income Adjustment #5 – Rate Case Expense

Q. Has RUCO made an adjustment to Pima's requested level of rate case expense?

A. Yes. RUCO has reduced Pima's requested total level of rate case expense of $200,000 by $50,000 for a total rate case expense of $150,000 or 37,500 per year over a four-year period. RUCO believes that the amount requested by the Company is excessive and should not be paid by the rate payer.

Q. Are there any other issues regarding rate case expense that RUCO wants to address?

A. Yes. RUCO is concerned that traditional rate recovery for rate case expense is an inequitable solution for Pima. Normally, rate case expense is amortized over a short period of years that is reflective of the typical amount of time a utility stays out between rate cases. However, Pima does not come in for rate cases very often. The water division filed its last rate case with a test year ending December 31, 1992 while the wastewater division's last rate case was filed with a test year ending December 31, 1997.

If history repeats itself and it normally does, a long stay out would result in a windfall to the Company since rate case expense is a non-recurring expense and will be collected through rates until the Company's next rate case.

Q. What does RUCO recommend to prevent or curtail that event from happening in the future?

A. If the Commission finds that the typical four year normalization period is not appropriate in this case, RUCO offers three different options that would prevent the above scenario from happening. First, a surcharge for rate case expense could be applied as a separate line item on the customers' bill. When the rate case expense authorized in this proceeding has been fully collected through the surcharge, the surcharge would be eliminated and nothing but base rates would apply going forward.

The second option is to extend the normalization period to ten years. This option would lower rates. If the Company were to file a rate case prior to fully collecting the authorized rate case expense, RUCO recommends that the Company be granted a deferred accounting order, which would allow Pima to amortize the remaining unrecovered expense over some period of time. This option completely eliminates the possibility of under-collecting the authorized level of rate case expense.

The third option simply reduces the Company's level of authorized rate case expense with no deferred accounting order.

Of the three options, RUCO prefers the second option. Increasing the normalization will ameliorate the rate impact on ratepayers. It will further

avoid the often unfavorable response of the public to a surcharge. Finally, while RUCO would not object to a reduction in the overall rate case expense, it is recommending. RUCO will reserve its right to further explore this option in coming up with a final recommendation as to a reasonable amount of rate case expense.

Operating Income Adjustment #6 – Miscellaneous Expense Bank Fees

Q. Will you please explain your adjustment to Banking Fees?

A. Yes. RUCO identified banking fees of $6,354 recorded as miscellaneous expense that should have been charged to the wastewater division and recommended that the appropriate adjustment be recorded.

Q. Did the Company agree with RUCO's recommendation?

A. Yes. The Company agrees with RUCO's recommendation and made the adjustment in its rebuttal testimony.

Operating Income Adjustment #7 – Salaries and Wages Officers

Q. Does RUCO continue to recommend an adjustment to salaries paid to officers even though the Company has reduced their requested salary for Mr. Robson from $90,294 to $40,198.?

A. Yes. RUCO continues to believe that $40,198 is an excessive salary paid to the Chairman of the Board based on the Company's reporting that he worked 56.68 hours for the Water Division.

Q. How did you become aware that he reported 56.68 hours as working for the Water Division?

A. The Company's response to data request, for salary and wage details, provided a Schedule of Names, Titles and Burden by General Ledger Account of all individual's salary and wages charged to the water and wastewater divisions. Included on the salary schedule were the names of all individuals and the number of hours charged to the each division for the entire year. Included on the schedule was Mr. Robson, E.J., his title as Chairman of the Board, the number of hours charged to the division, 56.68, and gross salary paid of $90,294.

Q. Do you agree with Mr. Soriano's rebuttal testimony that Mr. Robson does not keep timesheets?

A. I don't know if Mr. Robson keeps timesheets or not. However, in Mr. Soriano's testimony he stated "Earlier in this rate case we provided a schedule that indicated the number of hours recorded in the payroll system for each employee. The hours recorded for Mr. Robson does not accurately reflect the hours he spent for Pima."

Q. Why does RUCO continue to question the hours worked by Mr. Robson and identified on the payroll schedule provided in the data request?

A. It comes down to the reliability placed on information provided by the Company. If RUCO can't rely on the hours worked by Mr. Robson, how can we accept as being correct the hours reported by other employees on the payroll schedule.

Q. Does RUCO continue to recommend an adjustment for Salaries and Wages Officers paid by the water division?

A. Yes. RUCO is recommending a salary of $7,085. RUCO's recommendation is based on the number of hours reported multiplied by $125 per hour. The hourly rate of $125 is based on a comparable CEO of a Class A Water Company within the local area.

<u>Operating Income Adjustment #8 – Contractual Services – Water Testing Expense</u>

Q. Did the Company record $9,812 as water testing expense for the water division that was related to the wastewater division's recharge well.

A. Yes. As identified by the Staff engineering review there was an error in recording water testing expense to the wrong division.

Q Did the Company agree to correct this error?

A. Yes. The Company agreed with and the appropriate adjustments have been.

Operating Income Adjustment #9 and #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

Q. Can you please explain the adjustment you made to Income Tax Expense?

A. Yes. This adjustment removes the Company's pro forma adjustment for the recovery of income taxes. The Company does not pay income taxes, consequently, is not entitled to recovery. Mr. Rigsby, will discuss income tax allowances in his direct testimony.

Q. Does this conclude your surrebuttal testimony on the revenue requirements on Pima.

A. Yes it does.

RATE DESIGN

Q. Can you please summarize RUCO's rate design for Pima Utilities Water Division?

A. Based on my analysis of the Company's rate application and determination of recommended revenues, RUCO is recommending a rate structure for the three classes of ratepayers as follows:

	Company Present Revenues	RUCO Revenues	% Change
[2]Residential	$1,391,693	$1,623,622	16.67%
Commercial	$ 274,663	$ 357,765	30.25%
Irrigation	$ 317,458	$ 405,614	27.77%

Q. Can you please describe RUCO's rate design?

A. RUCO's rate design essentially mirrors the company proposed two and three-tiered, inverted block rate design which captures approximately 44.12 percent of total revenue through the monthly minimum charge for residential ratepayers.

Q. What would a typical monthly bill be for a 5/8 x 3/4 inch meter residential customer under RUCO's recommended rates?

A. Under RUCO's recommended residential rates, a 5/8 x 3/4 inch meter using an average of 6,395 gallons per month, would have a typical

[2] See Schedules RBM RD-1 through RBM RD-7 attached for Residential and Commercial ratepayers and Schedules RBM- RD-1 through RBM RD-5 for Irrigation ratepayers.

monthly bill of $11.99 which is $1.33, or 12.48 percent, higher than the current bill of $10.66.

Q. Does this conclude your testimony on revenue requirements and rate design?

A. Yes it does.

TABLE OF CONTENTS TO RBM SCHEDULES - SURREBUTTAL

SCH NO.	PAGE NO.	TITLE
RBM-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
RBM-2	1	SUMMARY RATE BASE - ORIGINAL COST
RBM-3	1	SUMMARY ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS
RBM-4	1	ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS
RBM-5	1	DIRECT PLANT AND ACCUMULATED DEPRECIATION
RBM-6	1 of 2	RATE BASE ADJUSTMENT NO. 1 - RECLASS (AIAC) TO (CIAC)
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RBM-7	1	OPERATING INCOME
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RBM-9		OPERATING INCOME - TEST YEAR WITH COMPANY ADJUSTMENTS
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RBM-12	1	OPERATING INCOME ADJUSTMENT NO. 3 - REPAIRS AND MAINTENANCE EXPENSE RECLASS
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RBM-14	1	OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE
RBM-15	1	OPERATING INCOME ADJUSTMENT NO. 6 - MISCELLANEOUS EXPENSE BANK FEES
RBM-16	1	OPERATING INCOME ADJUSTMENT NO. 7- SHAREHOLDER SALARIES
RBM-17	1	OPERATING INCOME ADJUSTMENT NO. 8 - CONTRACTUAL SERVICES WATER TESTING EXPENSES
RBM-17-1	1	OPERATING INCOME ADJUSTMENTS NO. 9, 10, - INTENTIONALLY LEFT BLANK
RBM-18	1	OPERATING INCOME ADJUSTMENT NO. 11- INCOME TAXES
RBM-19	1	COST OF CAPITAL

REVENUE REQUIREMENT - SURREBUTTAL

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base (RBM-2)	$ 9,097,529	$ 9,073,286
2			
3	Adjusted Operating Income (Loss)	$ 132,560	$ 275,966
4			
5	Current Rate of Return (L3 / L1)	1.46%	3.04%
6			
7	Required Operating Income (L9 X L1)	$ 861,536	$ 687,755
8			
9	Required Rate of Return on Fair Value Rate Base (RBM-19)	9.47%	7.58%
10			
11	Operating Income Deficiency (L7 - L3)	$ 728,976	$ 411,789
12			
13	Gross Revenue Conversion Factor (RBM-1, Page 2)	1.4041	1.0118
14			
15	Required Increase in Gross Revenue Requirement (L11 X L13))	$ 1,023,565	$ 416,636
16			
17	Adjusted Test Year Revenue (RBM-7)	$ 1,977,627	$ 1,977,627
18			
19	Proposed Annual Revenue (L15 + L17)	$ 3,001,192	$ 2,394,262
20			
21	Required Percentage Increase in Revenue (L15 / L17)	51.76%	21.07%
22			
23	Recommended Return on Common Equity	10.50%	9.40%

References:
Column (A): Company Schs. A-1
Column (B): RUCO Schs. RBM-1 page 2, RBM-2, RBM-7, and RBM-19

GROSS REVENUE CONVERSION FACTOR - SURREBUTTAL

LINE NO.	DESCRIPTION	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:	
1	Revenue	100.0000%
2	Proposed Bad Debt Expense (Per Co. Work papers)	-
3	Subtotal (L1 thru L2)	100.0000%
4	Property Tax Rate (RBM-11)	1.1632%
5	Subtotal (L3 - L4)	98.8368%
6	**Revenue Conversion Factor** (L1 / L5)	**1.0118**

SUMMARY RATE BASE - ORIGINAL COST - SURREBUTTAL

		(A) COMPANY AS FILED OCRB/FVRB	(B) Summary RUCO Rate Base Adjustments	(C) Adjusted End of Test Year
1	Gross Utility Plant in Service	$ 14,546,128	$ 25,531	$ 14,571,659
2				
3	Less:			
4	Accumulated Depreciation	(4,788,167)	$ (383)	$ (4,788,550)
5				
6	Net Utility Plant in Service (L1 + L4)	$ 9,757,961	$ 25,148	$ 9,783,109
7				
8	Advances in Aid of Construction	$ (374,236)	$ 374,236	$ -
9				
10	Contribution in Aid of Construction	(632,417)	$ (423,629)	$ (1,056,046)
11	Accumulated Amortization CIAC	346,223	$ -	$ 346,223
12				
13	Net CIAC (L10 + L11)	$ (286,194)	$ (423,629)	$ (709,823)
14				
15	Add:			
16	Allowance for Working Capital	$ -	$ -	$ -
17				
18	Net Regulatory Asset (Liability)	$ -	$ -	$ -
19	Rounding	$ (2)	$ -	$ -
20				
21				
22	Total Rate Base (L6 + L8 + L13+L19)	$ 9,097,529	$ (24,245)	$ 9,073,286
23				
24				
25	Columns (A), and (B) - Schedule RBM-3			
26	Columns (C) - Columns (A) + (B)			
27				
28				
29				
30				
31				
32				

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS - SURREBUTTAL

		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		COMPANY AS FILED OCRB/FVRB	ADJMT NO. 1 CONVERT AIAC TO CIAC	ADJMT NO. 2 CAP / EXP ITEMS	ADJMT NO. 3 LEFT BLANK	ADJMT NO. 4 LEFT BLANK	ADJMT NO. 5 LEFT BLANK	Summary Rate Base Adjustments	Adjusted End of Test Year
1	Gross Utility Plant in Service	$ 14,546,128	$ -	$ 25,531	$ -	$ -	$ -	$ 25,531	$ 14,571,659
2									
3	Less:								
4	Accumulated Depreciation	(4,788,167)	-	(383)	-	-	-	$ (383)	$ (4,788,550)
5									
6	Net Utility Plant in Service (L1 - L4)	$ 9,757,961	-	$ 25,148	-	-	-	$ 25,148	$ 9,783,109
7									
8	Advances in Aid of Construction	$ (374,236)	$ 374,236	-	-	-	-	$ 374,236	$ -
9									
10	Contribution in Aid of Construction	(632,417)	$ (423,629)					$ (423,629)	$ (1,056,046)
11	Accumulated Amortization CIAC	346,223	-		-	-	-	$ -	$ 346,223
12									
13	Net CIAC (L10 + L11)	$ (286,194)	$ (423,629)	-	-	-	-	$ (423,629)	$ (709,823)
14									
15	Add:								
16	Allowance for Working Capital	$ -	-	-	-	-	-	$ -	$ -
17									
18	Net Regulatory Asset (Liability)	$ -	-	-	-	-	-	$ -	$ -
19	Rounding	$ (2)	-	-	-	-	-	$ -	$ -
20									
21									
22	Total Rate Base (L6 + L8 + L13)	$ 9,097,529	$ (49,393)	$ 25,148	$ -	$ -	$ -	$ (24,245)	$ 9,073,286
23									
24									
25	Column (A) Per Company Schedules								
26	Column (B) - RBM-6								
27	Column (C) - RBM-6, Page 2								
28	Column (G) - Sum Column (A) to (F)								
29	Column (F) - Column (A) - (G)								
30									
31									
32									

Pima Utility Company - Water Division
Docket No. W-02199A-11-0329, et al.
Test Year Ended December 31, 2010

Water Division
Surrebuttal Schedule RBM-4
Page 1

ORIGINAL COST PLANT IN SERVICE WITH COMPANY ADJUSTMENTS - SURREBUTTAL

		Description	(A) Original Cost	(B) RECLASSIFIED to Sewer Division	(C) RECLASSIFIED from Sewer Division	(D) Retirement Adjustments	(E) Prior Decision Conforming Adjustments	(F) Plant Reclassification	(G) Adjusted Cost
1	301	Organization Cost	-	-	-	-	-	-	-
2	302	Franchise Cost	-	-	-	-	-	-	-
3	303	Land and Land Rights	97,637	-	-	-	-	-	97,637
4	304	Structures & Improvements	2,291,996	(246,883)	3,950	(6,400)	-	(1,727,538)	315,125
5	305	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-	-	-	-	-
7	307	Wells & Springs	1,789,332	(972,509)	-	(43,942)	-	(166,182)	606,699
8	308	Infiltration Galleries	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	-	-	-	-	-	-	-
10	310	Power Generation Equipment	-	-	-	-	-	-	-
11	311	Pumping Equipment	829,942	(1,587,774)	-	(424,468)	-	3,446,101	2,263,801
12	320	Water Treatment Equipment	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	-	(713)	-	(17,634)	-	76,602	58,255
15	330	Distribution Reservoirs & Standpipes	2,707,572	-	-	-	-	(2,707,572)	-
16	330.1	Storage Tanks	-	-	-	(1,000)	-	1,103,197	1,102,197
17	330.2	Pressure Tanks	-	-	-	(11,433)	-	85,370	73,937
18	331	Transmission & Distribution Mains	3,056,451	-	9,148	-	-	(149,550)	2,916,049
19	333	Services	4,498,820	(6,613)	-	-	-	216,941	4,709,148
20	334	Meters	1,011,318	(5,144)	-	-	-	(82,972)	923,202
21	335	Hydrants	891,614	-	-	(3,000)	-	(1,233)	887,381
22	336	Backflow Prevention Devices	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	657,115	-	-	(1,687)	-	(651,188)	4,240
25	340.1	Computers & Software	-	-	-	(5,014)	-	33,493	28,479
26	341	Transportation Equipment	-	-	-	(18,572)	-	80,207	61,635
27	342	Stores Equipment	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	-	(1,423)	2,305	(24,634)	15,121	143,137	134,506
29	344	Laboratory Equipment	-	-	-	-	-	-	-
30	345	Power Operated Equipment	59,539	-	-	-	-	65,360	124,899
31	346	Communication Equipment	13,239	-	-	(10,126)	-	235,826	238,939
32	347	Miscellaneous Equipment	-	-	-	-	-	-	-
33	348	Other Tangible Plant	-	-	-	-	-	-	-
34		Const. Work in Progress	-	-	-	-	-	-	-
		TOTALS	$ 17,904,574	$ (2,821,059)	$ 15,403	$ (567,910)	$ 15,121	$ (1)	$ 14,546,128

Less: Accumulated Depreciation	(4,788,167)
Utility Plant In Service end of Test Year	$ 9,757,961

Column (A) - Original Cost per Company books prior to adjustments.
Column (B), (C), (D), (E) - Adjustments identified per Company review and testimony.

DIRECT PLANT AND ACCUMULATED DEPRECIATION - SURREBUTTAL

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Corrected Plant at 12/31/1992	Accum. Deprec. At 12/31/1992	2010 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	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	92,551	-	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	63,366	27,823	-	-	-	-	-	-	-	9,454	315,125	139,449
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	153,447	67,375	11,050	-	11,050	-	-	-	-	18,035	606,700	261,441
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	204,563	89,819	220,917	(52,091)	168,826	-	77,407	77,407	-	66,543	2,263,798	369,988
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	19,839	8,711	8,051	-	8,051	-	2,000	2,000	-	1,657	58,255	9,890
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	215,634	94,681	-	-	-	-	-	-	-	33,066	1,102,197	490,208
17	330.2	Pressure Tanks	3.00%	10,000	4,391	1,433	-	1,433	-	1,433	1,433	-	2,218	73,936	24,279
18	331	Transmission & Distribution Mains	3.00%	1,100,025	482,998	-	-	-	-	-	-	-	87,481	2,916,048	1,625,867
19	333	Services	3.00%	527,245	231,502	199,648	-	199,648	20,746	-	20,746	-	138,591	4,709,148	861,057
20	334	Meters	3.00%	162,498	71,350	29,776	-	29,776	-	-	-	-	27,249	923,202	361,691
21	335	Hydrants	3.00%	428,450	188,123	-	-	-	-	-	-	-	26,621	887,382	550,135
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	2,640	1,159	3,867	-	-	-	-	-	-	127	4,240	110
25	340.1	Computers & Software	3.00%	-	-	-	-	3,867	-	-	-	-	796	28,479	278
26	341	Transportation Equipment	3.00%	14,826	6,510	-	-	-	5,851	-	5,851	-	1,937	61,635	(51,074)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	41,317	18,141	24,539	-	24,539	-	-	-	-	3,667	134,507	34,251
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	5,239	-	5,239	-	-	-	-	3,668	124,899	34,114
31	346	Communication Equipment	3.00%	1,561	686	-	-	-	-	-	-	-	7,168	238,939	76,482
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress					-		-	-		-			
35															
36		TOTALS		3,037,962	1,293,269	504,520	(52,091)	452,429	26,597	80,840	107,437	-	428,280	14,546,127	4,788,167

Reviewed each year additions and deletions since last rate case in 1992
Calculated depreciation each year based on depreciation rate (3%) established last rate case
Results - Determined that plant balances each year and Accumulated Depreciation at the end of test year were correct.

RATE BASE ADJUSTMENT NO. 1
RECLASSIFICATION (AIAC) TO (CIAC) - SURREBUTTAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	AIAC as Company Filed	$ 374,236	$ (374,236)	$ -
2	RUCO Recommended AIAC Adjustment			$ 374,236
3	Net CIAC as Company Filed	$ 632,418	$ (423,629)	$ (1,056,047)
4	RUCO Recommended CIAC Adjustment			$ (423,629)

RUCO CIAC ADJUSTMENT CALCULATION:

5	Company Net CIAC as Filed	$ 632,418
6	RUCO's Recommended Net AIAC Conversion to CIAC as Company Filed	374,236
	Plus:	
7	Unpaid AIAC Refunds as Calculated by Company (See Co. Response to Staff Sewer DR CSB 1-12)	49,393
8	RUCO's Recommended Gross AIAC Conversion to CIAC Adjustment (Line 6 + Line 7)	$ 423,629
9	RUCO Recommended CIAC Adjustment (Line 8)	$ (423,629)

RATE BASE ADJUSTMENT NO. 2
CAPITALIZE PREVIOUSLY EXPENSED ITEMS TO PLANT ACCOUNTS - SURREBUTTAL

Line No.					Amount
1	**Reclass from Repairs and Maintneance Expense (see below)**				
2	Capitalize Expensed Items to NARUC Plant Accounts:				
3	311 - Pumping Equipment				$ 3,371
4	320.2 - Solution Chemicals Feeders				2,566
5	333 - Services				15,692
6					
7	**Reclass from Repairs and Maintneance Expense (see below)**				$ 21,629
8					
9	Calculation of Accumulated Depreciation				
10	Total Reclass to UPIS	$ 21,629			
11	Test Year Depreciation Rate	3%			
12	Calculated Depreciation Expense	$ 649			
13					
14	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 324		
15					
16					
17	**Reclass from Contractural Services - Engineering (see below)**				
18					
19	Capitalize Expensed Items to NARUC Plant Accounts:				
20	311 - Pumping Equipment				$ 3,902
21					
22	**Reclass from Contractural Services Expense**				$ 3,902
23					
24	Calculation of Accumulated Depreciation				
25	Total Reclass to UPIS	$ 3,902			
26	Test Year Depreciation Rate	3%			
27	Calculated Depreciation Expense	$ 117			
28					
29	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 59		
30					
31					

32	**SUMMARY**	Account Number			
33		**311**	**320.2**	**333**	**Total**
34	Reclass from Repairs and Maintneance Expense	$ 3,371	$ 2,566	$ 15,692	$ 21,629
35	Reclass from Contractural Services Expense	$ 3,902	$ -	$ -	$ 3,902
36	TOTAL RECLASS FROM EXPENSE TO UPIS	$ 7,273	$ 2,566	$ 15,692	$ 25,531
37					
38					
39					
40					
41					
42					

OPERATING INCOME - SURREBUTTAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	**Revenues**					
2	Metered Water Revenues	$ 1,970,366		$ 1,970,366	416,636	$ 2,387,002
3	Unmetered Water Revenues	-		-		-
4	Other Water Revenues	7,261		7,261		7,261
5	**Total Revenues**	1,977,627	-	1,977,627	416,636	2,394,262
6	**Operating Expenses**					
7	Salaries and Wages	220,827	-	220,827		220,827
8	Salaries and Wages - Officers and Directors	90,294	(83,209)	7,085		7,085
9	Employee Pensions and Benefits	64,900	-	64,900		64,900
10	Purchased Water	-	-	-		-
11	Purchased Power	252,454	-	252,454		252,454
12	Chemicals	16,721	-	16,721		16,721
13	Repairs and Maintenance	100,885	(29,489)	71,396		71,396
14	Office Supplies and Expense	67,321	-	67,321		67,321
15	Contractual Services - Engineering	5,283	(3,902)	1,381		1,381
16	Contractual Services - Accounting	3,067	-	3,067		3,067
17	Contractual Services - Legal	14,175	-	14,175		14,175
18	Contractual Services - Other	54,797	-	54,797		54,797
19	Contractual Services - Water Testing	18,737	(9,812)	8,925		8,925
20	Rents - Equipment	3,203	-	3,203		3,203
21	Transportation Expenses	44,637	-	44,637		44,637
22	Insurance - Vehicle	17,464	-	17,464		17,464
23	Insurance - General Liability	10,840	-	10,840		10,840
24	Insurance - Worker's Comp	1,009	-	1,009		1,009
25	Regulatory Commission Expense	3,671	-	3,671		3,671
26	Regulatory Commission Expense - Rate Case	50,000	(12,500)	37,500		37,500
27	Bad Debt Expense	4,766	-	4,766		4,766
28	Miscellaneous Expense	15,934	(6,354)	9,581		9,581
29	Depreciation Expense	686,997	(19,129)	667,868		667,868
30	Taxes Other Than Income	40,883	-	40,883		40,883
31	Property Taxes	83,358	(6,167)	77,191	4,846	82,037
32	Income Tax	(27,157)	27,157	-	-	-
33						
34	**Total Operating Expenses**	1,845,067	(143,405)	1,701,662	4,846	1,706,508
35	**Operating Income**	132,561	143,405	275,966	411,789	687,754

Column (A) and Column (B) - RBM-8
Column (C) - Sum Column (A) + (B)
Column (E) - Sum Column (C) + (D)

Pima Utility Company - Water Division
Docket No. W-02199A-11-0329, et al.
Test Year Ended December 31, 2010

Water Division
Surrebuttal Schedule RBM-8
Page 1

SCHEDULE OF OPERATING INCOME - TEST YR WITH COMPANY RUCO ADJUSTMENTS - SURREBUTTAL

Line No.		[A] Test Year Ended 12/31/2010	10 (B) ADJUSTED Depreciation IS - 1	11 [C] ADJUSTED Property Taxes IS - 2	12 [D] Repairs and Maintenance IS - 3	13 (E) Accepted Contractual Engineering IS - 4	14 (F) Rate Case Expense IS - 5	15 (G) Accepted Miscellaneous Bank Fees IS - 6	16 (H) Shareholder Salaries IS - 7	17 (I) Contractual Services Water Testing Expenses IS-8	(J) LEFT BLANK IS-9	(K) LEFT BLANK IS-10	(L) Income Tax IS - 11	(M) SUMMARY ADJUSTMENTS	(N) TEST YEAR ADJUSTED RESULTS
1	**Revenues**														
2	Metered Water Revenues	$ 1,970,366												$ -	$ 1,970,366
3	Unmetered Water Revenues	-												-	-
4	Other Water Revenues	7,261												-	7,261
5	**Total Revenues**	$ 1,977,627	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,977,627
6	**Operating Expenses**														
7	Salaries and Wages	220,827												-	220,827
8	Salaries and Wages - Officers and Directors	90,294							(83,209)					(83,209)	7,085
9	Employee Pensions and Benefits	64,900												-	64,900
10	Purchased Water	-												-	-
11	Purchased Power	252,454												-	252,454
12	Chemicals	16,721												-	16,721
13	Repairs and Maintenance	100,885			(29,489)									(29,489)	71,396
14	Office Supplies and Expense	67,321												-	67,321
15	Contractual Services - Engineering	5,283				(3,902)								(3,902)	1,381
16	Contractual Services - Accounting	3,067												-	3,067
17	Contractual Services - Legal	14,175												-	14,175
18	Contractual Services - Other	54,797												-	54,797
19	Contractual Services - Water Testing	18,737								(9,812)				(9,812)	8,925
20	Rents - Equipment	3,203												-	3,203
21	Transportation Expenses	44,637												-	44,637
22	Insurance - Vehicle	17,464												-	17,464
23	Insurance - General Liability	10,840												-	10,840
24	Insurance - Worker's Comp	1,009												-	1,009
25	Regulatory Commission Expense	3,671												-	3,671
26	Regulatory Commission Expense - Rate Case	50,000					(12,500)							(12,500)	37,500
27	Bad Debt Expense	4,766												-	4,766
28	Miscellaneous Expense	15,934						(6,354)						(6,354)	9,581
29	Depreciation Expense	686,997	(19,129)											(19,129)	667,868
30	Taxes Other Than Income	40,883												-	40,883
31	Property Taxes	83,358		(6,167)										(6,167)	77,191
32	Income Tax	(27,157)											27,157	27,157	-
33															
34	**Total Operating Expenses**	$ 1,845,067	$ (19,129)	$ (6,167)	$ (29,489)	$ (3,902)	$ (12,500)	$ (6,354)	$ (83,209)	$ (9,812)	$ -		$ 27,157	$ (143,405)	$ 1,701,662
35	**Operating Income**	$ 132,561	$ 19,129	$ 6,167	$ 29,489	$ 3,902	$ 12,500	$ 6,354	$ 83,209	$ -	$ -	$ -	$ (27,157)	$ 143,405	$ 275,966

Column (A) RBM-9
Column (B) RBM-10
Column (C) RBM-11
Column (D) RBM-12
Column (E) RBM-13
Column (F) RBM-14

Column (G) RBM-15
Column (H) RBM-16
Column (L) RBM-18

SCHEDULE OF OPERATING INCOME - TEST YR WITH COMPANY ADJUSTMENTS - SURREBUTTAL

Line No.		[A] Test Year Ended 12/31/2010	(B) Depreciation IS - 1	[C] Property Taxes IS - 2	[D] Rate Case Expense IS - 3	(E) Revenue Annualization IS - 4	(F) Purchased Power Misc IS - 5	(G) Annualized Purchased Power IS - 6	(H) Interest Synch. IS - 7	(I) Income Tax IS - 8	SUMMARY ADJUSTMENTS	TEST YEAR ADJUSTED RESULTS
1	**Revenues**											
2	Metered Water Revenues	$ 1,976,508				$ (6,142)					$ (6,142)	$ 1,970,366
3	Unmetered Water Revenues	-									-	-
4	Other Water Revenues	7,261									-	7,261
5	**Total Revenues**	$ 1,983,769	$ -	$ -	$ -	$ (6,142)	$ -	$ -	$ -	$ -	$ (6,142)	$ 1,977,627
6	**Operating Expenses**											
7	Salaries and Wages	220,827									-	220,827
8	Salaries and Wages - Officers and Directors	90,294									-	90,294
9	Employee Pensions and Benefits	64,900									-	64,900
10	Purchased Water	-									-	-
11	Purchased Power	228,469					27,205	(3,220)			23,985	252,454
12	Chemicals	16,721									-	16,721
13	Repairs and Maintenance	100,885									-	100,885
14	Office Supplies and Expense	67,321									-	67,321
15	Contractual Services - Engineering	5,283									-	5,283
16	Contractual Services - Accounting	3,067									-	3,067
17	Contractual Services - Legal	14,175									-	14,175
18	Contractual Services - Other	54,797									-	54,797
19	Contractual Services - Water Testing	18,737									-	18,737
20	Rents - Equipment	3,203									-	3,203
21	Transportation Expenses	44,637									-	44,637
22	Insurance - Vehicle	17,464									-	17,464
23	Insurance - General Liability	10,840									-	10,840
24	Insurance - Worker's Comp	1,009									-	1,009
25	Regulatory Commission Expense	3,671									-	3,671
26	Regulatory Commission Expense - Rate Case	-			50,000						50,000	50,000
27	Bad Debt Expense	4,766									-	4,766
28	Miscellaneous Expense	15,934									-	15,934
29	Depreciation Expense	477,551	209,446								209,446	686,997
30	Taxes Other Than Income	40,883									-	40,883
31	Property Taxes	94,465		(11,107)							(11,107)	83,358
32	Income Tax	-								(27,157)	(27,157)	(27,157)
33												
34	**Total Operating Expenses**	$ 1,599,900	$ 209,446	$ (11,107)	$ 50,000	$ -	$ 27,205	$ (3,220)	$ -	$ (27,157)	$ 245,167	$ 1,845,067
35	**Operating Income**	$ 383,870	$ (209,446)	$ 11,107	$ (50,000)	$ (6,142)	$ (27,205)	$ 3,220	$ -	$ 27,157	$ (251,309)	$ 132,561
36												
37												
38	Per Company Schedules C-1											
39												

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE - SURREBUTTAL

Line No.	Acct. No.	Description	(A) Original Cost	(B) ADJMT NO. 1 Expense Reclass	(C) Adjusted Original Cost	(D) Proposed Rates	(E) Depreciation Expense
1	301	Organization Cost	-		-	-	-
2	302	Franchise Cost	-		-	-	-
3	303	Land and Land Rights	97,637		97,637	-	-
4	304	Structures & Improvements	315,125		315,125	3.33%	10,494
5	305	Collecting & Impounding Reservoirs	-		-	2.50%	-
6	306	Lake, River, Canal Intakes	-		-	2.50%	-
7	307	Wells & Springs	606,699		606,699	3.33%	20,203
8	308	Infiltration Galleries	-		-	6.67%	-
9	309	Raw Water Supply Mains	-		-	2.00%	-
10	310	Power Generation Equipment	-		-	5.00%	-
11	311	Pumping Equipment	2,263,801	7,273	2,271,074	12.50%	283,884
12	320	Water Treatment Equipment	-		-	-	-
13	320.1	Water Treatment Plants	-		-	3.33%	-
14	320.2	Solution Chemical Feeders	58,255	2,566	60,821	20.00%	12,164
15	330	Distribution Reservoirs & Standpipes	-		-	-	-
16	330.1	Storage Tanks	1,102,197		1,102,197	2.22%	24,469
17	330.2	Pressure Tanks	73,937		73,937	5.00%	3,697
18	331	Transmission & Distribution Mains	2,916,048		2,916,048	2.00%	58,321
19	333	Services	4,709,148	15,692	4,724,840	3.33%	157,337
20	334	Meters	923,202		923,202	8.33%	76,903
21	335	Hydrants	887,381		887,381	2.00%	17,748
22	336	Backflow Prevention Devices	-		-	6.67%	-
23	339	Other Plant & Misc Equipment	-		-	6.67%	-
24	340	Office Furniture & Equipment	4,239		4,239	6.67%	283
25	340.1	Computers & Software	28,479		28,479	20.00%	5,696
26	341	Transportation Equipment	61,635		61,635	20.00%	12,327
27	342	Stores Equipment	-		-	4.00%	-
28	343	Tools, Shop & Garage Equipment	134,506		134,506	5.00%	6,725
29	344	Laboratory Equipment	-		-	10.00%	-
30	345	Power Operated Equipment	124,899		124,899	5.00%	6,245
31	346	Communication Equipment	238,939		238,939	10.00%	23,894
32	347	Miscellaneous Equipment	-		-	10.00%	-
33	348	Other Tangible Plant	-		-	10.00%	-
34			$ 14,546,128	$ 25,531	$ 14,571,659		$ 720,389
35							
36		Contributions in Aid of Construction	$ (1,056,046)				
37		Amortization Rate	4.9733%				$ (52,520)
38							
39		Total Depreciation Expense					$ 667,869
40							
41		Total Depreciation per Company					$ 686,998
42							
43		Test Year Decrease in Depreciation and Amortization Expense					$ (19,129)
44							
45							
46				Acct 311	Acct 320.2	Acc 333	TOTAL
47		Reclass from Repairs and Maintenance RBM-12		3,371	2,566	15,692	21,629
48		Reclass from Contractual Services - Engineering RBM-13		3,902	-	-	3,902
49							
50		TOTAL RECLASSIFICATION by ACCOUNT		$ 7,273	$ 2,566	$ 15,692	$ 25,531
51							
52							
53		Column(D) - Company proposed depreciation rates.					
54							
55							

OPERATING INCOME ADJUSTMENT 2
PROPERTY TAXES - SURREBUTTAL

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - RBM-7	$ 1,977,627	$ 1,977,627
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 3,955,255	$ 3,955,255
4	RUCO Adjusted Test Year Revenues - 2010	1,977,627	
5	RUCO Recommended Revenue, Per Schedule RBM-7		2,394,262
6	Subtotal (Line 4 + Line 5)	$ 5,932,882	$ 6,349,517
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	$ 1,977,627	$ 2,116,506
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (L8 X L9)	$ 3,955,255	$ 4,233,011
11	Plus: 10% of CWIP -	-	-
12	Less: Net Book Value of Licensed Vehicles	112,709	112,709
13	Full Cash Value (L10 + L11 + L12))	$ 3,842,546	$ 4,120,302
14	Assessment Ratio	20.0%	20.0%
15	Assessment Value (L13 X L14)	$ 768,509	$ 824,060
16	Composite Property Tax Rate (per RUCO Effective Property Tax Calculation Analysis WP)	10.0442%	9.9552%
17			
18	RUCO Proposed Property Tax Expense (L15 X L16)	$ 77,191	
19	Company Proposed Property Tax	83,358	
20			
21	RUCO Test Year Adjustment (L16 - L17)	$ (6,167)	
22	Property Tax - RUCO Recommended Revenue (L15 X L16)		$ 82,037
23	RUCO Test Year Adjusted Property Tax Expense (L18)		77,191
24	Increase/(Decrease) to Property Tax Expense		$ 4,846
25			
26	Increase/(Decrease) to Property Tax Expense		$ 4,846
27	Increase in Revenue Requirement (L5 - L4)		416,635
28	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L26 / L27)		1.1632%

OPERATING EXPENSE ADJUSTMENT NO. 3
REPAIRS AND MAINTENANCE EXPENSE ADJUSTMENT - SURREBUTTAL

Line No.	Reclass from Repairs and Maintenance Expense (see below)			Amount
1				
2	Capitalize Expensed Items to NARUC Plant Accounts:			
3	311 - Pumping Equipment			$ 3,371
4	333 - Services			15,692
5	320.2 - Solution Chemicals Feeders			2,566
6				
7	**Reclass from Repairs and Maintenance Expense (see below)**			$ 21,629
8				
9	Calculation of Accumulated Depreciation			
10	Total Reclass to UPIS	$ 21,629		
11	Test Year Depreciation Rate	3%		
12	Calculated Depreciation Expense	$ 649		
13				
14	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 324	
15				
16				
17				

Line No.	SUMMARY	Account Number 311	320.2	333	Total
18					
19					
20	Reclass from Repairs and Maintenance Expense	$ 3,371	$ 2,566	$ 15,692	$ 21,629
21				$ -	
22	**TOTAL RECLASS FROM EXPENSE TO UPIS**	$ 3,371	$ 2,566	$ 15,692	$ 21,629
23					
24					
25	**Additional Adjustment to Repairs and Maintenance Expense**				
26					
27					
28	Tree removal expense per General Ledger Account				$ 9,825
29					
30	Amount of expense normalized for five years				1,965
31					
32	**REDUCTION OF EXPENSE DUE TO NORMALIZATION**				$ 7,860
33					
34	RUCO has accepted recommendation as presented by Staff, and				
35	accepted by Company, for normalization of tree cutting expenses				
36					
37					
38					
39	**Total Reduction in Test Year Repairs and Maintenance Expense**				$ 29,489
40					
41					
42					
43					

OPERATING EXPENSE ADJUSTMENT NO. 4
CONTRACTURAL SERVICES - ENGINEERING - SURREBUTTAL

Line No.	Reclass from Contractual Services - Engineering (see below)			Amount
1				
2	Capitalize Expensed Items to NARUC Plant Accounts:			
3	311 - Pumping Equipment			$ 3,902
4				
5	**Reclass from Contractual Services Expense**			$ 3,902
6				
7	Calculation of Accumulated Depreciation			
8	Total Reclass to UPIS	$ 3,902		
9	Test Year Depreciation Rate	3%		
10	Calculated Depreciation Expense	$ 117		
11				
12	**One-Half Year Convention to Test Year Accumulated Depreciation**		$ 59	
13				
14				
15	**SUMMARY**	**Account Number**		
16		**311**		
17	Reclass from Contractual Services Engineering Expense	$ 3,902		
18				
19	**TOTAL RECLASS FROM EXPENSE TO UPIS**	$ 3,902		

OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE ADJUSTMENT - SURREBUTTAL

Line No.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense - Water Division	$ 200,000	$ (50,000)	$ 150,000
2				
3	Amortization Period - 3 years			4
4				
5	RUCO Rate Case Expense Recommended Per Year			$ 37,500
6				
7				
8				
9				
10	Rate Case Expense as Recommended by RUCO Per Year		$ 37,500	
11				
12	Rate Case Expense as filed By Company Per Year		$ 50,000	
13				
14	Rate Case Expense Adjustment		$ (12,500)	
15				
16				
17				
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37				

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE - BANK ANALYSIS FEES - SURREBUTTAL

Line No.	Description	Date		Amount
1				
2	JPMorgan Chase Bank	Jan. 2010	$	1,067
3	JPMorgan Chase Bank	Feb. 2010		913
4	JPMorgan Chase Bank	Mar. 2010		1,097
5	JPMorgan Chase Bank	Apr. 2010		1,136
6	JPMorgan Chase Bank	May 2010		1,069
7	JPMorgan Chase Bank	Jun. 2010		1,066
8	JPMorgan Chase Bank	Jul. 2010		1,015
9	JPMorgan Chase Bank	Aug. 2010		1,073
10	JPMorgan Chase Bank	Sep. 2010		1,080
11	JPMorgan Chase Bank	Oct. 2010		1,068
12	JPMorgan Chase Bank	Nov. 2010		1,007
13	JPMorgan Chase Bank	Dec. 2010		1,116
14				
15	Total Bank Charges Recorded 100% to Water Division (Per Staff DR 1.38)		$	12,707
16				
17	RUCO Miscellaneous Expense Adjustment to Water Division (Line 15 X -50%)		$	(6,354)
18				
19	RUCO Miscellaneous Expense Adjustment to Sewer Division (Line 15 X 50%)		$	6,354

Per Company Data Response Bank Fees to be charged 50% to Water and50% to Waste Water. All were recorded to Water Division.

OPERATING INCOME ADJUSTMENT NO. 7
SHAREHOLDER SALARIES - SURREBUTTAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Salaries and Wages Expenses - Officer and Director	$ 90,294	$ 83,209	$ 7,085
2	RUCO Adjustment			$ (83,209)

RUCO OFFICER SALARY ADJUSTMENT CALCULATION:

3	Company as Filed Salary and Wage Expense - Officer and Director	$ 90,294
4	Number of Hours Worked for Water Division per Company Response to Staff DR 1.29	56.68
5	Hourly Chargeable Rate to Water Davison per Company Response to Staff 1.29 (L3 / L 4)	$ 1,593
6	RUCO Recommended Hourly Pay Rate	$ 125
7	RUCO Recommended Salary and Wage Expense (L4 X L6)	$ 7,085

OPERATING INCOME ADJUSTMENT NO. 8
CONTRACTUAL SERVICES WATER TESTING EXPENSE - SURREBUTTAL

LINE NO.	DESCRIPTION		
1	Calculated Annual Water Testing Expense - per Company	$	8,925
2			
3	Water Testing Expense Used in Test Year		18,737
4			
5	Adjustment to Test Year Water Testing Expenses	$	(9,812)
6			
7			
8	RUCO has accepted recommendation as presented by Staff and		
9	accepted by Company.		
10			
11			
12			
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17			
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19			
20			
21			

OPERATING INCOME ADJUSTMENT NO. 9, 10
INTENTIONALLY LEFT BLANK - SURREBUTTAL

OPERATING INCOME ADJUSTMENT NO. 11
INCOME TAX EXPENSE - SURREBUTTAL

Line No.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Income Tax Expense	$ (27,157)	$ 27,157	$ -
2				
3				
4				
5	RUCO Recommended Income Tax Expense			$ -
6				
7				
8				
9				
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37				

COST OF CAPITAL - SURREBUTTAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 8,370,000	35.36%	4.250%	1.50%
2					
3	Common Equity	15,301,736	64.64%	9.400%	6.08%
4					
5	Total Capitalization	$ 23,671,736	100.00%		
6					
7					
8	WEIGHTED AVERAGE COST OF CAPITAL				7.58%

References:
Columns (A) Thru (D): WAR Testimony

TABLE OF CONTENTS TO RBM RATE DESIGN SCHEDULES - SURREBUTTAL

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RBM RD - 3	MONTHLY MINIMUM CHARGES
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RBM RD -5	BILLING ANALYSIS -RUCO RECOMMENDED
RBM RD - 6	RUCO RECOMMENDED CHANGES IN DOLLARS
RBM RD - 7	REVENUE BY METER SIZE
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	IRRIGATION RATE DESIGN
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RBM RD - 2	RECOMMENDED RATES
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RBM RD - 4	BILLING ANALYSIS
RBM RD -5	REVENUE BY METER SIZE

RESIDENTIAL

RATES

Pima Utility Company - Water Division
Test Year Ending December 31, 2010
Revenue Comparison - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD-1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 666,421	$ 608,027	$ 1,274,448	$ 860,840	$ 930,731	$ 1,791,571	$ 672,974	$ 808,870	$ 1,481,844
2	3/4 - INCH	-	-	-	-	-	-	-	-	-
3	1 - INCH	42,816	74,270	117,086	54,651	115,181	169,832	43,304	98,474	141,778
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 709,237	$ 682,296	$ 1,391,533	$ 915,492	$ 1,045,912	$ 1,961,404	$ 716,278	$ 907,343	$ 1,623,622
12	PERCENTAGE	50.97%	49.03%	100.00%	46.68%	53.32%	100.00%	44.12%	55.88%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	**(Residential Customers)**			
4	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 5.75
5	3/4 - INCH	$ 5.70	$ 7.36	$ 5.75
6	1 - INCH	$ 16.00	$ 20.67	$ 16.38
7	1 1/2 - INCH	$ 21.00	$ 27.13	$ 21.49
8	2 - INCH	$ 26.00	$ 33.59	$ 26.62
9	3 - INCH	$ 40.00	$ 51.68	$ 41.01
10	4 - INCH	$ 52.00	$ 67.18	$ 53.34
11	6 - INCH	$ 100.00	$ 129.20	$ 102.67
12	8 - INCH	$ -	$ -	$ -
13	10 - INCH	$ -	$ -	$ -
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	**(Residential Customers)**	1,000	-	-
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 4,000 GALLONS:	$ 0.92	$ 0.96	$ 0.86
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 4,001 TO 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.17
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ -	$ 1.86	$ 1.57
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 4,000 GALLONS:	$ 0.92	$ 0.96	$ 0.86
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.17
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ -	$ 1.86	$ 1.57
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 25,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 25,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
34				
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 50,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 50,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
39				
40	2 - INCH			
41	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 80,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
43				
44	3 - INCH			
45	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 160,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
46	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 160,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
47	4 - INCH			
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 250,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 250,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
50	6 - INCH			
51	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 500,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 500,000 GALLONS:	$ 1.08	$ 1.85	$ 1.56

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 1.66	29.12%	$ 5.75	$ 0.05	0.94%
2	3/4 - INCH	5.70	7.36	1.66	29.12%	5.75	0.05	0.94%
3	1 - INCH	16.00	20.67	4.67	29.19%	16.38	0.38	2.36%
4	1 1/2 - INCH	21.00	27.13	6.13	29.19%	21.49	0.49	2.32%
5	2 - INCH	26.00	33.59	7.59	29.19%	26.62	0.62	2.40%
6	3 - INCH	40.00	51.68	11.68	29.20%	41.01	1.01	2.53%
7	4 - INCH	52.00	67.18	15.18	29.19%	53.34	1.34	2.58%
8	6 - INCH	100.00	129.20	29.20	29.20%	102.67	2.67	2.67%
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present Rates - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$5.70	5.70	$16.00	21.00	26.00	40.00	52.00	100.00
2	1,000	5.70	5.70	16.00	22.08	27.08	41.08	53.08	101.08
3	2,000	6.62	6.62	16.92	23.16	28.16	42.16	54.16	102.16
4	3,000	7.54	7.54	17.84	24.24	29.24	43.24	55.24	103.24
5	4,000	8.46	8.46	18.76	25.32	30.32	44.32	56.32	104.32
6	5,000	9.38	9.38	19.68	26.40	31.40	45.40	57.40	105.40
7	6,000	10.30	10.30	20.60	27.48	32.48	46.48	58.48	106.48
8	7,000	11.22	11.22	21.52	28.56	33.56	47.56	59.56	107.56
9	8,000	12.14	12.14	22.44	29.64	34.64	48.64	60.64	108.64
10	9,000	13.06	13.06	23.36	30.72	35.72	49.72	61.72	109.72
11	10,000	13.98	13.98	24.28	31.80	36.80	50.80	62.80	110.80
12	15,000	19.38	15.06	29.68	37.20	42.20	56.20	68.20	116.20
13	20,000	24.78	16.14	35.08	42.60	47.60	61.60	73.60	121.60
14	25,000	30.18	17.22	40.48	48.00	53.00	67.00	79.00	127.00
15	50,000	57.18	18.30	67.48	75.00	80.00	94.00	106.00	154.00
16	75,000	84.18	19.38	94.48	102.00	107.00	121.00	133.00	181.00
17	100,000	111.18	20.46	121.48	129.00	134.00	148.00	160.00	208.00
18	125,000	138.18	21.54	148.48	156.00	161.00	175.00	187.00	235.00
19	150,000	165.18	22.62	175.48	183.00	188.00	202.00	214.00	262.00
20	175,000	192.18	23.70	202.48	210.00	215.00	229.00	241.00	289.00
21	200,000	219.18	24.78	229.48	237.00	242.00	256.00	268.00	316.00
22	250,000	273.18	25.86	283.48	291.00	296.00	310.00	322.00	370.00
23	500,000	543.18	26.94	553.48	561.00	566.00	580.00	592.00	640.00
24	1,000,000	1,083.18	28.02	1,093.48	1,101.00	1,106.00	1,120.00	1,132.00	1,180.00
25	2,000,000	2,163.18	29.10	2,173.48	2,181.00	2,186.00	2,200.00	2,212.00	2,260.00
26	3,000,000	3,243.18	30.18	3,253.48	3,261.00	3,266.00	3,280.00	3,292.00	3,340.00
27	4,000,000	4,323.18	31.26	4,333.48	4,341.00	4,346.00	4,360.00	4,372.00	4,420.00
28	5,000,000	5,403.18	32.34	5,413.48	5,421.00	5,426.00	5,440.00	5,452.00	5,500.00
29									
30									
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-
32									
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-
34	MONTHLY BILL:	$10.66	-	$44.05	-	-	-	-	-
35									
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-
37	MONTHLY BILL:	$8.92	-	$37.78	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	$5.75	$5.75	$16.38	$21.49	$26.62	$41.01	$53.34	$102.67	-	-
2	1,000	6.61	6.61	17.55	22.66	27.80	42.19	54.51	103.84	-	-
3	2,000	7.46	7.46	18.72	23.83	28.97	43.36	55.69	105.01	-	-
4	3,000	8.32	8.32	19.90	25.01	30.14	44.53	56.86	106.19	-	-
5	4,000	9.17	9.17	21.07	26.18	31.32	45.71	58.03	107.36	-	-
6	5,000	10.35	10.35	22.25	27.75	32.89	47.28	59.60	108.92	-	-
7	6,000	11.52	11.52	23.42	29.32	34.46	48.85	61.18	110.49	-	-
8	7,000	12.70	12.70	24.59	30.89	36.03	50.42	62.75	112.05	-	-
9	8,000	13.87	13.87	25.77	32.46	37.60	51.99	64.32	113.61	-	-
10	9,000	15.04	15.04	26.94	34.04	39.17	53.56	65.89	115.18	-	-
11	10,000	16.22	16.22	28.11	35.61	40.74	55.13	67.46	116.74	-	-
12	15,000	24.07	24.07	33.98	43.46	48.60	62.99	75.32	124.56	-	-
13	20,000	31.93	31.93	39.85	51.32	56.46	70.84	83.17	132.37	-	-
14	25,000	39.78	39.78	45.71	59.17	64.31	78.70	91.03	140.19	-	-
15	50,000	79.06	79.06	84.99	98.45	103.59	117.98	130.30	179.27	-	-
16	75,000	118.34	118.34	124.27	137.73	142.86	157.25	169.58	218.34	-	-
17	100,000	157.61	157.61	163.54	177.00	182.14	196.53	208.86	257.42	-	-
18	125,000	196.89	196.89	202.82	216.28	221.42	235.81	248.13	296.50	-	-
19	150,000	236.17	236.17	242.10	255.56	260.70	275.08	287.41	335.58	-	-
20	175,000	275.44	275.44	281.38	294.84	299.97	314.36	326.69	374.66	-	-
21	200,000	314.72	314.72	320.65	334.11	339.25	353.64	365.97	413.73	-	-
22	250,000	393.28	393.28	399.21	412.67	417.80	432.19	444.52	491.89	-	-
23	500,000	786.05	786.05	791.98	805.44	810.58	824.96	837.29	882.67	-	-
24	1,000,000	1,571.59	1,571.59	1,577.52	1,590.98	1,596.12	1,610.50	1,622.83	1,664.24	-	-
25	2,000,000	3,142.67	3,142.67	3,148.60	3,162.06	3,167.20	3,181.59	3,193.92	3,227.37	-	-
26	3,000,000	4,713.75	4,713.75	4,719.69	4,733.15	4,738.28	4,752.67	4,765.00	4,790.50	-	-
27	4,000,000	6,284.84	6,284.84	6,290.77	6,304.23	6,309.37	6,323.76	6,336.08	6,353.63	-	-
28	5,000,000	7,855.92	7,855.92	7,861.85	7,875.31	7,880.45	7,894.84	7,907.17	7,916.76	-	-
29											
30											
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-	-	-
32											
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-	-	-
34	MONTHLY BILL:	$11.99	-	$50.90	-	-	-	-	-	-	-
35											
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-	-	-
37	MONTHLY BILL:	$9.76	-	$42.78	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$0.05	$0.05	$0.38	$0.49	$0.62	$1.01	$1.34	$2.67
2	1,000	0.91	0.91	1.55	0.58	0.72	1.11	1.43	2.76
3	2,000	0.84	0.84	1.80	0.67	0.81	1.20	1.53	2.85
4	3,000	0.78	0.78	2.06	0.77	0.90	1.29	1.62	2.95
5	4,000	0.71	0.71	2.31	0.86	1.00	1.39	1.71	3.04
6	5,000	0.97	0.97	2.57	1.35	1.49	1.88	2.20	3.52
7	6,000	1.22	1.22	2.82	1.84	1.98	2.37	2.70	4.01
8	7,000	1.48	1.48	3.07	2.33	2.47	2.86	3.19	4.49
9	8,000	1.73	1.73	3.33	2.82	2.96	3.35	3.68	4.97
10	9,000	1.98	1.98	3.58	3.32	3.45	3.84	4.17	5.46
11	10,000	2.24	2.24	3.83	3.81	3.94	4.33	4.66	5.94
12	15,000	4.69	9.01	4.30	6.26	6.40	6.79	7.12	8.36
13	20,000	7.15	15.79	4.77	8.72	8.86	9.24	9.57	10.77
14	25,000	9.60	22.56	5.23	11.17	11.31	11.70	12.03	13.19
15	50,000	21.88	60.76	17.51	23.45	23.59	23.98	24.30	25.27
16	75,000	34.16	98.96	29.79	35.73	35.86	36.25	36.58	37.34
17	100,000	46.43	137.15	42.06	48.00	48.14	48.53	48.86	49.42
18	125,000	58.71	175.35	54.34	60.28	60.42	60.81	61.13	61.50
19	150,000	70.99	213.55	66.62	72.56	72.70	73.08	73.41	73.58
20	175,000	83.26	251.74	78.90	84.84	84.97	85.36	85.69	85.66
21	200,000	95.54	289.94	91.17	97.11	97.25	97.64	97.97	97.73
22	250,000	120.10	367.42	115.73	121.67	121.80	122.19	122.52	121.89
23	500,000	242.87	759.11	238.50	244.44	244.58	244.96	245.29	242.67
24	1,000,000	488.41	1,543.57	484.04	489.98	490.12	490.50	490.83	484.24
25	2,000,000	979.49	3,113.57	975.12	981.06	981.20	981.59	981.92	967.37
26	3,000,000	1,470.57	4,683.57	1,466.21	1,472.15	1,472.28	1,472.67	1,473.00	1,450.50
27	4,000,000	1,961.66	6,253.58	1,957.29	1,963.23	1,963.37	1,963.76	1,964.08	1,933.63
28	5,000,000	2,452.74	7,823.58	2,448.37	2,454.31	2,454.45	2,454.84	2,455.17	2,416.76
29									
30									
31	AVG. NO. OF CUST:	9,747	-	220	-	-	-	-	-
32									
33	AVG. USE (GAL.):	6,395	-	28,303	-	-	-	-	-
34	MONTHLY BILL:	$1.33	-	$6.85	-	-	-	-	-
35									
36	MEDIAN USE (GAL.) :	4,500	-	22,500	-	-	-	-	-
37	MONTHLY BILL:	$0.84	-	$5.00	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Residential

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 7

Residential

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	$672,974	$808,870	$ 1,481,844
2	3/4 - INCH	-	-	-
3	1 - INCH	43,304	98,474	141,778
4	1 1/2 - INCH	-	-	-
5	2 - INCH	-	-	-
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 716,278	$ 907,343	$ 1,623,622
12	PERCENTAGE OF TOTAL REVENUE	44.12%	55.88%	100.00%

COMMERCIAL

RATES

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Comparison - Commercial

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 4,304	$ 21,701	$ 26,004	$ 5,557	$ 35,427	$ 40,984	$ 4,341	$ 30,819	$ 35,160
2	3/4 - INCH	211	1,589	1,800	353	1,896	2,249	276	2,265	2,541
3	1 - INCH	8,736	20,516	29,252	11,286	32,038	43,324	8,943	27,808	36,751
4	1 1/2 - INCH	2,814	7,886	10,700	3,635	11,758	15,393	2,880	10,169	13,049
5	2 - INCH	30,134	179,125	209,259	38,931	280,332	319,263	30,853	239,411	270,264
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 46,198	$ 230,817	$ 277,015	$ 59,762	$ 361,451	$ 421,214	$ 47,293	$ 310,472	$ 357,765
12	PERCENTAGE	16.68%	83.32%	100.00%	14.19%	85.81%	100.00%	13.22%	86.78%	100.00%

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates - Commercial

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	**(Commercial Customers)**			
4	5/8 X 3/4 - INCH	$5.70	$7.36	$5.75
5	3/4 - INCH	5.70	7.36	5.75
6	1 - INCH	16.00	20.67	16.38
7	1 1/2 - INCH	21.00	27.13	21.49
8	2 - INCH	26.00	33.59	26.62
9	3 - INCH	40.00	51.68	41.01
10	4 - INCH	52.00	67.18	53.34
11	6 - INCH	100.00	129.20	102.67
12	8 - INCH	-	-	-
13	10 - INCH	-	-	-
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	**(Commercial Customers)**	1,000	-	-
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 10,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
24				
25	3/4 - INCH			
26	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 10,000 GALLONS:	$ 0.92	$ 0.96	$ 1.17
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 10,000 GALLONS:	$ 1.08	$ 1.36	$ 1.57
28				
29				
30	1 - INCH			
31	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 25,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 25,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
33				
34	1 1/2 - INCH			
35	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 50,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
36	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 50,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
37				
38	2 - INCH			
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 80,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
40	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 80,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
41				
42	3 - INCH			
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 160,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 160,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
45				
46	4 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 250,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 250,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57
49				
50	6 - INCH			
51	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 500,000 GALLONS:	$ 0.92	$ 1.36	$ 1.17
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 500,000 GALLONS:	$ 1.08	$ 1.86	$ 1.57

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Commercial

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schdule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 5.70	$ 7.36	$ 1.66	29.12%	$ 5.75	$ 0.05	0.88%
2	3/4 - INCH	5.70	7.36	1.66	29.12%	5.75	0.05	0.88%
3	1 - INCH	16.00	20.67	4.67	29.19%	16.38	0.38	2.37%
4	1 1/2 - INCH	21.00	27.13	6.13	29.19%	21.49	0.49	2.33%
5	2 - INCH	26.00	33.59	7.59	29.19%	26.62	0.62	2.38%
6	3 - INCH	40.00	51.68	11.68	29.20%	41.01	1.01	2.52%
7	4 - INCH	52.00	67.18	15.18	29.19%	53.34	1.34	2.58%
8	6 - INCH	100.00	129.20	29.20	29.20%	102.67	2.67	2.67%
9	8 - INCH	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present Rates - Commercial

Docket No. W02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 4

PRESENT RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$5.70	$5.70	$16.00	$21.00	$26.00	$40.00	$52.00	$100.00
2	1,000	6.62	6.62	16.92	21.92	26.92	40.92	52.92	100.92
3	2,000	7.54	7.54	17.84	22.84	27.84	41.84	53.84	101.84
4	3,000	8.46	8.46	18.76	23.76	28.76	42.76	54.76	102.76
5	4,000	9.38	9.38	19.68	24.68	29.68	43.68	55.68	103.68
6	5,000	10.30	10.30	20.60	25.60	30.60	44.60	56.60	104.60
7	6,000	11.22	11.22	21.52	26.52	31.52	45.52	57.52	105.52
8	7,000	12.14	12.14	22.44	27.44	32.44	46.44	58.44	106.44
9	8,000	13.06	13.06	23.36	28.36	33.36	47.36	59.36	107.36
10	9,000	13.98	13.98	24.28	29.28	34.28	48.28	60.28	108.28
11	10,000	14.90	14.90	25.20	30.20	35.20	49.20	61.20	109.20
12	15,000	20.30	20.30	30.60	35.60	40.60	54.60	66.60	114.60
13	20,000	25.70	25.70	36.00	41.00	46.00	60.00	72.00	120.00
14	25,000	31.10	31.10	41.40	46.40	51.40	65.40	77.40	125.40
15	50,000	58.10	58.10	68.40	73.40	78.40	92.40	104.40	152.40
16	75,000	85.10	85.10	95.40	100.40	105.40	119.40	131.40	179.40
17	100,000	112.10	112.10	122.40	127.40	132.40	146.40	158.40	206.40
18	125,000	139.10	139.10	149.40	154.40	159.40	173.40	185.40	233.40
19	150,000	166.10	166.10	176.40	181.40	186.40	200.40	212.40	260.40
20	175,000	193.10	193.10	203.40	208.40	213.40	227.40	239.40	287.40
21	200,000	220.10	220.10	230.40	235.40	240.40	254.40	266.40	314.40
22	250,000	274.10	274.10	284.40	289.40	294.40	308.40	320.40	368.40
23	500,000	544.10	544.10	554.40	559.40	564.40	578.40	590.40	638.40
24	1,000,000	1,084.10	1,084.10	1,094.40	1,099.40	1,104.40	1,118.40	1,130.40	1,178.40
25	2,000,000	2,164.10	2,164.10	2,174.40	2,179.40	2,184.40	2,198.40	2,210.40	2,258.40
26	3,000,000	3,244.10	3,244.10	3,254.40	3,259.40	3,264.40	3,278.40	3,290.40	3,338.40
27	4,000,000	4,324.10	4,324.10	4,334.40	4,339.40	4,344.40	4,358.40	4,370.40	4,418.40
28	5,000,000	5,404.10	5,404.10	5,414.40	5,419.40	5,424.40	5,438.40	5,450.40	5,498.40
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$33.76	$38.10	$52.95	$79.54	$180.32	-	-	-
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$12.12	$9.79	$25.90	$52.34	$100.70	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Commercial

Docket No. W-02199A-11-0329 et al.
SurrebuttalSchedule RBM RD - 5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$5.75	$5.75	$16.38	$21.49	$26.62	$41.01	$53.34	$102.67
2	1,000	6.92	6.92	17.55	22.66	27.79	42.18	54.51	103.84
3	2,000	8.09	8.09	18.72	23.83	28.96	43.35	55.68	105.01
4	3,000	9.26	9.26	19.89	25.00	30.13	44.52	56.85	106.18
5	4,000	10.43	10.43	21.06	26.17	31.30	45.69	58.02	107.35
6	5,000	11.60	11.60	22.23	27.34	32.47	46.86	59.19	108.52
7	6,000	12.77	12.77	23.40	28.51	33.64	48.03	60.36	109.69
8	7,000	13.94	13.94	24.57	29.68	34.81	49.20	61.53	110.86
9	8,000	15.11	15.11	25.74	30.85	35.98	50.37	62.70	112.03
10	9,000	16.28	16.28	26.91	32.02	37.15	51.54	63.87	113.20
11	10,000	17.45	17.45	28.08	33.19	38.32	52.71	65.04	114.37
12	15,000	25.30	25.30	33.93	39.04	44.17	58.56	70.89	120.22
13	20,000	33.15	33.15	39.78	44.89	50.02	64.41	76.74	126.07
14	25,000	41.00	41.00	45.63	50.74	55.87	70.26	82.59	131.92
15	50,000	80.25	80.25	84.88	79.99	85.12	99.51	111.84	161.17
16	75,000	119.50	119.50	124.13	119.24	114.37	128.76	141.09	190.42
17	100,000	158.75	158.75	163.38	158.49	151.62	158.01	170.34	219.67
18	125,000	198.00	198.00	202.63	197.74	190.87	187.26	199.59	248.92
19	150,000	237.25	237.25	241.88	236.99	230.12	216.51	228.84	278.17
20	175,000	276.50	276.50	281.13	276.24	269.37	251.76	258.09	307.42
21	200,000	315.75	315.75	320.38	315.49	308.62	291.01	287.34	336.67
22	250,000	394.25	394.25	398.88	393.99	387.12	369.51	345.84	395.17
23	500,000	786.75	786.75	791.38	786.49	779.62	762.01	738.34	687.67
24	1,000,000	1,571.75	1,571.75	1,576.38	1,571.49	1,564.62	1,547.01	1,523.34	1,472.67
25	2,000,000	3,141.75	3,141.75	3,146.38	3,141.49	3,134.62	3,117.01	3,093.34	3,042.67
26	3,000,000	4,711.75	4,711.75	4,716.38	4,711.49	4,704.62	4,687.01	4,663.34	4,612.67
27	4,000,000	6,281.75	6,281.75	6,286.38	6,281.49	6,274.62	6,257.01	6,233.34	6,182.67
28	5,000,000	7,851.75	7,851.75	7,856.38	7,851.49	7,844.62	7,827.01	7,803.34	7,752.67
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$44.87	$51.18	$62.42	$88.92	$221.29	$41.01	$53.34	$102.67
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$13.91	$10.95	$28.84	$57.17	$109.27	$41.01	$53.34	$102.67

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis RUCO Recommended - Commercial

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH
1	0	$0.05	$0.05	$0.38	$0.49	$0.62	$1.01	$1.34	$2.67
2	1,000	0.30	0.30	0.63	0.74	0.87	1.26	1.59	2.92
3	2,000	0.55	0.55	0.88	0.99	1.12	1.51	1.84	3.17
4	3,000	0.80	0.80	1.13	1.24	1.37	1.76	2.09	3.42
5	4,000	1.05	1.05	1.38	1.49	1.62	2.01	2.34	3.67
6	5,000	1.30	1.30	1.63	1.74	1.87	2.26	2.59	3.92
7	6,000	1.55	1.55	1.88	1.99	2.12	2.51	2.84	4.17
8	7,000	1.80	1.80	2.13	2.24	2.37	2.76	3.09	4.42
9	8,000	2.05	2.05	2.38	2.49	2.62	3.01	3.34	4.67
10	9,000	2.30	2.30	2.63	2.74	2.87	3.26	3.59	4.92
11	10,000	2.55	2.55	2.88	2.99	3.12	3.51	3.84	5.17
12	15,000	5.00	5.00	3.33	3.44	3.57	3.96	4.29	5.62
13	20,000	7.45	7.45	3.78	3.89	4.02	4.41	4.74	6.07
14	25,000	9.90	9.90	4.23	4.34	4.47	4.86	5.19	6.52
15	50,000	22.15	22.15	16.48	6.59	6.72	7.11	7.44	8.77
16	75,000	34.40	34.40	28.73	18.84	8.97	9.36	9.69	11.02
17	100,000	46.65	46.65	40.98	31.09	19.22	11.61	11.94	13.27
18	125,000	58.90	58.90	53.23	43.34	31.47	13.86	14.19	15.52
19	150,000	71.15	71.15	65.48	55.59	43.72	16.11	16.44	17.77
20	175,000	83.40	83.40	77.73	67.84	55.97	24.36	18.69	20.02
21	200,000	95.65	95.65	89.98	80.09	68.22	36.61	20.94	22.27
22	250,000	120.15	120.15	114.48	104.59	92.72	61.11	25.44	26.77
23	500,000	242.65	242.65	236.98	227.09	215.22	183.61	147.94	49.27
24	1,000,000	487.65	487.65	481.98	472.09	460.22	428.61	392.94	294.27
25	2,000,000	977.65	977.65	971.98	962.09	950.22	918.61	882.94	784.27
26	3,000,000	1,467.65	1,467.65	1,461.98	1,452.09	1,440.22	1,408.61	1,372.94	1,274.27
27	4,000,000	1,957.65	1,957.65	1,951.98	1,942.09	1,930.22	1,898.61	1,862.94	1,764.27
28	5,000,000	2,447.65	2,447.65	2,441.98	2,432.09	2,420.22	2,388.61	2,352.94	2,254.27
29									
30									
31	AVG. NO. OF CUST:	63	4	46	11	97	-	-	-
32									
33	AVG. USE (GAL.):	27,467	31,483	35,697	55,687	144,375	-	-	-
34	MONTHLY BILL:	$11.11	$13.08	$9.47	$9.38	$40.97	-	-	-
35									
36	MEDIAN USE (GAL.) :	6,978	4,444	10,647	30,500	70,645	-	-	-
37	MONTHLY BILL:	$1.79	$1.16	$2.94	$4.83	$8.57	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Commercial

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 7

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1	5/8 X 3/4 - INCH	$4,341	$30,819	$ 35,160
2	3/4 - INCH	276	2,265	2,541
3	1 - INCH	8,943	27,808	36,751
4	1 1/2 - INCH	2,880	10,169	13,049
5	2 - INCH	30,853	239,411	270,264
6	3 - INCH	-	-	-
7	4 - INCH	-	-	-
8	6 - INCH	-	-	-
9	8 - INCH	-	-	-
10	10 - INCH	-	-	-
11	TOTALS	$ 47,293	$ 310,472	$ 357,765
12	PERCENTAGE OF TOTAL REVENUE	13.22%	86.78%	100.00%

IRRIGATION

RATES

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Comparison - Irrigation

Docket No. W-02199A-11-0329 et al.
Subbebuttal Schedule RBM RD - 1

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	All Sizes	9,540	302,502	312,042	12,323	588,198	600,520	9,540	396,074	405,614
2	**TOTALS**	**$ 9,540**	**$ 302,502**	**$ 312,042**	**$ 12,323**	**$ 588,198**	**$ 600,520**	**$ 9,540**	**$ 396,074**	**$ 405,614**
3	**PERCENTAGE**	**3.06%**	**96.94%**	**100.00%**	**2.05%**	**97.95%**	**100.00%**	**2.35%**	**97.65%**	**100.00%**

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Recommended Rates- Irrigation

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 2

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2	All Sizes	180.00	232.50	180.00
3				
4	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**	100,000	-	-
5				
6				
7				
8	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
9				
10				
11	All Sizes			
12	COMMODITY RATE (All Gallons)	$ 0.36	$ 0.70	$ 0.47
13				
14				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Monthly Minimum Charges - Irrigation

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 3

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	All Sizes	180.00	232.50	52.50	29.17%	180.00	0.00	0.00%
2	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	100,000	-	-	-	-	-	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Billing Analysis Present and RUCO Recommended - Irrigation

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 4

Billing Analysis

LINE NO.	CONSUMPTION IN GALLONS	(A) PRESENT RATES	RUCO REOMMENDED
1	0	$180.00	$180.00
2	1,000	180.00	180.00
3	2,000	180.36	180.47
4	3,000	180.72	180.94
5	4,000	181.08	181.41
6	5,000	181.44	181.89
7	6,000	181.80	182.36
8	7,000	182.16	182.83
9	8,000	182.52	183.3
10	9,000	182.88	183.77
11	10,000	183.24	184.24
12	15,000	185.04	186.6
13	20,000	186.84	188.96
14	25,000	188.64	191.31
15	50,000	197.64	203.1
16	75,000	206.64	214.88
17	100,000	215.64	226.66
18	125,000	224.64	238.45
19	150,000	233.64	250.23
20	175,000	242.64	262.02
21	200,000	251.64	273.8
22	250,000	269.64	297.37
23	500,000	359.64	415.21
24	1,000,000	539.64	650.89
25	2,000,000	899.64	1122.24
26	3,000,000	1259.64	1593.6
27	4,000,000	1619.64	2064.96
28	5,000,000	1979.64	2536.32
29			
30			
31	AVG. NO. OF CUST:	4	4
32			
33	AVG. USE (GAL.):	15,854,381	15,854,381
34	MONTHLY BILL:	$5,887.22	$7,652.62
35			
36	MEDIAN USE (GAL.) :	8,864,900	8,864,900
37	MONTHLY BILL:	$3,371.00	$4,358.07

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Revenue Summary by Meter Size - Irrigation

Docket No. W-02199A-11-0329 et al.
Surrebuttal Schedule RBM RD - 5

LINE NO.	DESCRIPTION	(A) RUCO PROPOSED MINIMUM REVENUE	(B) RUCO PROPOSED COMMODITY REVENUE	(C) RUCO PROPOSED TOTAL REVENUE
1				
2				
3				
4				
5	All Sizes	9,540	396,074	405,614
6				
7				
8				
9				
10				
11	TOTALS	$ 9,540	$ 396,074	$ 405,614
12	PERCENTAGE OF TOTAL REVENUE	2.35%	97.65%	100.00%

EXHIBIT
RUCO-5
ADMITTED
PENGAD 800-631-6989

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

DIRECT TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 27, 2012

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EXECUTIVE SUMMARY

Pima Utility Company ("Pima" or "Company") is a Class B public service water and wastewater corporation organized as an S corporation under Subtitle A, Chapter 1, Subchapter S of the Internal Revenue Code. The Company serves approximately 10,050 wastewater customers in portions of Maricopa County, Arizona.

Pima filed general rate applications for both the Company's Water and Wastewater Divisions with the Arizona Corporation Commission ("ACC" or "Commission") on August 29, 2011 using a test year ending on December 31, 2010.

On September 19, 2011, Pima filed a Motion to Consolidate Docket Numbers W-02199A-11-0329 and SW-02199A-11-0330. In its Motion, Pima stated that the Company's water and wastewater customer bases are largely the same and Pima is operated and managed as one utility. The Commission subsequently found the Applications sufficient on September 30, 2011 and consolidated the two dockets as W-02199A-11-0329 el al. for purposes of hearing.

For Pima's Wastewater Division, the Company is requesting a gross revenue increase of $691,210 or a 22.32 percent increase over Test Year adjusted revenue of $3,096,775.

RUCO is recommending a $232,207 or 7.50 percent increase over Wastewater Division Test Year adjusted revenue of $3,096,775.

The Company is seeking a 9.47 percent rate of return on a $9,863,271 Wastewater Division fair value rate base for an operating income of $934,052. RUCO recommends a 9.01 percent rate of return on a $9,832,800 fair value rate base for an operating income of $885,935.

RUCO's adjusted Test Year rate base and operating income recommendations for Pima's Wastewater Division reflect three rate base adjustments totaling $30,471 which reduced the Company-proposed rate base from $9,863,271 to 9,832,800; and eight operating income adjustments totaling $215,055 which increased the Company's Test Year adjusted operating income from $441,784 to $656,839.

Based on RUCO's analysis of Pima Wastewater Division's rate Application, RUCO is recommending a flat rate design that will result in an increase for the residential 5/8" x 3/4" meter in the amount of $1.03 from $22.73 to $23.76 per month.

RUCO analyst Robert B. Mease will provide direct testimony on Pima's water Application.

RUCO's Chief of Accounting and Rates, William A. Rigsby, will provide direct testimony on RUCO's recommended cost of capital and the Company's request to include income taxes in rates.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Timothy J. Coley. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix 1, which is attached to this testimony, describes my educational background and includes a list of the rate cases and regulatory matters in which I have participated.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding Pima Utility Company's ("Pima" or "Company") Wastewater Division Application for a determination of the current fair value of its utility plant and property and for a permanent increase in its rates and charges based thereon for utility service. The test year utilized by Pima in connection with the preparation of this Application is the 12-month period ending December 31, 2010 ("Test Year").

BACKGROUND

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's filing as it relates to operating income, rate base, and the Company's overall revenue requirement. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of three sets of data requests, the review and analysis of the Company's responses to Commission Staff's data requests, and review of prior ACC dockets related to Pima Utility Company.

RUCO's participation in this proceeding is the cumulative effort of three RUCO witnesses; myself (Timothy J. Coley), William A. Rigsby, and Robert B. Mease. I was responsible for the rate base, operating income adjustments that determine RUCO's revenue requirement recommendations, and rate design for the wastewater division. RUCO's Chief of Accounting and Rates, Mr. Rigsby, will present separate testimonies on policy related issues (i.e. income tax allowance[1]) and RUCO's cost of capital recommendation. RUCO witness, Mr. Mease, will provide separate testimony on Pima's Water Division.

...

[1] Sub-Chapter S corporations do not pay income taxes at the entity level. The income tax liability is passed through to the individual shareholders on their annual personal income tax filings.

Q. Please identify the schedules and exhibits that you are sponsoring.

A. I am sponsoring revenue requirement schedules for Pima Wastewater numbered TJC-1 through TJC-16 and rate design schedules numbered TJC RD-1 through TJC RD-4.

SUMMARY OF DIRECT TESTIMONY

Q. Please summarize the adjustments to the rate base in your testimony.

A. My testimony addresses the following rate base adjustments:

Rate Base Adjustments - Summary

RUCO is in general agreement with the Company-proposed gross Utility Plant in Service ("UPIS") with the exception of some plant additions predating the last wastewater rate case decided in Commission Decision No. 62184 and dated January 5, 2000. The Test Year utilized in that case was the year ended December 31, 1997. Nevertheless, RUCO reserves the right to alter its position if additional evidence is produced in this case, which warrants RUCO's reconsideration of its position. A summary of RUCO's rate base adjustments are as follows:

<u>Rate Base Adjustment #1 – Plant and Accumulated Depreciation</u>

This adjustment reduces gross UPIS by $37,858 and decreases accumulated depreciation by $43,884 for a net adjustment of $6,026. The

adjustment reflects RUCO's recommended gross UPIS and accumulated depreciation balances since the last rate case referenced above for Pima's Wastewater Division. The adjustment takes into consideration plant balances approved in Pima's prior rate case proceeding and includes all plant additions, retirements, and adjustments since that time at the Commission approved depreciation rates. As will be discussed in more detail later in my testimony, RUCO disallowed some 1994-1996 plant additions that the Company claims were on its books but not included in Decision No. 62184.

Rate Base Adjustment #2 – Convert Advances in Aid of Construction (AIAC) to Contributions in Aid of Construction (CIAC)

This adjustment reduces AIAC by $285,313 and increases CIAC by $343,412. The adjustment reflects the conversion of AIAC from a bankrupt developer into CIAC. Since no identifiable or known entity/person existed for Pima to make refunds to, RUCO converted the remaining balance of advanced funds into contributions (in response to Staff data request CSB 1-12, the Company agreed that the conversion from AIAC to CIAC was appropriate). This adjustment has a nominal impact on depreciation expense, which will be discussed in more detail later.

Rate Base Adjustment #3 – Capitalize an Expensed Plant Item

This adjustment increases plant by $22,391 and accumulated depreciation by $789.[2] A corresponding expense adjustment to remove the $22,391 is also necessary and will be discussed in more detail later. The Company agreed with this adjustment in its response to Staff data request 1.34.

Operating Income Adjustments - Summary

Q. Please summarize RUCO's operating income adjustments in your testimony.

A. RUCO is recommending the following operating income adjustments that will be discussed in detail later in my testimony:

Operating Income Adjustment #1 – Depreciation Expense

This adjustment calculates depreciation and amortization expense based on RUCO's recommended plant levels. The adjustment increases Pima's depreciation expense by $3,021.

Operating Income Adjustment #2 – Property Tax Expense

This adjustment calculates property tax expense based on a modified Arizona Department of Revenue ("ADOR") formula that has been adopted by the Commission in a number of prior rate cases. The adjustment decreases Pima's property tax expense by $1,401.

[2] The $789 adjustment to accumulated depreciation was calculated using the half-year convention method of depreciation as shown on Schedule TJC-6.

Operating Income Adjustment #3 – Remove Materials and Supplies Expense That Should Have Been Capitalized

This adjustment removes expensed items from the materials and supplies expense account and capitalizes it to the proper plant accounts. The adjustment reduces the expense by $22,391.

Operating Income Adjustment #4 – Remove Contractual Services – Engineering Expense That Should Have Been Recorded to Construction Work in Progress ("CWIP")

This adjustment removes expensed items from the contractual services – engineering expense account and reclassifies it as CWIP. The adjustment reduces the expense by $19,524.

Operating Income Adjustment #5 – Rate Case Expense

This adjustment reflects RUCO's $150,000 recommended level of rate case expense, to be normalized over four years. The adjustment decreases the Company-proposed level of annual rate case expense by $12,500 for an annual rate case expense of $37,500.

Operating Income Adjustment #6 – Miscellaneous Expense – Banking Fees

This adjustment increases the miscellaneous expense account by $6,354. The adjustment shifts 50 percent of the bank fees – 100 percent of which

had been recorded on the Water Division's books – to Pima's Wastewater Division.

Operating Income Adjustment #7 – Salaries and Wages Officers

This adjustment, related to the director of the Company, decreases the salaries and wages expense account by $83,209.

Operating Income Adjustment #8 – Intentionally Left Blank

Operating Income Adjustment #9 – Intentionally Left Blank

Operating Income Adjustment #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

This adjustment removes the Company's $85,405 adjusted Test Year pro forma adjustment for income tax expense. RUCO also recommends no recognition for income taxes on the proposed revenues on a going forward basis. The rationale for the adjustment will be explained by RUCO witness Mr. Rigsby in his direct testimony on income taxes.

Revenue Requirements - Summary

Q. Please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirements for Pima's Wastewater Division.

A. As can be seen on my Schedule TJC-1, a comparison between the Company's and RUCO's recommended revenue increases is presented below:

Pima Revenue $'s Increase	RUCO Revenue $'s Increase	Pima Revenue % Increase	RUCO Revenue % Increase
$ 691,210	$ 232,207	22.32%	7.50%

Rate Design - Summary

Q. Please summarize RUCO's rate design for Pima Utility Company's Wastewater Division.

A. RUCO's rate design is similar to the Company's with two exceptions. The first exception is the difference between Pima and RUCO's overall gross revenue increase. The second difference is that RUCO's rate design is based on the NARUC meter multiplier where the Company's rates at different meter sizes are chosen independently. This will all be discussed in greater detail later in my testimony.

Q. What would be a typical monthly bill for a 5/8 X 3/4 inch meter residential customer under RUCO's recommended rates and the Company-proposed rates?

A. Under RUCO's recommended rates, a 5/8 X 3/4 inch meter residential customer would experience a typical monthly bill of $23.76 which is $1.03, or 4.53%, higher than Pima's present rate of $22.73. Under the Company-proposed rates, a 5/8 X 3/4 inch meter residential customer would experience a typical monthly bill of $27.79 which is $5.06, or 22.26%, higher than Pima's present rate of $22.73.

RATE BASE ADJUSTMENTS

Q. Please address and explain the rate base adjustments made by RUCO in this proceeding.

A. RUCO made three adjustments to the Company-proposed level of rate base, which are explained on the succeeding pages.

<u>Rate Base Adjustment #1 – Utility Plant in Service (UPIS) and Accumulated Depreciation</u>

Q. Please explain RUCO's adjustment to the Company's UPIS and accumulated depreciation balances.

A. RUCO's adjustment is based on a reconstruction of UPIS additions, adjustments, and retirements that have occurred since the Company's last

rate case[3] in order to determine the proper plant and accumulated depreciation balances for the test year in this case.

Q. Does RUCO accept the Company's balances of UPIS and accumulated depreciation for a starting point?

A. No, not entirely. There are some nominal differences between RUCO and the Company's recommended UPIS and accumulated depreciation balances. The primary difference is due to the Company including some plant additions that predates Pima's last rate case Test Year ended December 31, 1997.

Q. In what circa was the plant additions claimed by the Company?

A. The plant additions were from 1994 through 1996. Those years predate the Company's last Test Year of 1997. The Company's consultant identified the plant additions in his work papers as "sewer plant recorded on water books – not included in Decision 62184."

Q. What is RUCO's rationale for not recognizing and allowing the approximate $37,858 of plant in which the Company included in its UPIS balance?

A. There are two primary reasons why RUCO does not recognize and allow the said plant. First, it would be retroactive ratemaking to include any

[3] The UPIS and accumulated depreciation balances authorized in Commission Decision No. 62184, dated January 5, 2000, for Pima Utility Company's Wastewater Division.

plant that predates January 1, 1998 because Decision No. 62184 was based on a Test Year end December 31, 1997. Second, RUCO reviewed the plant in question and determined that over 90 percent of the $37,858 of plant additions would be fully depreciated by 2010.

Q. What adjustment does RUCO recommend to account for this plant and associated accumulated depreciation?

A. RUCO recommends reducing the Company's gross utility plant in service balance by $37,858 and accumulated depreciation by $43,884. These adjustments are shown on Schedule TJC-2 and TJC-3 with the details shown on TJC-4 Direct Plant, page 13 on line 45.

<u>Rate Base Adjustment #2 – Convert Advances in Aid of Construction (AIAC) to Contributions in Aid of Construction (CIAC)</u>

Q. Please explain RUCO's rate base adjustment that converts all of the Company's AIAC balance to CIAC?

A. During the discovery phase, the Company determined that it had a single line extension contract recorded as AIAC in the Wastewater Division.[4] Pima stated the following:

> Due to the bankruptcy of the developer, Pima has been unable to pay the refunds due to the developer and is unaware of a successor entity to which payments can be made. Since it is unlikely that Pima will ever be able to

[4] See Company response to Staff data request CSB 1-12.

actually pay the amounts due, Pima believes it may be more appropriate to eliminate the account payable to the developer and reclassify the full amount of the original advance to Contributions in Aid of Construction.

Q. Does RUCO agree with the Company's suggestion to reclassify the AIAC balance to CIAC?

A. Yes.

Q. What adjustments did RUCO make to convert the AIAC to CIAC?

A. RUCO reversed the Company's net AIAC balance of $285,313 to zero and added the gross AIAC balance of $343,412 to CIAC. This adjustment also has an impact on operating income because it will decrease Pima's proposed depreciation expense. RUCO believes that Pima should eliminate the account payable to the developer from the Company's books. RUCO's adjustments are shown on Schedule TJC-2 and TJC-3 with the details shown on TJC-5.

...

Rate Base Adjustment #3 – Capitalize an Expensed Plant Item to Plant

Q. Please explain RUCO's rate base adjustment that capitalizes a plant item that had been erroneously expensed by the Company.

A. During the discovery phase, the Company also determined that it had expensed a wastewater plant item that should have been capitalized.[5] Pima stated the following:

> In review of the test year costs, it was determined that $22,391 of these costs should have been capitalized to Utility Plant in Service.

Q. Does RUCO agree with Pima's assessment that the expensed plant item should have been capitalized and recorded in the appropriate plant accounts?

A. Yes.

Q. Please explain why RUCO capitalized the expensed plant item and recorded it in the appropriate plant accounts.

A. RUCO removed $22,931 from the materials and supplies expense account on the income statement and capitalized the same amount to the appropriate plant accounts. A half-year convention for depreciation expense was removed from accumulated depreciation in the amount of $789. These adjustments are shown on Schedule TJC-2 and TJC-3 with the details shown on TJC-6. These adjustments had a nominal impact on

[5] See Company response to Staff data request CSB 1-34.

the Company's operating income through additional depreciation expense on a going forward basis.

Rate Base Adjustment #4 – Reclassify an Expensed Plant Item to Construction Work in Progress (CWIP)

Q. Please explain RUCO's rate base adjustment that reclassifies an expensed plant item to CWIP.

A. During the discovery phase, the Company further determined that it had expensed a wastewater plant item that should have been reclassified to CWIP.[6] Pima stated the following:

> The increase is due primarily to several B&R Engineering invoices, in the amount of $19,523.75, related to the preliminary engineering for the Hunt Highway Sewer Force Main project. These invoices should have been capitalized to Construction Work in Progress.

This adjustment has no bearing on Pima's rate base because it was never recorded to UPIS but expensed on the income statement. The contractual services – engineering expense will be reduced by $19,524 in the operating income section of this testimony later. Because the ACC does not afford CWIP rate base treatment, except in rare and extraordinary circumstances (i.e. Palo Verde Nuclear Plant Construction), there is no

[6] See Company response to Staff data request CSB 1-36.

rate base adjustment required. This discussion was for clarification purposes only.

OPERATING INCOME ADJUSTMENTS

Q. Please address and explain the operating income adjustments that RUCO is recommending in this proceeding.

A. RUCO recommends eight operating income adjustments to Pima's operating income elements as summarized earlier in this testimony. The cumulative review, analysis, and adjustments made by RUCO are explained on the succeeding pages.

Operating Income Adjustment #1 – Depreciation Expense

Q. Do you agree with the Company's adjusted Test Year depreciation expense as filed in its Application?

A. No.

Q. What factors drove RUCO's adjustment to Pima's level of adjusted test year depreciation expense?

A. Three primary factors drove RUCO's adjustment to Pima's requested level of adjusted test year depreciation expense. First, RUCO's level of UPIS differs from the Company's adjusted Test Year levels. This is solely due to RUCO's rate base adjustments #1 and #3 explained earlier in my testimony.

Second, RUCO's CIAC balance is higher than the Company's adjusted Test Year CIAC balance. This is solely due to RUCO rate base adjustment #2, which converts the Company's gross AIAC balance to CIAC (See RUCO Testimony).

The third and final reason for the differences in the levels of depreciation expense is that the Company is not depreciating plant that is booked in seven depreciable plant account balances. This can be seen in the Company's depreciation expense schedule (Company Schedule C-2, page 2) and was discussed with Pima's rate consultant Mr. Bourassa. As can be seen on Schedule TJC-9, RUCO is depreciating the plant contained in those seven account balances. The remaining issue in this area is Mr. Bourassa's depreciation calculations continues to take depreciation expense on transportation equipment that has been fully depreciated. Because the equipment in this account has been fully depreciated, there should be no depreciation expense on a going forward basis.

Q. What adjustment was necessary to correct the problems with the Company's depreciation expense described above?

A. It was necessary to increase the Company's adjusted Test Year depreciation expense by $3,021. The adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-9.

Operating Income Adjustment #2 – Property Tax Expense

Q. Has RUCO changed its approach to computing property tax expense for the adjusted Test Year?

A. Yes. RUCO has adopted the method that the Staff has been using for the past several rate cases. This method of computing property tax expense also has an effect on the adjusted Test Year income taxes and computation of the gross-up conversion factor. This was adopted by RUCO primarily to eliminate issues of comparability of the Test Year level of adjusted operating expenses and adjusted operating income.

Q. Has RUCO made an adjustment to the Company-adjusted Test Year level of property tax expense?

A. Yes.

Q. Please explain the reasons why RUCO has made an adjustment to the Company-proposed level of adjusted Test Year property tax expense?

A. There are essentially three reasons that led to RUCO's adjusted Test Year property tax expense adjustment. First, the Company included 100 percent rather than the proper 10 percent of CWIP in its property tax calculation, as can be seen on Company Schedule C-2, page 3 on line 10. That has been corrected in RUCO's calculation. However, RUCO's operating income adjustment #4 removed an expensed item and

reclassified it to CWIP in the amount of $19,524. The Company has agreed to this reclassification of CWIP in its data response to Staff data request CSB 1-36. The proper amount of CWIP to be reflected on Company Schedule C-2, page 3 on line 10 is $3,971 rather than the Company's $20,190.

Second, the Company includes the gross book value rather than the correct net book value of licensed vehicles, as can be seen on Company Schedule C-2, page 3 on line 11. Pima Wastewater's net book value of licensed vehicles is zero <u>not</u> $21,830 as shown on the Company's schedule because the vehicles are fully depreciated with no net book value remaining.

Finally, RUCO and the Company have slightly different effective property tax rates. This is due to Company not including two parcels when calculating the overall effective property tax rate. The Company includes a separate line item for those two parcels (See Company Schedule C-2, page 3 on line 17) in the modified version of the Arizona Department of Revenue – Centrally Valued Properties ("ADOR") method for determining property taxes. The ADOR methodology does not cite such an inclusion of a separate line item for tax on parcels. Moreover, an ACC Staff witness recently testified in the Goodman Water Company rate case in Docket No. W-02500A-10-0382 as follows:

> There are two issues to note on Mr. Bourassa's rejoinder Schedule C-2, page 3. The first one is, pertains to line 17, tax on parcels, $1,320. And I was wondering what that item was.
>
> So I contacted the Arizona Department of Revenue personnel that deal with these centrally valued properties and inquired about why there might be any such thing in a water utility's tax bill, and they assured me that there is no such thing; and they did some research on it and got back to me, and they assured me that there is no such thing, and that one hundred percent of the property tax bill is based on revenues...
>
> ...And so we just wanted to comment that we don't anticipate that in future rate cases that we'll be providing any amount for taxes on parcels.[7]

RUCO's effective property tax rate calculation includes the tax on parcels and is multiplied by assessed value to arrive at RUCO's recommended adjusted Test Year property tax expense.

...

[7] Tr. at 969-970 lines 9-25 and 1-14 (Gordon Fox).

Q. What adjustment to adjusted Test Year property tax expense does RUCO recommend to account for the reasons you pointed out above?

A. It is necessary to reduce the Company's adjusted Test Year property tax expense by $1,401. The adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-10.

Operating Income Adjustment #3 – Remove Materials and Supplies Expense and Capitalize to Plant Accounts

Q. Please explain RUCO's adjustment to materials and supplies expense.

A. During the discovery phase in this case, it was determined by the Company that it had expensed a wastewater plant item that should have been capitalized.[8] Pima stated the following:

> In review of the test year costs, it was determined that $22,391 of these costs should have been capitalized to Utility Plant in Service.

Q. Does RUCO agree with Pima's assessment that the expensed item should have been capitalized to the appropriate plant accounts?

A. Yes.

[8] See Company response to Staff data request CSB 1-34.

Q. What adjustments did RUCO make to incorporate the Company's assessment that the expensed item should have been capitalized to the appropriate plant accounts?

A. RUCO removed $22,931 from the materials and supplies expense account on the income statement and capitalized the same amount to the appropriate plant accounts. RUCO's adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-11. The adjustment will also have a nominal impact on the operating income through additional depreciation expense on a going forward basis.

<u>Operating Income Adjustment #4 – Remove Contractual Services – Engineering Expense and Reclassify to Construction Work in Progress (CWIP)</u>

Q. Please explain RUCO's adjustment to contractual services - engineering expense.

A. During the discovery phase in this case, it was determined by the Company that it had expensed a wastewater plant item that should have been reclassified to CWIP.[9] Pima stated the following:

> "The increase is due primarily to several B&R Engineering invoices, in the amount of $19,523.75, related to the preliminary engineering for the Hunt Highway Sewer Force Main project. These invoices should have been capitalized to Construction Work in Progress."

[9] See Company response to Staff data request CSB 1-36.

RUCO's adjustment reduces the contractual services – engineering expense by $19,524 and reclassifies it to CWIP. The adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-12.

Operating Income Adjustment #5 – Rate Case Expense

Q. Has RUCO made an adjustment to Pima's requested level of rate case expense?

A. Yes. RUCO has reduced Pima's requested total level of rate case expense of $200,000 by $50,000 for a total rate case expense of $150,000 or 37,500 per year over a four-year period.

Q. **How did RUCO arrive at its adjustment to rate case expense?**

A. RUCO's compared the Company-proposed level of rate case expense to levels of rate case expense that were incurred in other rate cases before the Commission. Based on RUCO's review, RUCO believes that the Company's request is not reasonable in this case.

Q. What other rate cases did RUCO review?

A. RUCO reviewed a number of cases that involved utilities such as Arizona Water Company ("AWC") and UNS Gas, Inc. ("UNSG"). The most compelling case that RUCO looked at involved Sunrise Water Co.[10] ("Sunrise"), a Class B water provider organized as an S corporation like

[10] Docket No. W-02069A-08-0406

Pima. In that case, which was filed in August 2008 and decided on December 23, 2009, the Commission adopted a total level of rate case expense of $82,500 or $27,500 to be amortized over three years. The Sunrise rate case involved a number of ratemaking issues including the recovery of income taxes in rates. Sunrise obtained the services of an outside attorney and a professional consultant (Mr. Ray Jones who is also testifying in this case on behalf of Pima). Given the similarities of the two cases, RUCO believes that the Sunrise case is a good yardstick for determining the reasonableness of Pima's requested level of rate case expense. Despite the similarities, RUCO's recommended total rate case expense of $150,000 for Pima is $67,500 more than what the Commission adopted for Sunrise in Decision No. 71445.

Q. How did the rate case expense levels of other utilities compare with the level of rate case expense requested by Pima?

A. In a prior rate cases for AWC's Northern and Eastern Groups[11], which were comprised of five and eight individual water systems respectively, the Commission approved a total of $250,000 in rate case expense for each Group, or $50,000 more than Pima's requested level of expense in this proceeding. The Commission later authorized $250,000 in rate case expense for a case involving AWC's Western Group[12] which was

[11] Decision No. Decision No. 64282, dated December 28, 2001 and Decision No. 66849, dated March 19, 2005

comprised of five separate water systems. In the most recent rate cases for AWC's Western and Eastern Groups, AWC requested total rate case expense of $626,156[13] and $476,874 respectively. While these requested amounts are $226,156 and $76,874 higher that the $400,000 that Pima is seeking for both its Water and Wastewater Systems, it has to be remembered that AWC is a statewide Class A utility and its filings consisted of multiple water systems where this case only involved two operating divisions.

In the pending UNSG rate case, UNSG requested a total rate case expense of $700,000. UNSG is a Class A public service corporation that serves far more customers over a much larger service territory than Pima. UNSG's rate case is much bigger, involved more parties and also deals with more complex ratemaking issues such as decoupling. Both ACC Staff and RUCO are recommending that UNSG's requested level of expense be reduced to $400,000, which is the same amount that Pima is requesting for the Company's Water and Wastewater Divisions combined.

Based on the comparisons provided above RUCO believes that its $37,500 recommended annual level of rate case expense is reasonable and should be adopted by the Commission. Nevertheless, RUCO

[12] Decision No. 68302, dated November 14, 2005

[13] AWC eventually agreed to RUCO's total rate case expense figure of $304,975

reserves the right to make a further upward or downward adjustment to rate case expense as additional evidence is produced in this case.

Q. Are there any other issues regarding rate case expense that RUCO wants to address?

A. Yes. RUCO is concerned that traditional rate recovery for rate case expense is an inequitable solution for Pima. Normally, rate case expense is amortized / normalized over a short period of years that is reflective of the typical amount of time a utility stays out between rate cases. However, Pima does not come in for rate cases very often. The water division filed its last rate case with a Test Year ending December 31, 1992 while the wastewater division's last rate case was filed with a Test Year ending December 31, 1997. The Company has reached build out and RUCO has no reason to believe that this Company will come in for another rate case in the near future.

If history repeats itself and it normally does, this long stay out would result in a windfall to the Company since rate case expense is a non-recurring expense and will be collected through rates until the Company's next rate case. For example, this scenario is based on the Company Wastewater Division's requested amount of annual rate case expense of $50,000 ($200,000 of total rate case expense / amortized over 4 years = $50,000 of annual rate case expense). If the Company does not file another rate

case for another 20 to years, the Company would collect $1,000,000 ($50,000 of annual rate case expense x 20 years = $1,000,000) in rate case expense through its base rates from Pima's ratepayers. If the Company does not file another rate case for 15 years, Pima would collect $750,000 in rate case expense through its base rates. This amounts to an over-collection of rate case expense of five-fold in the 20 year scenario and 3.75 times in the 15 year scenario. Had the Commission authorized a $50,000 annual rate case expense in Decision Nos. 58743 and 62184 dated August 11, 1994, and January 5, 2000 respectively, the scenario described above would have actually happened.

Q. Why does RUCO believe that it "is likely" that the Company will not file a rate case for another 15 to 20 years?

A. By the Company's own admission,[14] "Pima Utility Company's service area is built out." There are limited reasons in the foreseeable future for the Company to file another rate case anytime soon.

Q. What does RUCO recommend to prevent or curtail that event from happening in the future?

A. RUCO offers three different options that would prevent the above scenario from happening. First, a surcharge for rate case expense could be applied as a separate line item on the customers' bill. When the rate case

[14] See Company data response to Staff data request CSB 1-12.

expense authorized in this proceeding has been fully collected through the surcharge, the surcharge would be eliminated and nothing but base rates would apply going forward.

The second option is to extend the normalization period to ten years. This option would lower rates. If the Company were to file a rate case prior to fully collecting the authorized rate case expense, RUCO recommends that the Company be granted a deferred accounting order, which would allow Pima to amortize the remaining unrecovered expense over some period of time. This option completely eliminates the possibility of under-collecting the authorized level of rate case expense. The third option simply reduces the Company's level of authorized rate case expense with no deferred accounting order.

Of the three options, RUCO recommends the second option. Increasing the normalization will ameliorate the rate impact on ratepayers. It will further avoid the often unfavorable response of the public to a surcharge. Finally, while RUCO would not object to a reduction in the overall rate case expense, it is recommending. RUCO will reserve its right to further explore this option in coming up with a final recommendation as to a reasonable amount of rate case expense.

Operating Income Adjustment #6 – Miscellaneous Expense – Bank Fees

Q. Please explain RUCO's adjustment to Pima's miscellaneous expense.

A. During the discovery phase in this case, it was determined by the Company that it had allocated 100 percent of bank fees to Pima's Water Division. The Company stated it "should have been allocated on a 50/50 basis."[15]

Q. Does RUCO agree with the Company that the bank fees should have been allocated on a 50/50 basis between the water and wastewater divisions?

A. Yes. RUCO has made that adjustment to allocate the bank fees on a 50/50 basis.

Q. What adjustment to the wastewater division is necessary to allocate the bank fees on a 50/50 basis?

A. RUCO's adjustment increases the wastewater's miscellaneous expense account by $6,354 and decreases the water division's miscellaneous expense account by the same amount. This adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-14.

[15] See Company response to Staff data request CSB 1-18.

Operating Income Adjustment #7 – Salaries and Wages Officers

Q. Please explain RUCO's adjustment to Pima's salary and wage expense.

A. RUCO's adjustment relied on Pima's response to Staff data request CSB 1-29. The Company's response included attachments that listed employee names, job titles, hours worked, gross pay, and payroll burden. Based on RUCO's analysis of the referenced documents, it became clear that Chairman of the Board E. J. Robson's hourly pay rate was exorbitant and RUCO made an adjustment to the hourly pay rate.

Q. What was the pay rate identified in the referenced documents provided by Pima?

A. It identified Mr. Robson's gross pay as $90,294 with 56.68 hours worked, which equates to $1,593 per hour ($90,294 / 56.68 hrs. = $1,593.05). Approximately the same amount is being charged to the water division also. That is a total of over $180,000 being charged to Pima Utility Company's rate payers for one person's wages! The same set of customers is being asked to share this $90,000 burden twice on both the water and wastewater divisions. The Company's request is unreasonable and excessive and the Company's ratepayers should not have to bear in their rates.

...

Q. How did RUCO determine the basis for its adjustment?

A. From RUCO's experience in other large Class A water and wastewater rate cases, other Presidents and CEOs of water/wastewater companies in Arizona receive far less than $1,593 per hour. RUCO based its recommended hourly rate from other water and wastewater Presidents/CEOs in Arizona at $125 per hour, which is fair and reasonable.

Q. What adjustment is necessary when basing RUCO's adjustment to salary and wage expense of other Arizona water and wastewater Presidents/CEOs?

A. The necessary adjustment reduces the referenced salary by $83,209. This adjustment is shown on Schedule TJC-7 and TJC-8 with the details shown on TJC-15.

Operating Income Adjustment #8 – Intentionally Left Blank

Operating Income Adjustment #9 – Intentionally Left Blank

Operating Income Adjustment #10 – Intentionally Left Blank

Operating Income Adjustment #11 – Income Tax Expense

Q. Did RUCO make an adjustment to the Company-proposed level of income tax expense?

A. Yes. RUCO reversed the Company's proforma income tax expense adjustment because of Pima's status as an S corporation. RUCO's decision not to include income taxes in rates for Pima will be explained in the direct testimony of RUCO witness, Mr. Rigsby.

RATE DESIGN

Q. Please describe RUCO's rate design for Pima Utility Company's Wastewater Division.

A. RUCO's rate design is similar to the Company's with two exceptions. The first exception is the difference between Pima and RUCO's overall gross revenue increase. The second difference is that RUCO's rate design is based on the NARUC meter multiplier where the Company's rates on different meter sizes are chosen independently. Because of this difference RUCO's recommended rates are lower on a dollar and percentage basis on larger meter sizes than what the Company proposed.

Q. Why are RUCO rates lower on a dollar and percentage basis on larger meter sizes than what the Company proposed.

A. The reason that the dollar increase is lower for RUCO's recommended increase in rates is because of RUCO's lower recommended increase in

revenue. RUCO's revenue increase is approximately one-third of the amount proposed by the Company. There are fewer dollars needed to generate RUCO's recommended revenue increase in all meter sizes and customer classifications. In addition, RUCO used the NARUC meter multiplier for the meters larger than 5/8 x 3/4 inch whereas the Company independently assigns rates for the larger meters. As a consequence, RUCO's rates for larger meters are very similar to the Company's present rates. The reason that the percentage increase is lower for RUCO's recommended increase in rates on larger meters than the Company's proposed rates is because of RUCO's second exception mentioned in the previous answer above. RUCO concludes that the larger meter size customers were being overcharged compared to the 5/8 x 3/4 inch metered customers.

Q. Does RUCO and Pima's rate design propose flat monthly rates with no commodity charges for all customer sizes and classifications (i.e. residential, commercial, and effluent customer classifications)?

A. Yes, with one exception. The only customer classification that has a commodity rate associated with their rate design is two golf courses receiving effluent sales from Pima's wastewater treatment plant. Under RUCO's recommended rate design for the effluent customers, both effluent customers would pay a flat $190.00 monthly charge plus a commodity rate of $0.64 per 1,000 gallons compared to the Company's

proposed flat monthly charge of $232.56 plus a commodity rate of $0.70 per 1,000 gallons.

Q. What is the monthly 5/8 x 3/4 inch residential wastewater customer's monthly bill under RUCO's rates compared to the Company's proposed rates?

A. RUCO's monthly bill for a 5/8 x 3/4 inch residential customer is $23.76 or $1.03 (or 4.53%) higher than Pima's present rate of $22.73. Pima's proposed monthly bill for a 5/8 x 3/4 inch residential customer is $27.79 or $5.06 (or 22.26%) higher than Pima's present rate of $22.73. A typical monthly bill for a 5/8 x 3/4 Inch residential customer is shown for the Company's present rates, proposed rates, and RUCO recommended rates in the table below:

Residential	Company Present Rate	Company Proposed Rate	RUCO Rec. Rate
5/8 x 3/4 inch	$ 22.73	$ 27.79	$ 23.76

Q. Do the residential and commercial classifications share the same rates under the Company's present and proposed rates and under RUCO's recommended rates?

A. Yes. The only classification with unique rates is the two effluent customers, which share the same rates and was discussed earlier.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of any of the witnesses for Pima constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on Pima's Wastewater Division?

A. Yes, it does.

APPENDIX 1

Qualifications of Timothy J. Coley

WORK HISTORY

July 2000 – Present: **RESIDENTIAL UTILITY CONSUMER OFFICE,** Phoenix, Arizona
Public Utilities Analyst V. The Residential Utility Consumer Office (RUCO) is a consumer advocate group providing residential consumers a voice in utility regulation and backed by a professional staff with legal and financial expertise. Responsibilities include: audited, reviewed and analyzed public utility companies various filings; prepared written testimony, schedules, financial statements, and spreadsheet models and analyses. Testified and stand cross-examination before the Arizona Corporation Commission.

January 2000 - April 2000: **JACKSON HEWITT TAX SERVICE,** Phoenix, Arizona
Tax Preparer. Interviewed clients, determined tax situation, and explained how the tax laws benefited them in their specific situation. Ensured that each customer received every deduction that they were entitled. Prepared individual and business income tax returns, which best utilized each specific situation that minimized their tax obligations.

May 1998 - November 1999: **BENEFITS CONSULTING,** Cypress, Texas
Consultant Assistant. The consulting firm specialized in alleged medical claim charges brought against the government of Harris County in Houston, Texas. Assisted in the review, examination, and analysis of the attested charges. Determined if the purported medical claim charges were prudent, customary, and reasonable for the alleged sustained injuries. The firm analyzed cases for both the County's Risk Department and Attorneys Office.

January 1992 - April 1998: **PHOENIX SERVICES,** Villa Rica, Georgia
Owner. Provided landscaping services primarily in a high growth gated community where the Property Owners' Association approved mandated ordinances to be strictly adhered and abided by. Coordinated and supervised all aspects of projects from inception to completion, from master planning to site design to installation.

May 1989 - October 1991: **GEORGIA PUBLIC SERVICE COMMISSION,** Atlanta, GA
Senior Auditor. The Public Service Commission (PSC) was responsible for regulating many intrastate telecommunications, electric, and gas utility industries operating in Georgia. It was the PSC's job to ensure that consumers received adequate and reliable service at reasonable rates. It must also assure the utility companies and investors an opportunity to earn a fair rate of return on prudent investments. The Commission participated significantly in Georgia's economic health and growth. I was promoted to the PSC's Electric/Gas Division where I examined, verified, and analyzed various financial documents, accounting records, reports, ledgers, and statements. In addition, I was assigned to automate the PSC's Electric Division where I utilized a computer application process that I had developed earlier while with the (PSC) Telecommunication Division. I was later ascribed to work in conjunction with the Engineering Department and established a procedure to track and compare costs of operation and maintenance (O&M) expenses of nuclear electric generating plants. This effort determined a comparative price per kilowatt-hour produced that influenced the awareness for the company to control the O&M costs, which benefited the consumer through lower prices.

- Developed computer application system that streamlined audit procedures by 30 – 40%.
- Various other schedules were implemented to track, maintain, and control costs.

GEORGIA PUBLIC SERVICE COMMISSION (continued)

November 1986 - April 1989: **Georgia Public Service Commission,** Atlanta, Georgia **Auditor.** Regulated telecommunications and also oversaw the deregulation process that was currently under way in that industry. Examined and analyzed accounting records to determine financial status of companies and prepared financial reports concerning audit findings. Reviewed data including payroll, time sheets, purchase vouchers, cash receipt ledgers, financial reports, and disbursements. Verified statewide telephone company transaction classifications and documentation.

- Developed computer application utilizing Lotus to completely automate and streamline the entire telecommunication audit process. The results saved 25% in field audit time and produced a product of professional appearance.
- Created, coordinated, and implemented "Operational Project Training" automated procedure-training program. Trained and supervised staff of five auditors.
- Computerized "Desk Audit Analysis" program that identified 11 independent telephone companies in the state of over-earning and resulted in $4.1M annual savings to the Georgia ratepayers affected.

October 1985 - October 1986: **Georgia Public Service Commission,** Atlanta, Georgia **Junior Auditor.** Assisted in planning and performing telecommunication audit engagements. Examined financial records, internal management control, correspondence, bills, and records of services delivered in order to verify or recommend compliance with company specifications contained in contracts, agreements, regulations, and/or laws.

- As a special project, I was assigned to analyze the results of a survey designed to evaluate "Interest in Organizing a Multi-State Nuclear Management Review Group" by the Director of Utilities. Wrote the draft and findings for the speech that was presented to all participatory commissions.

PROFESSIONAL MEMBERSHIPS

- Elected Member of the National Honor Society for Public Affairs and Administration.
- Active Member of Delta Sigma Pi - Professional Business Fraternity.

SPECIAL TRAINING AND CERTIFICATES

- The Graduate School of Business Administration - Michigan State University; completed the Annual Regulatory Studies Program of the National Association of Regulatory Utility Commissioners.
- Completed Graduate Exit Paper on "Deregulation of the Electric Industry".
- Attended Eastern Utility Rate School in 2000 and 2005.

EDUCATION

- Currently enrolled at Arizona State University - West in the Post Baccalaureate Graduate Certificate Program in Accountancy with two courses remaining.
- Master of Public Administration, State University of West Georgia, 1997, GPA 3.5.
- BS Business Management & Administration, Minor in Economics, Sorrel School of Business, Troy State University, 1985.
- AA Business Administration, Miles Community College, 1981.

RESUME OF PUBLIC UTILITY RATE CASES & AUDITS PARTICIPATION

Residential Utility Consumer Office For Years 2000 To Present

Arizona-American Water Company – Docket No. WS-01303A-05-0405

Arizona Public Service Co. – Docket No. E-01345A-03-0437

Tucson Electric Power Company – Docket No. E-01933A-04-0408

UniSource Merger – Docket No. E-04230A-03-0933

Arizona-American Water Company – Docket No. WS-01303A-02-0867

Arizona Water Company (Eastern Group) – Docket No. W01445A-02-0619

Litchfield Park Service Company – Docket Nos. W-01427A-01-0487 &
SW-01428A-01-0487

Arizona Water Company (Northern Group) – Docket No. W-01445A-00-0962

Rio Verde Utilities, Inc. – Docket Nos. W-02156A-00-0321 &
SW-02156A-00-0323

Arizona-American Water Company (Paradise Valley) –
Docket Nos. W-01303A-05-0405 &
W-01303A-05-0910

Arizona-American Water Company (Mohave District) –
Docket No. WS-01303A-06-0014

Arizona-American Water Company (Sun City & Sun Cit West Wastewater) –
Docket No. WS-01303A-06-0491

Arizona-American Water Company - Docket No. W-01303A-07-0209

Chaparral City Water Company – Docket No. W-02113A-07-0551

Arizona-American Water Company - Docket No. W-01303A-08-0227

Residential Utility Consumer Office For Years 2000 To Present (cont'd)

Arizona Water Company - Docket No. W-01445A-08-0440

Far West Water & Sewer Company - WS-03478A-08-0608

Rio Rico Utilities, Inc. - WS-02676A-08-09-0257

Bella Vista Water Company – Docket No. W-02465A-09-0411

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

Arizona Water Company – Western Group – Docket No. W-01445A-10-0517

Georgia Public Service Commission For Years 1985 – 1991

Atlanta Gas Light Company

Georgia Power Company

Atlanta Gas Light Company (Management Audit)

Georgia Power Company

Trenton Telephone Company

Fairmount Telephone Company

Ellijay Telephone Company

GTE, Inc.

ALL-TEL Telephone Company

Citizens Utilities Co.

Ball Ground Telephone Company

Lanett Telephone Company

Brantley Telephone Company

Blue Ridge Telephone Company

Waverly Hall Telephone Company

St. Marys Telephone Company

Darien Telephone Company

Statesboro Telephone Company

Statesboro Telephone Co-op

Wilkes Telephone Company

REVENUE SCHEDULES

TABLE OF CONTENTS TO TJC SCHEDULES

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TJC-3	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
TJC-4 DIRECT PLANT	1	RATE BASE ADJUSTMENT NO. 1 - PLANT & ACCUMULATED DEPRECIATION RECONCILIATION ADJUSTMENT
TJC-5	1	RATE BASE ADJUSTMENT NO. 2 - CONVERT AIAC TO CIAC ADJUSTMENT
TJC-6	1	RATE BASE ADJUSTMENT NO. 3 - CAPITALIZE PLANT ITEMS THAT WERE PREVIOUSLY EXPENSED ADJUSTMENT
		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
TJC-9	1	OPERATING INCOME ADJUSTMENT NO. 1 - DEPRECIATION EXPENSE ADJUSTMENT
TJC-10	1	OPERATING INCOME ADJUSTMENT NO. 2 - PROPERTY TAX EXPENSE ADJUSTMENT
TJC-11	1	OPERATING INCOME ADJUSTMENT NO. 3 - REMOVE CAPITALIZED PLANT ITEMS THAT WERE EXPENSED
TJC-12	1	OPERATING INCOME ADJUSTMENT NO. 4 - RECLASSIFY PLANT ITEMS THAT WERE EXPENSED TO CWIP
TJC-13	1	OPERATING INCOME ADJUSTMENT NO. 5 - RATE CASE EXPENSE ADJUSTMENT
TJC-14	1	OPERATING INCOME ADJUSTMENT NO. 6 - MISCELLANEOUS EXPENSE - BANK FEES ADJUSTMENT
TJC-15	1	OPERATING INCOME ADJUSTMENT NO. 7 - SALARIES & WAGES - OFFICER & BD. OF DIRECTOR ADJUSTMENT
		OPERATING INCOME ADJUSTMENT NO. 8 - INTENTIONALLY LEFT BLANK
		OPERATING INCOME ADJUSTMENT NO. 9 - INTENTIONALLY LEFT BLANK
		OPERATING INCOME ADJUSTMENT NO. 10 - INTENTIONALLY LEFT BLANK
See RUCO WAR Testimony		OPERATING INCOME ADJUSTMENT NO. 11 - REMOVE COMPANT PROFORMA INCOME TAX ADJUSTMENT
TJC-16	1	COST OF CAPITAL - WAR TESTIMONY

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 9,863,271	$ 9,832,800
2	Adjusted Operating Income (Loss)	$ 441,784	$ 656,839
3	Current Rate of Return (L2 / L1)	4.48%	6.68%
4	Required Operating Income (L5 X L1)	$ 934,052	$ 885,935
5	Required Rate of Return on Fair Value Rate Base	9.47%	9.01%
6	Operating Income Deficiency (L4 - L2)	$ 492,268	$ 229,097
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.4041	1.0136
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 691,210	$ 232,207
9	Adjusted Test Year Revenue	$ 3,096,775	$ 3,096,775
10	Proposed Annual Revenue (L8 + L9)	$ 3,787,985	$ 3,328,981
11	Required Percentage Increase in Revenue (L8 / L9)	22.32%	7.50%
12	Rate of Return on Common Equity	10.50%	9.40%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-6, and TJC-14

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:	
1	Revenue	1.0000
2	Proposed Bad Debt Expense (Per Co. Workpapers)	-
4	Subtotal (L1 thru L2)	1.0000
5	Combined Federal, State, Property Tax Rate (L19)	0.0134
6	Subtotal (L4 - L5)	0.9866
7	**Revenue Conversion Factor** (L1 / L6)	**1.0136**

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 22,055,018	$ (15,467)	$ 22,039,551
2				
3	Less:			
4	Accumulated Depreciation	(11,546,833)	43,095	(11,503,738)
5				
6	Net Utility Plant in Service (L1 less L4)	$ 10,508,186	$ 27,628	$ 10,535,814
7				
8	Advances in Aid of Construction	$ (285,313)	$ 285,313	$ -
9				
10	Contributions in Aid of Construction (CIAC)	(937,694)	(343,412)	(1,281,106)
11	Accumulated Amortization of CIAC	578,092	-	578,092
12	Net CIAC (L10 less L11)	$ (359,602)	$ (343,412)	$ (703,014)
13				
14	Accumulated Deferred Income Taxes (ADIT)	-	-	-
15	Customer Deposits	-	-	-
16				
17	Add:			
18	Allowance for Working Capital	$ -	$ -	$ -
19				
20	Net Regulatory Asset / (Liability)	-	-	-
21				
22	Rounding	-	-	-
23	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18)	$ 9,863,271	$ (30,471)	$ 9,832,800

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 CONVERT AIAC TO CIAC	(D) ADJMT NO. 3 CAP. / EXP. ITEMS	(E) ADJMT NO. 4 INTENTIONALLY LEFT BLANK	(F) ADJMT NO. 5 INTENTIONALLY LEFT BLANK	(G) ADJMT NO. 6 INTENTIONALLY LEFT BLANK	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 22,055,018	$ (37,858)	$ -	$ 22,391	$ -	$ -	$ -	$ 22,039,551
2									
3	**Less:**								
4	Accumulated Depreciation	(11,546,833)	43,884	-	(789)	-	-	-	(11,503,738)
5									
6	Net Utility Plant in Service (L1 less L4)	$ 10,508,186	$ 6,026	$ -	$ 21,602	$ -	$ -	$ -	$ 10,535,814
7									
8	Advances in Aid of Construction	(285,313)	-	285,313	-	-	-	-	-
9									
10	Contributions in Aid of Construction (CIAC)	(937,694)	-	(343,412)	-	-	-	-	(1,281,106)
11	Accumulated Amortization of CIAC	578,092	-	-	-	-	-	-	578,092
12	Net CIAC (L10 less L11)	$ (359,602)	$ -	$ (343,412)	$ -	$ -	$ -	$ -	$ (703,014)
13									
14	Accumulated Deferred Income Taxes (ADIT)	-	-	-	-	-	-	-	-
15	Customer Deposits	-	-	-	-	-	-	-	-
16									
17	**Add:**								
18	Allowance for Working Capital	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19									
20	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-	-
21									
22	Rounding	-	-	-	-	-	-	-	-
23	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 1	$ 9,863,271	$ 6,026	$ (58,099)	$ 21,602	$ -	$ -	$ -	$ 9,832,800

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant and Accumulated Depreciation (See TJC-4 Direct Plant Schedules, Pages 1-13 and TJC Testimony)
Column (C): Adjustment No. 2 - Convert Gross AIAC to CIAC Per Company Data Response to Staff DR CSB 1-12
Column (D): Adjustment No. 3 - Capitalize Plant Items That Were Expensed Per Company Data Response to Staff DR CSB 1-34
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (F): Adjustment No. 6 - Intentionally Left Blank
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	Plant In Service Per Decision No. 62184 1/5/2000	Accumulated Depre. Per Decision No. 62184 1/5/2000	1998 Additions	1998 Retirements	1998 Adjustments	1998 Depreciation Expense	Plant Balance 12/31/1998	Accum. Depre. 12/31/1998
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	76,709	-	-	(480)	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	202,986	-	-	3,045	202,986	(3,045)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	28,319	-	-	425	28,319	(425)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	2,559,281	(267,514)	15,254	-	-	77,007	2,574,535	(344,522)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	1,118,725	(116,937)	21,257	-	-	33,881	1,139,982	(150,818)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	149,529	(15,630)	-	-	-	4,486	149,529	(20,116)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	226,251	(23,649)	-	-	-	8,788	226,251	(30,437)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	766,638	(80,134)	432,170	(63,740)	-	28,526	1,135,068	(44,920)
17	371.2	Other Pumping Equipment	3.00%	10.00%	100,000	(10,453)	54,700	(65,250)	-	2,842	89,450	51,955
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	-	-	838,888	-	-	12,583	838,888	(12,583)
19	374	Reuse Distribution Reservlors	3.00%	2.50%	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	16,790	(1,755)	104,135	-	-	2,066	120,925	(3,821)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	8,547,798	(693,476)	606,887	-	-	265,537	9,154,685	(1,159,013)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	500,000	-	-	7,500	500,000	(7,500)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	1,870	-	-	28	1,870	(28)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	3,261	(341)	584	-	-	107	3,845	(448)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	180,892	(18,906)	2,860	(47,661)	-	4,755	136,091	24,000
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	1,068	-	-	16	1,068	(16)
32	396	Communication Equipment	3.00%	10.00%	-	-	36,607	-	-	549	36,607	(549)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-
35												
36		Sub Total			$ 13,745,872	$ (1,428,798)	$ 2,847,584	$ (177,131)	$ -	$ 450,139	$ 16,416,325	$ (1,702,286)
37												
38		Post-In Service AFUDC		4.52%	$ 716,722	$ -	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (32,396)
39												
40		TOTAL			$ 14,462,594	$ (1,428,798)	$ 2,847,584	$ (177,131)	$ -	$ 482,535	$ 17,133,047	$ (1,734,681)
41												
42												
43		Company As Filed										
44												
45		RUCO Adjustment										
46												
47												
48												
49												
50												
51												
52												
53												
54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.										

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	1999 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/31/1999	Accum. Depre. 12/31/1999
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,090	202,986	(9,134)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	850	28,319	(1,274)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	400,340	-	-	83,241	2,974,875	(427,763)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	129,190	-	-	36,137	1,269,172	(186,955)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	213,312	-	-	7,686	362,841	(27,802)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	6,788	226,251	(37,225)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	54,090	(14,000)	-	34,653	1,175,158	(65,573)
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	2,684	89,450	49,271
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	82,615	(2,406)	-	26,370	919,097	(36,547)
19	374	Reuse Distribution Reservlors	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	3,628	120,925	(7,448)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	73,913	(17,618)	-	275,485	9,210,980	(1,416,880)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	15,000	500,000	(22,500)
25	390	Office Furniture & Equipment	3.00%	6.67%	745	-	-	67	2,615	(95)
26	390.1	Computers & Software	3.00%	20.00%	1,512	-	-	23	1,512	(23)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	115	3,845	(563)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,363	-	-	4,103	137,454	19,697
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	32	1,068	(48)
32	396	Communication Equipment	3.00%	10.00%	13,860	-	-	1,306	50,487	(1,855)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 970,940	$ (34,024)	$ -	$ 504,257	$ 17,353,241	$ (2,172,518)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (64,792)
39										
40		TOTAL			$ 970,940	$ (34,024)	$ -	$ 536,652	$ 18,069,963	$ (2,237,310)
41										
42										
43		Company As Filed								
44										
45		RUCO Adjustment								
46										
47										
48										
49										
50										
51										
52										
53										
54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2000 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/30/2000	Accum. Depre. 12/31/2000
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,759	202,966	(15,894)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	568	28,319	(1,841)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	59,496	2,974,875	(487,260)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	25,383	1,269,172	(212,339)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	515	-	-	7,262	363,356	(35,064)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	-	-	-	8,077	226,251	(45,302)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	101,860	(6,564)	-	122,180	1,268,452	(179,190)
17	371.2	Other Pumping Equipment	3.00%	10.00%	6,592	-	-	9,275	96,042	39,997
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	20,717	(7,216)	-	92,565	932,598	(121,916)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,419	120,925	(9,867)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	139,747	(25,869)	-	463,396	9,324,858	(1,854,407)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	33,350	500,000	(55,850)
25	390	Office Furniture & Equipment	3.00%	6.67%	3,752	-	-	300	6,367	(395)
26	390.1	Computers & Software	3.00%	20.00%	2,360	-	-	538	3,872	(561)
27	391	Transportation Equipment	3.00%	20.00%	21,500	-	-	2,919	25,345	(3,462)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,725	(1,385)	-	13,762	137,794	7,520
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	643	-	-	69	1,711	(118)
32	396	Communication Equipment	3.00%	10.00%	15,319	(1,917)	-	5,717	63,669	(5,655)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 314,731	$ (44,951)	$ -	$ 654,056	$ 17,623,021	$ (2,981,823)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (97,188)
39										
40		TOTAL			$ 314,731	$ (44,951)	$ -	$ 686,452	$ 18,339,743	$ (3,078,810)
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43		Company As Filed								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2001 Additions	2001 Retirements	2001 Adjustments	2001 Depreciation Expense	2001 Plant Balance 12/30/2001	2001 Accum. Depre. 12/31/2001
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,759	202,986	(22,853)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	566	28,319	(2,407)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	1,355	-	-	59,511	2,976,230	(546,771)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	25,383	1,269,172	(237,722)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	1,640	-	-	7,284	364,996	(42,347)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	8,077	226,251	(53,379)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,409	(5,303)	-	127,151	1,274,558	(301,037)
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,207	(495)	-	10,140	106,754	30,352
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	47,141	(6,651)	-	95,284	973,088	(210,549)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,419	120,925	(12,285)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	66,653	(15,672)	-	467,517	9,375,839	(2,306,253)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	5,438	-	-	33,531	505,438	(89,381)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	425	6,367	(820)
26	390.1	Computers & Software	3.00%	20.00%	1,691	-	-	944	5,563	(1,505)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	5,069	25,345	(8,551)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,757	-	-	14,267	147,551	(6,748)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	86	1,711	(203)
32	396	Communication Equipment	3.00%	10.00%	9,560	(680)	-	6,831	72,749	(11,806)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 165,851	$ (28,801)	$ -	$ 871,244	$ 17,760,071	$ (3,824,066)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (129,583)
39										
40		TOTAL			$ 165,851	$ (28,801)	$ -	$ 903,640	$ 18,476,793	$ (3,953,649)
41										
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2002 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/30/2002	Accum. Depre. 12/31/2002
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	1,351	-	-	6,782	204,337	(29,435)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	566	28,319	(2,973)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	230,146	-	-	61,826	3,206,376	(608,597)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	134,175	-	-	26,725	1,403,347	(264,447)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	106,678	-	-	8,367	471,674	(50,714)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	6.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	-	-	-	8,077	226,251	(61,456)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,844	(1,681)	-	127,964	1,284,721	(427,320)
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	10,675	106,754	19,677
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	16,178	(8,760)	-	97,680	980,506	(299,469)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,419	120,925	(14,704)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	84,553	(19,766)	-	470,412	9,440,626	(2,756,896)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	287,579	-	-	43,303	793,017	(132,685)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	425	6,367	(1,244)
26	390.1	Computers & Software	3.00%	20.00%	1,728	-	-	1,285	7,291	(2,790)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	5,069	25,345	(13,620)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	5,634	(2,853)	-	14,894	150,332	(18,789)
30	394	Laboratory Equipment	3.00%	10.00%	1,993	-	-	100	1,993	(100)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	86	1,711	(289)
32	396	Communication Equipment	3.00%	10.00%	1,592	(3,919)	-	7,159	70,422	(15,045)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 883,450	$ (36,979)	$ -	$ 893,813	$ 18,606,542	$ (4,680,900)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (161,979)
39										
40		TOTAL			$ 883,450	$ (36,979)	$ -	$ 926,209	$ 19,323,264	$ (4,842,879)
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2003 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/30/2003	Accum. Depre. 12/31/2003
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	(3,055)	-	8,754	201,282	(33,134)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	566	28,319	(3,540)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	378,861	-	-	67,916	3,585,237	(676,514)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	156,785	-	-	29,635	1,560,132	(294,082)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	89,529	-	-	10,329	561,203	(61,043)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	-	-	-	8,077	226,251	(69,533)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	35,524	(20,117)	-	129,242	1,300,128	(536,445)
17	371.2	Other Pumping Equipment	3.00%	10.00%	4,853	-	-	10,918	111,607	8,758
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	34,368	(13,353)	-	99,101	1,001,521	(385,217)
19	374	Reuse Distribution Reservlors	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,702	-	-	2,446	123,627	(17,149)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	78,286	(16,849)	-	473,567	9,502,063	(3,213,616)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	52,894	793,017	(185,579)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	425	6,367	(1,669)
26	390.1	Computers & Software	3.00%	20.00%	4,307	(3,872)	-	1,502	7,726	(420)
27	391	Transportation Equipment	3.00%	20.00%	13,747	-	-	6,444	39,092	(20,064)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	3,384	(113)	-	15,197	153,603	(33,872)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(299)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	86	1,711	(374)
32	396	Communication Equipment	3.00%	10.00%	31,795	(10,731)	-	8,095	91,486	(12,410)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 834,140	$ (68,091)	$ -	$ 923,393	$ 19,372,592	$ (5,538,202)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (194,375)
39										
40		TOTAL			$ 834,140	$ (68,091)	$ -	$ 955,788	$ 20,089,314	$ (5,730,577)
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2004 Additions	2004 Retirements	2004 Adjustments	2004 Depreciation Expense	2004 Plant Balance 12/29/2004	2004 Accum. Depre. 12/31/2004
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	15,299	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,703	201,282	(39,836)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	566	28,319	(4,106)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	10,421	-	-	71,809	3,595,658	(748,323)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	6,766	-	-	31,270	1,566,686	(325,353)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	3,435	-	-	11,258	564,638	(72,301)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	8,077	226,251	(77,610)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	76,413	(28,063)	-	132,430	1,348,478	(640,813)
17	371.2	Other Pumping Equipment	3.00%	10.00%	1,251	-	-	11,223	112,858	(2,465)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	24,716	(9,721)	-	100,902	1,016,516	(476,398)
19	374	Reuse Distribution Reservioirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,473	123,627	(19,622)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	379,961	(118,948)	-	481,628	9,763,076	(3,576,297)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	52,894	793,017	(238,473)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	425	6,367	(2,094)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	1,545	7,726	(1,965)
27	391	Transportation Equipment	3.00%	20.00%	1,909	(1,261)	-	7,883	39,740	(26,686)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,585	(1,000)	-	15,390	154,188	(48,262)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(498)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	86	1,711	(460)
32	396	Communication Equipment	3.00%	10.00%	25,038	(2,052)	-	10,298	114,472	(20,656)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 546,795	$ (161,045)	$ -	$ 947,060	$ 19,758,342	$ (6,322,217)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (226,771)
39										
40		TOTAL			$ 546,795	$ (161,045)	$ -	$ 979,456	$ 20,475,064	$ (6,548,987)
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43		Company As Filed								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2005 Additions	2005 Retirements	2005 Adjustments	2005 Depreciation Expense	2005 Plant Balance 12/31/2005	2005 Accum. Depre. 12/31/2005
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,703	201,282	(46,539)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	69,204	-	-	1,258	97,523	(5,365)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	225,293	-	-	74,166	3,820,951	(822,489)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	132,296	-	-	32,661	1,699,194	(358,013)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	50,514	-	-	11,798	615,152	(84,099)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	6,077	226,251	(85,687)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	75,225	(95,283)	-	133,845	1,328,420	(679,374)
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,343	-	-	11,453	116,201	(13,918)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	71,431	(15,449)	-	104,451	1,072,498	(565,399)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,473	123,627	(22,095)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	427,259	(592,440)	-	484,024	9,597,895	(3,467,881)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	52,894	793,017	(291,367)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	(2,813)	-	331	3,554	386
26	390.1	Computers & Software	3.00%	20.00%	-	(1,691)	-	1,376	6,035	(1,650)
27	391	Transportation Equipment	3.00%	20.00%	5,500	-	-	8,498	45,240	(35,184)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	8,313	(2,885)	-	15,690	159,616	(61,067)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(698)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	86	1,711	(545)
32	396	Communication Equipment	3.00%	10.00%	5,986	(3,150)	-	11,589	117,308	(29,095)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 1,074,365	$ (713,711)	$ -	$ 961,572	$ 20,118,995	$ (6,570,077)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (259,167)
39										
40		TOTAL			$ 1,074,365	$ (713,711)	$ -	$ 993,968	$ 20,835,717	$ (6,829,244)
41										
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2006 Additions	2006 Retirements	2006 Adjustments	2006 Depreciation Expense	2006 Plant Balance 12/31/2006	2006 Accum. Depre. 12/31/2006
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,703	201,282	(53,242)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	1,950	97,523	(7,315)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	76,419	3,820,951	(898,908)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	33,984	1,699,194	(391,997)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	-	-	-	12,303	615,152	(96,402)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	8,077	226,251	(93,765)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	10,630	(5,000)	-	133,123	1,334,050	(807,498)
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	11,620	116,201	(25,538)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	58,153	(18,992)	-	109,208	1,111,659	(655,615)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	3,089	-	-	2,503	126,716	(24,598)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	72,002	(10,214)	-	481,439	9,659,683	(3,939,106)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	52,894	793,017	(344,262)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	237	3,554	151
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	1,207	6,035	(2,857)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	9,048	45,240	(44,232)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	15,962	159,616	(77,029)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(697)
31	395	Power Operated Equipment	3.00%	5.00%	-	(643)	-	69	1,068	28
32	396	Communication Equipment	3.00%	10.00%	16,537	-	-	12,558	133,845	(41,652)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 160,411	$ (34,849)	$ -	$ 969,505	$ 20,244,557	$ (7,504,733)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (291,563)
39										
40		TOTAL			$ 160,411	$ (34,849)	$ -	$ 1,001,901	$ 20,961,279	$ (7,796,296)
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2007 Additions	2007 Retirements	2007 Adjustments	2007 Depreciation Expense	Plant Balance 12/31/2007	Accum. Depre. 12/31/2007
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	6,703	201,282	(59,944)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	1,950	97,523	(9,266)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	76,419	3,820,951	(975,327)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	33,984	1,699,194	(425,981)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	-	-	-	12,303	615,152	(108,705)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	-	-	-	8,077	226,251	(101,842)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,215	(14,835)	-	134,124	1,348,430	(926,787)
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,170	(29,769)	-	10,689	97,582	(6,438)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,213	(7,228)	-	111,865	1,125,644	(760,252)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	5,414	-	-	2,588	132,130	(27,186)
21	380	Treatment & Disposal Equipment	3.00%	8.00%	33,470	(3,675)	-	483,729	9,689,478	(4,419,180)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	52,894	793,017	(397,156)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	237	3,554	(86)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	1,207	6,035	(4,064)
27	391	Transportation Equipment	3.00%	20.00%	-	(1,909)	-	1,008	43,331	(43,331)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,574	(951)	-	16,043	161,239	(92,121)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(1,096)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	53	1,068	(25)
32	396	Communication Equipment	3.00%	10.00%	-	(13,427)	-	12,713	120,418	(40,939)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 103,057	$ (71,814)	$ -	$ 966,787	$ 20,275,800	$ (8,399,705)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (323,958)
39										
40		TOTAL			$ 103,057	$ (71,814)	$ -	$ 999,183	$ 20,992,522	$ (8,723,663)
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2008 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/31/2008	Accum. Depre. 12/31/2008
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	49,150	-	-	7,521	250,432	(67,466)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	1,950	97,523	(11,216)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	33,561	-	-	76,755	3,854,512	(1,052,081)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	15,412	-	-	34,138	1,714,606	(460,119)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	17,097	-	-	12,474	632,249	(121,179)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.67%	-	-	-	8,077	226,251	(109,919)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,252	(11,030)	-	135,754	1,366,652	(1,051,511)
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,616	-	-	9,939	101,198	(16,377)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	262,374	(690)	-	125,639	1,387,128	(885,001)
19	374	Reuse Distribution Reservioirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,055	-	-	2,663	134,185	(29,850)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	170,263	(79,777)	-	486,736	9,779,964	(4,826,119)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	179,493	-	-	58,880	972,510	(456,036)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	237	3,554	(323)
26	390.1	Computers & Software	3.00%	20.00%	982	-	-	1,305	7,017	(5,370)
27	391	Transportation Equipment	3.00%	20.00%	-	(21,500)	1,500	(1,500)	21,631	(21,631)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	(6,463)	-	15,601	154,776	(101,458)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(1,295)
31	395	Power Operated Equipment	3.00%	5.00%	-	(1,068)	-	27	-	1,016
32	396	Communication Equipment	3.00%	10.00%	-	(6,706)	-	11,707	113,712	(45,939)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 763,255	$ (127,434)	$ 1,500	$ 988,302	$ 20,911,621	$ (9,262,074)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (356,354)
39										
40		TOTAL			$ 763,255	$ (127,434)	$ 1,500	$ 1,020,698	$ 21,628,343	$ (9,618,428)
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43		Company As Filed								
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45		RUCO Adjustment								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2009 Additions	2009 Retirements	2009 Adjustments	2009 Depreciation Expense	Plant Balance 1/1/2010	Accum. Depre. 12/31/2009
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	8,339	250,432	(75,805)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	1,950	97,523	(13,167)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	77,090	3,854,512	(1,129,172)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	3,765	-	-	34,330	1,718,371	(494,449)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	-	-	-	12,645	632,249	(133,824)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	8,077	226,251	(117,996)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	211,774	(90,630)	-	142,722	1,487,798	(1,103,803)
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	10,120	101,198	(26,497)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,325	(14,635)	-	139,047	1,393,818	(1,009,413)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,684	134,185	(32,533)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	102,914	(57,810)	-	490,126	9,825,069	(5,258,435)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	64,866	972,510	(520,903)
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	237	3,554	(560)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	1,403	7,017	(6,773)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	21,831	(21,831)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	15,478	154,776	(116,936)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(1,495)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	1,016
32	396	Communication Equipment	3.00%	10.00%	5,115	-	-	11,627	118,827	(57,566)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 344,894	$ (163,075)	$ -	$ 1,020,942	$ 21,093,439	$ (10,119,941)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (388,750)
39										
40		TOTAL			$ 344,894	$ (163,075)	$ -	$ 1,053,338	$ 21,810,161	$ (10,508,691)
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43		Company As Filed								
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54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010
Plant Reconciliation Schedule - Direct Plant

RATE BASE ADJUSTMENT NO. 1
PLANT AND ACCUMULATED DEPRECIATION

LINE NO.	NARUC ACCT NO.	DESCRIPTION	Depreciation Rate Before Jan. 2000	Allowed Depreciation Rate (See Note 1 Below)	2010 Additions	Retirements	Adjustments	Depreciation Expense	Plant Balance 12/31/2010	Accum. Depre. 12/31/2010
1	351	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	0.00%	0.00%		-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	8,339	250,432	(84,144)
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	1,950	97,523	(15,117)
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	77,090	3,854,512	(1,206,262)
8	361.2	Manholes & Cleanouts	3.00%	2.00%	73,351	-	-	35,101	1,791,722	(529,550)
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-
10	363	Services to Customers	3.00%	2.00%	-	-	-	12,645	632,249	(146,469)
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	8,077	226,251	(126,073)
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	65,322	(31,480)	-	150,472	1,521,638	(1,222,595)
17	371.2	Other Pumping Equipment	3.00%	10.00%	2,243	-	-	10,232	103,441	(36,729)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	52,091	(20,374)	-	140,968	1,425,535	(1,130,007)
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	2,684	134,185	(35,217)
21	380	Treatment & Disposal Equipment	3.00%	5.00%	80,127	(21,123)	-	492,729	9,684,073	(5,730,041)
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	64,866	972,510	(585,769)
25	390	Office Furniture & Equipment	3.00%	6.67%	2,975	-	-	336	6,529	(696)
26	390.1	Computers & Software	3.00%	20.00%	3,867	-	-	1,790	10,884	(8,563)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	21,831	(21,831)
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	15,478	154,776	(132,414)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	199	1,993	(1,694)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	1,016
32	396	Communication Equipment	3.00%	10.00%	-	-	-	11,883	118,827	(69,449)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-
35										
36		Sub Total			$ 279,976	$ (72,977)	$ -	$ 1,034,839	$ 21,300,438	$ (11,081,803)
37										
38		Post-In Service AFUDC		4.52%	$ -	$ -	$ -	$ 32,396	$ 716,722	$ (421,146)
39										
40		TOTAL			$ 279,976	$ (72,977)	$ -	$ 1,067,235	$ 22,017,160	$ (11,502,949)
41										
42										
43		Company As Filed							$ 22,055,018	$ (11,546,833)
44										
45		RUCO Adjustment							$ (37,858)	$ 43,884
46										
47										
48										
49										
50										
51										
52										
53										
54		Note 1: Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.								

RATE BASE ADJUSTMENT NO. 2
CONVERT ADVANCES IN AID OF CONSTRUCTION (AIAC) TO CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	AIAC as Company Filed	$ 285,313	$ (285,313)	$ -
2	RUCO Recommended AIAC Adjustment (See TJC-3, Column (C) Line 8)			$ 285,313
3	Net CIAC as Company Filed	$ 359,602	$ (343,412)	$ (703,014)
4	RUCO Recommended CIAC Adjustment (See TJC-3, Column (C) Line 10)			$ (343,412)

RUCO CIAC ADJUSTMENT CALCULATION:

5	Company Net CIAC as Filed	$ 359,602
6	RUCO's Recommended Net AIAC Conversion to CIAC as Company Filed	285,313
7	Plus: Unpaid AIAC Refunds as Calculated by Company (See Co. Response to Staff Sewer DR CSB 1-12)	58,099
8	RUCO's Recommended Gross AIAC Conversion to CIAC Adjustment (Line 6 + Line 7)	$ 343,412
9	RUCO Recommended CIAC Adjustment (Line 8)	$ (343,412)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	**Revenues:**					
2	Flat Rate Revenues	$ 2,997,389	$ -	$ 2,997,389	$ 232,207	$ 3,229,595
3	Metered Revenues	93,356	-	93,356	-	93,356
4	Other Revenues	6,030	-	6,030	-	6,030
5	Total Sewer Revenues	$ 3,096,775	$ -	$ 3,096,775	$ 232,207	$ 3,328,981
6						
7	**Operating Expenses:**					
8	Salaries and Wages	$ 345,644	$ -	$ 345,644	$ -	$ 345,644
9	Salaries and Wages - Off. And Dir.	90,294	(83,209)	7,085	-	7,085
10	Employee Pensions and Benefits	115,720	-	115,720	-	115,720
11	Purchased Power	134,337	-	134,337	-	134,337
12	Chemicals	84,059	-	84,059	-	84,059
13	Materials and Supplies	184,532	(22,391)	162,141	-	162,141
14	Office Supplies and Expense	188,906	-	188,906	-	188,906
15	Contractual Services - Engineering	20,305	(19,524)	781	-	781
16	Contractual Services - Accounting	3,067	-	3,067	-	3,067
17	Contractual Services - Legal	108	-	108	-	108
18	Contractual Services - Other	61,500	-	61,500	-	61,500
19	Contractual Services - Water Testing	15,729	-	15,729	-	15,729
20	Rents - Equipment	698	-	698	-	698
21	Transportation Expenses	28,808	-	28,808	-	28,808
22	Insurance - Vehicle	3,067	-	3,067	-	3,067
23	Insurance - General Liability	20,916	-	20,916	-	20,916
24	Insurance - Worker's Comp	222	-	222	-	222
25	Reg. Comm. Exp.	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	50,000	(12,500)	37,500	-	37,500
27	Bad Debt Expense	9,509	-	9,509	-	9,509
28	Miscellaneous Expense	2,174	6,354	8,528	-	8,528
29	Depreciation Expense	1,010,700	3,021	1,013,722	-	1,013,722
30	Amortization of Deferred Operating Costs	62,925	-	62,925	-	62,925
31	Taxes Other Than Income	10,449	-	10,449	-	10,449
32	Property Taxes	125,916	(1,401)	124,515	3,110	127,625
33	Income Tax	85,405	(85,405)	-	-	-
34						
35	**Total Operating Expenses**	$ 2,654,991	$ (215,055)	$ 2,439,936	$ 3,110	$ 2,443,046
36						
37	**Operating Income**	$ 441,784	$ 215,055	$ 656,839	$ 229,097	$ 885,935

References:
Column (A): Company Schedule C-1
Column (B): TJC-7, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-7, Columns B Thru K
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 DEPRECIATION EXPENSE	(C) ADJMT NO. 2 PROPERTY TAX EXPENSE	(D) ADJMT NO. 3 CAPITALIZE EXPENSED ITEMS	(E) ADJMT NO. 4 RECLASSIFY EXP. ITEMS TO CWIP	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 MISCELLANEOUS EXPENSE	(H) ADJMT NO. 7 WAGE/SALARY EXPENSE	(I) ADJMT NO. 8 INTENTIONALLY LEFT BLANK	(J) ADJMT NO. 9 INTENTIONALLY LEFT BLANK	(K) ADJMT NO. 10 INTENTIONALLY LEFT BLANK	(L) ADJMT NO. 11 INCOME TAXES	(M) RUCO AS ADJT'D
1	**Revenues:**													
2	Flat Rate Revenues	$2,997,389	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,997,389
3	Metered Revenues	93,356	-	-	-	-	-	-	-	-	-	-	-	93,356
4	Other Revenues	6,030	-	-	-	-	-	-	-	-	-	-	-	6,030
5	Total Sewer Revenues	$3,096,775	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$3,096,775
6														
7	**Operating Expenses:**													
8	Salaries and Wages	$ 345,644	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 345,644
9	Salaries and Wages - Off. And Dir.	90,294	-	-	-	-	-	-	(83,209)	-	-	-	-	7,086
10	Employee Pensions and Benefits	115,720	-	-	-	-	-	-	-	-	-	-	-	115,720
11	Purchased Power	134,337	-	-	-	-	-	-	-	-	-	-	-	134,337
12	Chemicals	84,059	-	-	-	-	-	-	-	-	-	-	-	84,059
13	Materials and Supplies	184,532	-	-	(22,391)	-	-	-	-	-	-	-	-	162,141
14	Office Supplies and Expense	188,906	-	-	-	-	-	-	-	-	-	-	-	188,906
15	Contractual Services - Engineering	20,305	-	-	-	(19,524)	-	-	-	-	-	-	-	781
16	Contractual Services - Accounting	3,067	-	-	-	-	-	-	-	-	-	-	-	3,067
17	Contractual Services - Legal	108	-	-	-	-	-	-	-	-	-	-	-	108
18	Contractual Services - Other	61,500	-	-	-	-	-	-	-	-	-	-	-	61,500
19	Contractual Services - Water Testing	15,729	-	-	-	-	-	-	-	-	-	-	-	15,729
20	Rents - Equipment	698	-	-	-	-	-	-	-	-	-	-	-	698
21	Transportation Expenses	28,808	-	-	-	-	-	-	-	-	-	-	-	28,808
22	Insurance - Vehicle	3,067	-	-	-	-	-	-	-	-	-	-	-	3,067
23	Insurance - General Liability	20,916	-	-	-	-	-	-	-	-	-	-	-	20,916
24	Insurance - Worker's Comp	222	-	-	-	-	-	-	-	-	-	-	-	222
25	Reg. Comm. Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	50,000	-	-	-	-	(12,500)	-	-	-	-	-	-	37,500
27	Bad Debt Expense	9,509	-	-	-	-	-	-	-	-	-	-	-	9,509
28	Miscellaneous Expense	2,174	-	-	-	-	-	6,354	-	-	-	-	-	8,528
29	Depreciation Expense	1,010,700	3,021	-	-	-	-	-	-	-	-	-	-	1,013,722
30	Amortization of Deferred Operating Costs	62,925	-	-	-	-	-	-	-	-	-	-	-	62,925
31	Taxes Other Than Income	10,449	-	-	-	-	-	-	-	-	-	-	-	10,449
32	Property Taxes	125,916	-	(1,401)	-	-	-	-	-	-	-	-	-	124,515
33	Income Tax	85,405	-	-	-	-	-	-	-	-	-	-	(85,405)	-
34														
35	**Total Operating Expenses**	$2,654,991	$ 3,021	$ (1,401)	$ (22,391)	$ (19,524)	$ (12,500)	$ 6,354	$ (83,209)	$ -	$ -	$ -	$ (85,405)	$2,439,936
36														
37	**Operating Income**	$ 441,784	$ (3,021)	$ 1,401	$ 22,391	$ 19,524	$ 12,500	$ (6,354)	$ 83,209	$ -	$ -	$ -	$ 85,405	$ 656,839

ADJUSTMENTS:	REFERENCE:
1 - Depreciation Expense	TJC Testimony and Schedule TJC-9, Page 1 of 1
2 - Property Tax Expense	TJC Testimony and Schedule TJC-10, Page 1 of 1
3 - Remove Expensed Plant Items and Capitalize to Rate Base	TJC Testimony and Schedule TJC-11, Page 1 of 1
4 - Reclassify Expensed Plant Items to CWIP	TJC Testimony and Schedule TJC-12, Page 1 of 1
5 - Rate Case Expense	TJC Testimony and Schedule TJC-13, Page 1 of 1
6 - Miscellaneous Expense - Bank Charges	TJC Testimony and Schedule TJC-14, Page 1 of 1
7 - Reduce Salaries and Wages of Officer and Bd. Of Director	TJC Testimony and Schedule TJC-15, Page 1 of 1
8 - Intentionally Left Blank	N/A
9 - Intentionally Left Blank	N/A
10 - Intentionally Left Blank	N/A
11 - Remove Company Proforma Income Tax Adjustment	WAR Testimony

OPERATING INCOME ADJUSTMENT NO. 1
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	NARUC ACCOUNT NO.	ACCOUNT NAME	(A) RUCO TOTAL GROSS PLANT	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	351	Organization Cost	$ -	0.00%	$ -
2	352	Franchise Cost	-	0.00%	-
3	353	Land and Land Rights	91,528	0.00%	-
4	354	Structures & Improvements	250,432	3.33%	8,339
5	355	Power Generation Equipment	-	5.00%	-
6	360	Collection Sewers - Force	97,523	2.00%	1,950
7	361.1	Collection Sewers - Gravity	3,854,512	2.00%	77,090
8	361.2	Manholes & Cleanouts	1,791,722	2.00%	35,834
9	362	Special Collecting Structures	-	2.00%	-
10	363	Services to Customers	632,249	2.00%	12,645
11	364	Flow Measuring Devices	-	10.00%	-
12	365	Flow Measuring Installations	-	10.00%	-
13	366	Reuse Services	-	2.00%	-
14	367	Reuse Meters and Meter Installations	-	8.33%	-
15	370	Receiving Wells	226,251	3.57%	8,077
16	371.1	Pumping Equipment - Lift Stations	1,530,817	10.00%	153,082
17	371.2	Other Pumping Equipment	103,441	10.00%	10,344
18	371.3	Pumping Equipment - Recharge Wells	1,425,535	10.00%	142,553
19	374	Reuse Distribution Reserviors	-	2.50%	-
20	375	Reuse Transmission and Distribution	134,185	2.00%	2,684
21	380	Treatment & Disposal Equipment	9,897,285	5.00%	494,864
22	381	Plant Sewers	-	5.00%	-
23	382	Outfall Sewer Lines	-	3.33%	-
24	389	Other Plant & Misc Equipment	972,510	6.67%	64,866
25	390	Office Furniture & Equipment	6,529	6.67%	435
26	390.1	Computers & Software	10,884	20.00%	2,177
27	391	Transportation Equipment	21,831	20.00%	* -
28	392	Stores Equipment	-	4.00%	-
29	393	Tools, Shop & Garage Equipment	154,776	10.00%	15,478
30	394	Laboratory Equipment	1,993	10.00%	199
31	395	Power Operated Equipment	-	5.00%	-
32	396	Communication Equipment	118,827	10.00%	11,883
33	397	Miscellaneous Equipment	-	10.00%	-
34	398	Other Tangible Plant	-	0.00%	-
35		Post-in-Service AFUDC	716,722	4.52%	32,396
36		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 22,039,551		$ 1,074,898
		Less:			
37		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(1,281,106)	4.78%	(61,176)
38		AMORTIZATION OF REGULATORY ASSETS/(LIABILITIES)			-
39	**RUCO TOTAL DEPRECIATION EXPENSE**				$ 1,013,722
40	Company As Filed				1,010,700
41	Difference				$ 3,021
42	RUCO Adjustment (See TJC-7, Column (C) Line 29)				$ 3,021

* Fully Depreciated

RUCO OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - 2010	$ 3,096,775	$ 3,096,775
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 6,193,549	$ 6,193,549
4a	RUCO Adjusted Test Year Revenues - 2010	3,096,775	
4b	RUCO Recommended Revenue, Per Schedule TJC-7		3,328,981
5	Subtotal (Line 3 + Line 4a)	$ 9,290,324	$ 9,522,530
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 3,096,775	$ 3,174,177
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 6,193,549	$ 6,348,354
10	Plus: 10% of CWIP Per Company Schedule E Plus RUCO's Reclassification of Plant to CWIP	3,971	3,971
11	Less: Net Book Value of Licensed Vehicles (Fully Depreciated)	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 6,197,520	$ 6,352,325
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value (Line 12 * Line 13)	$ 1,239,504	$ 1,270,465
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation Analysis W/P)	10.0455%	10.0455%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	$ 124,515	
17	Company Proposed Property Tax (Per Company C-1 Schedule)	125,916	
18	RUCO Test Year Adjustment (Line 16-Line 17)	$ (1,401)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		$ 127,625
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		124,515
21	Increase/(Decrease) to Property Tax Expense		$ 3,110
22	Increase/(Decrease) to Property Tax Expense		$ 3,110
23	Increase in Revenue Requirement		232,207
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		0.013394

OPERATING INCOME ADJUSTMENT NO. 3
REMOVE EXPENSED PLANT ITEMS FROM MATERIALS & SUPPLIES EXPENSE AND CAPITALIZE

Line No.	Description	Amount
1		
2	Remove Materials & Supplies Expense and Capitalize to Plant Accounts (Per RUCO DR 3.04)	$(22,391)
3		
4		
5	Capitalize Expensed Items to NARUC Plant Accounts:	
6	371.1 - Pumping Equipment - Lift Stations	$ 9,179
7	380 - Treatment & Disposal Equipment	13,212
8		
9	Total RUCO Plant Adjustment	$ 22,391
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		

OPERATING INCOME ADJUSTMENT NO. 4
REMOVE EXPENSED PLANT ITEMS FROM CONTRACTUAL SERVICES, ENGINEERING EXPENSE AND CAPITALIZE TO CWIP

Line No.	Description	Amount
1		
2	Remove Materials & Supplies Expense and Capitalize to Plant Accounts (Per RUCO DR 3.05)	$ (19,524)
3		
4		
5	Capitalize Expensed Items to CWIP:	
6	Hunt Highway Force Main	$ (19,524)
7	No Rate Base Recognition in this Case	19,524
8		
9	Total RUCO Plant Adjustment	$ -
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		

OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 200,000	$ (50,000)	$ 150,000
2	Allocation Factor			
3	Wastewater Division (Line 1 X Line 2)			$ -
4	Normalized Over 4 Years			4
5	RUCO Adjusted Rate Case Expense (Line 3 / 4 Years)			$ 37,500
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 50,000
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (12,500)
8	RUCO Adjustment (See TJC-7, Column (D) Line 26)			$ (12,500)

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE - BANK ANALYSIS FEES

Line No.	Description	Date	Amount
1			
2	JPMorgan Chase Bank	Jan. 2010	$ 1,067
3	JPMorgan Chase Bank	Feb. 2010	913
4	JPMorgan Chase Bank	Mar. 2010	1,097
5	JPMorgan Chase Bank	Apr. 2010	1,136
6	JPMorgan Chase Bank	May 2010	1,069
7	JPMorgan Chase Bank	Jun. 2010	1,066
8	JPMorgan Chase Bank	Jul. 2010	1,015
9	JPMorgan Chase Bank	Aug. 2010	1,073
10	JPMorgan Chase Bank	Sep. 2010	1,080
11	JPMorgan Chase Bank	Oct. 2010	1,068
12	JPMorgan Chase Bank	Nov. 2010	1,007
13	JPMorgan Chase Bank	Dec. 2010	1,116
14			
15	Total Bank Charges Recorded 100% to Water Division (Per Staff Water DR 1.38)		$ 12,707
16			
17	RUCO Miscellaneous Expense Adjustment to Water Division (Line 15 X -50%)		$ (6,354)
18			
19	RUCO Miscellaneous Expense Adjustment to Sewer Division (Line 15 X 50%)		$ 6,354

OPERATING INCOME ADJUSTMENT NO. 7
SALARIES AND WAGES - OFFICER and DIRECTOR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Salaries and Wagees Expense - Officer and Director	$ 90,294	$ (83,209)	$ 7,085
2	RUCO Adjustment (See TJC-7, Column (D) Line 26)			$ (83,209)

RUCO SALARY AND WAGE EXPENSE ADJUSTMENT CALCULATION:

3	Company as Filed Salary and Wage Expense - Officer and Director	$ 90,294
4	Number of Hours Per Company Response to Staff DR 1.29	56.68
5	Hourly Pay Rate Per Company Response to Staff DR 1.29 (Line 3 / 4)	$ 1,593
6	RUCO Recommended Hourly Pay Rate (See Testimony of TJC)	125
7	RUCO Recommended Salary and Wage Expense (Line 4 X Line 6)	$ 7,085

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 6,125,000	22.53%	7.696%	1.73%
2	Common Equity	21,063,072	77.47%	9.40%	7.28%
3	Total Capitalization	$ 27,188,072	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				9.01%

References:
Columns (A) Thru (D): WAR Testimony

RATE DESIGN SCHEDULES

TABLE OF CONTENTS TO TJC RATE DESIGN SCHEDULES

SCH NO.	TITLE
	RESIDENTIAL RATE DESIGN
TJC RD - 1	RATE SUMMARY - RESIDENTIAL
TJC RD - 2	REVENUE COMPARISON
TJC RD - 3	PROPOSED RATES
TJC RD - 4	MONTHLY MINIMUM CHARGES
	COMMERCIAL RATE DESIGN
TJC RD - 1	RATE SUMMARY - COMMERCIAL
TJC RD - 2	REVENUE COMPARISON
TJC RD - 3	PROPOSED RATES
TJC RD - 4	MONTHLY MINIMUM CHARGES
	EFFLUENT SALES RATE DESIGN
TJC RD - 1	RATE SUMMARY - EFFLUENT
TJC RD - 2	REVENUE COMPARISON
TJC RD - 3	PROPOSED RATES
TJC RD - 4	MONTHLY MINIMUM CHARGES
	RECOVERED EFFLUENT SALES RATE DESIGN
TJC RD - 1	RATE SUMMARY
TJC RD - 2	REVENUE COMPARISON
TJC RD - 3	PROPOSED RATES
TJC RD - 4	MONTHLY MINIMUM CHARGES

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$22.73	$2,657,501	0	$0	0	$0	0	$0	$2,657,501
3/4 - INCH	0	0	0	35.33	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	59.33	147,376	0	0	0	0	0	0	147,376
1 1/2 - INCH	0	0	0	117.33	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	187.33	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	119,414	0	0		$2,804,876	0	$0	0	$0	0	$0	$2,804,876

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$27.79	$3,248,795	0	$0	0	$0	0	$0	$3,248,795
3/4 - INCH	0	0	0	43.19	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	72.53	180,167	0	0	0	0	0	0	180,167
1 1/2 - INCH	0	0	0	143.44	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	229.01	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	444.60	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	694.69	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,389.37	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	119,414	0	0		$3,428,962	0	$0	0	$0	0	$0	$3,428,962

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$23.76	$2,777,667	0	$0	0	$0	0	$0	$2,777,667
3/4 - INCH	0	0	0	35.64	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	59.40	147,554	0	0	0	0	0	0	147,554
1 1/2 - INCH	0	0	0	118.80	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	190.08	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	356.40	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	594.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,188.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	2,376.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	4,752.00	0	0	0	0	0	0	0	0
	119,414	0	0		$2,925,222	0	$0	0	$0	0	$0	$2,925,222

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 2,657,501	$ -	$ 2,657,501	$ 3,248,795	$ -	$ 3,248,795	$ 2,777,667	$ -	$ 2,777,667
2	3/4 - INCH	-	-	-	-	-	-	-	-	-
3	1 - INCH	147,376	-	147,376	180,167	-	180,167	147,554	-	147,554
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 2,804,876	$ -	$ 2,804,876	$ 3,428,962	$ -	$ 3,428,962	$ 2,925,222	$ -	$ 2,925,222
12	PERCENTAGE	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)			
4	5/8 X 3/4 - INCH	$22.73	$27.79	$23.76
5	3/4 - INCH	35.33	43.19	35.64
6	1 - INCH	59.33	72.53	59.40
7	1 1/2 - INCH	117.33	143.44	118.80
8	2 - INCH	187.33	229.01	190.08
9	3 - INCH	0.00	444.60	356.40
10	4 - INCH	0.00	694.69	594.00
11	6 - INCH	0.00	1,389.37	1,188.00
12	8 - INCH	0.00	0.00	2,376.00
13	10 - INCH	0.00	0.00	4,752.00
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	RESIDENTIAL, COMMERCIAL AND EFFLUENT CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
40				
41	2 - INCH			
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
45				
46	3 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
50				
51	4 - INCH			
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
55				
56	6 - INCH			
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
60				
61	8 - INCH			
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
65				
66	10 - INCH			
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 22.73	$ 27.79	$ 5.06	22.26%	$ 23.76	$ 1.03	4.53%
2	3/4 - INCH	35.33	43.19	7.86	22.25%	35.64	0.31	0.88%
3	1 - INCH	59.33	72.53	13.20	22.25%	59.40	0.07	0.12%
4	1 1/2 - INCH	117.33	143.44	26.11	22.25%	118.80	1.47	1.25%
5	2 - INCH	187.33	229.01	41.68	22.25%	190.08	2.75	1.47%
6	3 - INCH	0.00	444.60	444.60	N/A	356.40	356.40	N/A
7	4 - INCH	0.00	694.69	694.69	N/A	594.00	594.00	N/A
8	6 - INCH	0.00	1,389.37	1,389.37	N/A	1,188.00	1,188.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	2,376.00	2,376.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	4,752.00	4,752.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY TJC
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$22.73	$6,546	0	$0	0	$0	0	$0	$6,546
3/4 - INCH	36	0	0	35.33	1,272	0	0	0	0	0	0	1,272
1 - INCH	285	0	0	59.33	15,663	0	0	0	0	0	0	15,663
1 1/2 - INCH	108	0	0	117.33	12,672	0	0	0	0	0	0	12,672
2 - INCH	618	0	0	187.33	116,894	0	0	0	0	0	0	116,894
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	1,329	0	0		$153,047	0	$0	0	$0	0	$0	$153,047

Company Proposed Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$27.79	$8,004	0	$0	0	$0	0	$0	$8,004
3/4 - INCH	36	0	0	43.19	1,555	0	0	0	0	0	0	1,555
1 - INCH	285	0	0	72.53	19,148	0	0	0	0	0	0	19,148
1 1/2 - INCH	108	0	0	143.44	15,492	0	0	0	0	0	0	15,492
2 - INCH	618	0	0	229.01	142,902	0	0	0	0	0	0	142,902
3 - INCH	0	0	0	444.50	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	694.69	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,389.37	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	1,329	0	0		$187,100	0	$0	0	$0	0	$0	$187,100

RUCO Recommended Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$23.76	$6,843	0	$0	0	$0	0	$0	$6,843
3/4 - INCH	36	0	0	35.64	1,283	0	0	0	0	0	0	1,283
1 - INCH	285	0	0	59.40	15,682	0	0	0	0	0	0	15,682
1 1/2 - INCH	108	0	0	118.80	12,830	0	0	0	0	0	0	12,830
2 - INCH	618	0	0	190.08	118,610	0	0	0	0	0	0	118,610
3 - INCH	0	0	0	356.40	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	594.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,188.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	2,376.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	4,752.00	0	0	0	0	0	0	0	0
	1,329	0	0		$155,248	0	$0	0	$0	0	$0	$155,248

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 6,546	$ -	$ 6,546	$ 8,004	$ -	$ 8,004	$ 6,843	$ -	$ 6,843
2	3/4 - INCH	1,272	-	1,272	1,555	-	1,555	1,283	-	1,283
3	1 - INCH	15,663	-	15,663	19,148	-	19,148	15,682	-	15,682
4	1 1/2 - INCH	12,672	-	12,672	15,492	-	15,492	12,830	-	12,830
5	2 - INCH	116,894	-	116,894	142,902	-	142,902	118,610	-	118,610
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 153,047	$ -	$ 153,047	$ 187,100	$ -	$ 187,100	$ 155,248	$ -	$ 155,248
12	PERCENTAGE	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RESIDENTIAL AND COMMERCIAL CUSTOMERS)							
4	5/8 X 3/4 - INCH					$22.73	$27.79	$23.76
5	3/4 - INCH					35.33	43.19	35.64
6	1 - INCH					59.33	72.53	59.40
7	1 1/2 - INCH					117.33	143.44	118.80
8	2 - INCH					187.33	229.01	190.08
9	3 - INCH					0.00	444.50	356.40
10	4 - INCH					0.00	694.69	594.00
11	6 - INCH					0.00	1,389.37	1,188.00
12	8 - INCH					0.00	0.00	2,376.00
13	10 - INCH					0.00	0.00	4,752.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL AND COMMERCIAL CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	5/8 X 3/4 - INCH							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
25								
26	3/4 - INCH							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	N/A	GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		N/A	GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 22.73	$ 27.79	$ 5.06	22.26%	$ 23.76	$ 1.03	4.53%
2	3/4 - INCH	35.33	43.19	7.86	22.25%	35.64	0.31	0.88%
3	1 - INCH	59.33	72.53	13.20	22.25%	59.40	0.07	0.12%
4	1 1/2 - INCH	117.33	143.44	26.11	22.25%	118.80	1.47	1.25%
5	2 - INCH	187.33	229.01	41.68	22.25%	190.08	2.75	1.47%
6	3 - INCH	0.00	444.50	444.50	N/A	356.40	356.40	N/A
7	4 - INCH	0.00	694.69	694.69	N/A	594.00	594.00	N/A
8	6 - INCH	0.00	1,389.37	1,389.37	N/A	1,188.00	1,188.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	2,376.00	2,376.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	4,752.00	4,752.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY TJC
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	1,800,000	$180.00	$3,240	71,278,931	$41,342	0	$0	0	$0	$44,582
EFFLUENT SALES 2	15	1,424,316,972	1,500,000	180.00	2,700	127,983,361	74,230	0	0	0	0	76,930
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	3,300,000		$5,940	199,262,292	$115,572	0	$0	0	$0	$121,512

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	0	$232.56	$4,186	73,078,931	$51,155	0	$0	0	$0	$55,341
EFFLUENT SALES 2	15	1,424,316,972	0	232.56	3,488	129,483,361	90,638	0	0	0	0	94,127
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	0		$7,674	202,562,292	$141,794	0	$0	0	$0	$149,468

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	0	$190.00	$3,420	73,078,931	$46,771	0	$0	0	$0	$50,191
EFFLUENT SALES 2	15	1,424,316,972	0	190.00	2,850	129,483,361	82,869	0	0	0	0	85,719
1 - INCH	0	0	0	475.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	950.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	1,520.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	2,850.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	4,750.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	9,500.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	19,000.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	38,000.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	0		$6,270	202,562,292	$129,640	0	$0	0	$0	$135,910

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	EFFLUENT SALES '	$ 3,240	$ 41,342	$ 44,582	$ 4,186	$ 51,155	$ 55,341	$ 3,420	$ 46,771	$ 50,191
2	EFFLUENT SALES ;	2,700	74,230	76,930	3,488	90,638	94,127	2,850	82,869	85,719
3	1 - INCH	-	-	-	-	-	-	-	-	-
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 5,940	$ 115,572	$ 121,512	$ 7,674	$ 141,794	$ 149,468	$ 6,270	$ 129,640	$ 135,910
12	PERCENTAGE	4.89%	95.11%	100.00%	5.13%	94.87%	100.00%	4.61%	95.39%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(EFFLUENT SALES CUSTOMERS)							
4	EFFLUENT SALES 1					$180.00	$232.56	$190.00
5	EFFLUENT SALES 2					180.00	232.56	190.00
6	1 - INCH					0.00	0.00	475.00
7	1 1/2 - INCH					0.00	0.00	950.00
8	2 - INCH					0.00	0.00	1,520.00
9	3 - INCH					0.00	0.00	2,850.00
10	4 - INCH					0.00	0.00	4,750.00
11	6 - INCH					0.00	0.00	9,500.00
12	8 - INCH					0.00	0.00	19,000.00
13	10 - INCH					0.00	0.00	38,000.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					100,000	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	EFFLUENT SALES 1							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.64
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
25								
26	EFFLUENT SALES 2							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.64
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.64
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	EFFLUENT SALES 1	$ 180.00	$ 232.56	$ 52.56	29.20%	$ 190.00	$ 10.00	5.56%
2	EFFLUENT SALES 2	180.00	232.56	52.56	29.20%	190.00	10.00	5.56%
3	1 - INCH	0.00	0.00	0.00	N/A	475.00	475.00	N/A
4	1 1/2 - INCH	0.00	0.00	0.00	N/A	950.00	950.00	N/A
5	2 - INCH	0.00	0.00	0.00	N/A	1,520.00	1,520.00	N/A
6	3 - INCH	0.00	0.00	0.00	N/A	2,850.00	2,850.00	N/A
7	4 - INCH	0.00	0.00	0.00	N/A	4,750.00	4,750.00	N/A
8	6 - INCH	0.00	0.00	0.00	N/A	9,500.00	9,500.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	19,000.00	19,000.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	38,000.00	38,000.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	100,000	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY XXX
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$180.00	$0	21,544,200	$12,496	0	$0	0	$0	$12,496
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$0	21,544,200	$12,496	0	$0	0	$0	$12,496

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$232.56	$0	21,544,200	$15,081	0	$0	0	$0	$15,081
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$0	21,544,200	$15,081	0	$0	0	$0	$15,081

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$190.00	$0	21,544,200	$13,788	0	$0	0	$0	$13,788
RECOVERED EFFLI	0	0	0	285.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	475.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	950.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	1,520.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	2,850.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	4,750.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	9,500.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	19,000.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	38,000.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$0	21,544,200	$13,788	0	$0	0	$0	$13,788

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	RECOVERED EFFLI	$ -	$ 12,496	$ 12,496	$ -	$ 15,081	$ 15,081	$ -	$ 13,788	$ 13,788
2	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
3	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
4	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
5	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
6	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
7	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
8	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
9	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
10	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
11	TOTALS	$ -	$ 12,496	$ 12,496	$ -	$ 15,081	$ 15,081	$ -	$ 13,788	$ 13,788
12	PERCENTAGE	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RECOVERED EFFLUENT CUSTOMERS)							
4	RECOVERED EFFLUENT					$180.00	$232.56	$190.00
5	RECOVERED EFFLUENT					0.00	0.00	285.00
6	RECOVERED EFFLUENT					0.00	0.00	475.00
7	RECOVERED EFFLUENT					0.00	0.00	950.00
8	RECOVERED EFFLUENT					0.00	0.00	1,520.00
9	RECOVERED EFFLUENT					0.00	0.00	2,850.00
10	RECOVERED EFFLUENT					0.00	0.00	4,750.00
11	RECOVERED EFFLUENT					0.00	0.00	9,500.00
12	RECOVERED EFFLUENT					0.00	0.00	19,000.00
13	RECOVERED EFFLUENT					0.00	0.00	38,000.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	RECOVERED EFFLUENT							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.64
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
25								
26	RECOVERED EFFLUENT							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
30								
31	RECOVERED EFFLUENT							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
35								
36	RECOVERED EFFLUENT							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
40								
41	RECOVERED EFFLUENT							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
45								
46	RECOVERED EFFLUENT							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
50								
51	RECOVERED EFFLUENT							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
55								
56	RECOVERED EFFLUENT							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
60								
61	RECOVERED EFFLUENT							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
65								
66	RECOVERED EFFLUENT							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
DIRECT SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	RECOVERED EFFLUENT	$ 180.00	$ 232.56	$ 52.56	29.20%	$ 190.00	$ 10.00	5.56%
2	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	285.00	285.00	N/A
3	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	475.00	475.00	N/A
4	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	950.00	950.00	N/A
5	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	1,520.00	1,520.00	N/A
6	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	2,850.00	2,850.00	N/A
7	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	4,750.00	4,750.00	N/A
8	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	9,500.00	9,500.00	N/A
9	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	19,000.00	19,000.00	N/A
10	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	38,000.00	38,000.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY XXX
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

EXHIBIT
RUCO 6
ADMITTED
PENGAD 800-631-6989

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

SURREBUTTAL TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MAY 18, 2012

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EXECUTIVE SUMMARY

The Residential Utility Consumer Office ("RUCO") now provides surrebuttal testimony in response to Pima Utility Company's ("Pima" or "Company") rebuttal testimony that was filed with the Arizona Corporation Commission ("ACC" or "Staff") on April 27, 2012. RUCO will address the Company's rate Application and rebuttal issues as it pertains to Pima's Wastewater Division's rate base, operating income, revenue requirement, and rate design. RUCO Rate Analyst, Robert Mease, will provide separate testimony regarding Pima's Water Division. RUCO Chief of Accounting and Rates, William Rigsby, will provide separate testimony on the Company's request for an allowance of income taxes and RUCO's recommended cost of capital.

The following table presents the rate base for Pima's Wastewater Division as initially proposed in the Company's Application, its rebuttal position, and RUCO's surrebuttal recommendations.

Rate Base

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendation
$9,863,272	$9,832,800	$9,832,800

The next table presents the operating income for Pima's Wastewater Division as initially proposed in the Company's Application, its rebuttal position, and RUCO's surrebuttal recommendations.

Adjusted Test Year Operating Income

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendation
$441,784	$516,608	$651,192

The final two tables on the next page presents the required increase in dollars and percentages of gross revenues by the parties for Pima's Wastewater Division as initially proposed in the Company's Application, its rebuttal position, and RUCO's surrebuttal recommendations.

Required Dollar Increase in Gross Revenues

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendation
$691,210	$417,329	$95,414

Required Percentage Increase in Gross Revenues

Company Direct Application	Company Rebuttal Filing	RUCO Surrebuttal Recommendation
22.32%	13.48%	3.08%

The Company sought a 9.47 percent rate of return on its $9,863,271 Wastewater Division's fair value rate base in its original rate Application and is seeking an 8.29 percent rate of return on its $9,832,800 rebuttal fair value rate base. RUCO recommends a 7.58 percent rate of return on a $9,832,800 fair value rate base. RUCO and the Company are now in agreement on the amount of fair value rate base

RUCO's adjusted Test Year rate base and operating income recommendations for Pima's Wastewater Division reflect three rate base adjustments totaling $30,471 and ten operating income adjustments totaling $209,408.

Based on RUCO's analysis of Pima Wastewater Division's rate Application, RUCO is recommending a flat rate design that will result in an increase for the residential 5/8" x 3/4" meter in the amount of 67 cents from $22.73 to $23.40 per month.

INTRODUCTION

Q. Please state your name for the record.

A. My name is Timothy J. Coley.

Q. Have you previously filed testimony regarding this docket?

A. Yes, I have. I filed direct testimony in this docket on March 27, 2012.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony will address the Company's rebuttal proposals and comments pertaining to the adjustments I recommended in my direct testimony.

Q. What areas will you address in your surrebuttal testimony?

A. My surrebuttal testimony will address RUCO's recommended rate base, operating income adjustments, revenue requirement, and rate design for Pima Utility Company's (hereafter referred to as "Pima" or the "Company") Wastewater Division.

Q. How is your surrebuttal testimony organized?

A. My surrebuttal testimony is comprised of four parts: the introduction that I've just presented; RUCO's rate base adjustments; RUCO's operating income adjustments; and rate design.

Q. Please identify the schedules that you are sponsoring in RUCO's surrebuttal testimony.

A. I am sponsoring rate base and operating income schedules for Pima Wastewater numbered TJC-1 through TJC-18 and rate design schedules numbered TJC RD-1 through TJC RD-4.

SURREBUTTAL RATE BASE ADJUSTMENTS

Q. What are RUCO's surrebuttal rate base adjustments and briefly identify each one?

A. RUCO did not make any additional rate base adjustments in surrebuttal testimony other than the three adjustments that was described in my direct testimony, which consisted of three adjustments and briefly identified below:

1. Utility Plant and Accumulated Depreciation Reconciliation,
2. Converted Advances in Aid of Construction (AIAC) to Contributions In Aid of Construction (CIAC), and
3. Capitalized an Expensed Plant Item.

Q. Did the Company adopt RUCO's three direct testimony rate base adjustments identified above?

A. Yes.

...

Q. What adjustment did the Company adopt of RUCO's for rate base adjustment #1?

A. This adjustment reduces gross UPIS by $37,858 and decreases accumulated depreciation by $43,884 for a net adjustment of $6,026. The adjustment reflects RUCO's recommended gross UPIS and accumulated depreciation balances since the last rate case referenced above for Pima's Wastewater Division. The adjustment takes into consideration plant balances approved in Pima's prior rate case proceeding and includes all plant additions, retirements, and adjustments since that time at the Commission approved depreciation rates. RUCO disallowed some 1994-1996 plant additions and the related accumulated depreciation that the Company claims were on its books but <u>not</u> included in the prior Decision No. 62184.

Q. What adjustment did the Company adopt of RUCO's for rate base adjustment #2?

A. This adjustment reduces AIAC by $285,313 and increases CIAC by $343,412. The adjustment reflects the conversion of AIAC from a bankrupt developer into CIAC. Since no identifiable or known entity/person existed for Pima to make refunds to, RUCO converted the remaining balance of advanced funds into contributions (in response to Staff data request CSB 1-12, the Company agreed that the conversion from AIAC to CIAC was appropriate). This adjustment has a nominal

impact on depreciation expense due to converting depreciable AIAC to non-depreciable CIAC, which decreased depreciation expense accordingly.

Q. Did the Company accept RUCO's rate base adjustment #3?

A. Yes. The Company agreed with this adjustment in its response to Staff data request 1.34 and its rebuttal testimony. The adjustment removes expensed plant and capitalizes it to the proper plant account as acknowledged by the Pima during the discovery process. The adjustment increases plant by $22,391 and accumulated depreciation by $789.[1] A corresponding expense adjustment to remove the $22,391 is also necessary.

Q. Is RUCO and the Company in agreement on Pima Wastewater Division's level of rate base?

A. Yes. Both parties agree on a $9,832,800 wastewater rate base.

[1] The $789 adjustment to accumulated depreciation was calculated using the half-year convention method of depreciation as shown on Schedule TJC-6.

SURREBUTTAL OPERATING INCOME ADJUSTMENTS

Q. What are RUCO's surrebuttal operating income adjustments and briefly summarize each one?

A. RUCO had ten surrebuttal operating income adjustments to Pima's Wastewater Division. Eight of those ten adjustments were recommended in RUCO's direct testimony and were fully discussed there.

Q. What two new rebuttal operating income adjustments does RUCO recommend?

A. RUCO accepts the Company's adoption of two of Staff's recommended operating income adjustments, which are the water testing and disallowance of IDA bond fees expense.

Q. Please briefly summarize the ten surrebuttal operating income adjustments again.

A. **Operating Income Adjustment #1 – Depreciation Expense**

This adjustment calculates depreciation and amortization expense based on RUCO's recommended plant levels. The adjustment increases Pima's depreciation expense by $3,092.

...

Q. Is RUCO and the Company in agreement on the level of depreciation expense on a going forward basis?

A. Yes.

Q. What is RUCO's second surrebuttal operating income adjustment and briefly explain it?

A. **Operating Income Adjustment #2 – Property Tax Expense**

This adjustment calculates property tax expense based on a modified Arizona Department of Revenue ("ADOR") formula that has been adopted by the Commission in a number of prior rate cases. RUCO adopts the Company's rebuttal effective property tax rate here in surrebuttal. With RUCO's adoption of the Company's effective property tax rate along with several modifications made by the Company, the Company and RUCO should be in agreement with the adjusted test year property tax calculation. The adjustment decreases Pima's property tax expense by $1,281.

Q. Is RUCO and the Company in agreement on the amount of adjusted test year property tax expense?

A. Yes. RUCO and the Company agree on the amount of adjusted test year property tax expense. However, the proposed level of property tax expense does differ between the two parties due to the parties' different levels of proposed revenues going forward.

Q. What is RUCO's third surrebuttal operating income adjustment and briefly explain it?

A. **Operating Income Adjustment #3 – Remove Materials and Supplies Expense That Should Have Been Capitalized**

This adjustment removes expensed items from the materials and supplies expense account and capitalizes it to the proper plant accounts. The adjustment reduces the expense by $22,391.

Q. Is RUCO and the Company in agreement on this adjustment?

A. Yes.

Q. Please continue with RUCO's recommended surrebuttal operating income adjustments?

A. **Operating Income Adjustment #4 – Remove Contractual Services – Engineering Expense That Should Have Been Recorded to Construction Work in Progress (CWIP)**

RUCO's fourth surrebuttal operating Income adjustment to contractual services – engineering expense account removes a recorded expense that should have been booked to construction work in progress ("CWIP"). RUCO's adjustment simply reclassifies it as CWIP. Thus, there is no rate base treatment for this amount at this time. The adjustment reduces the contractual services – engineering expense account by $19,524.

...

Q. Is RUCO and the Company in agreement on this adjustment?

A. Yes.

Operating Income Adjustment #5 – Rate Case Expense

Q. Did the Company adopt one of RUCO's three alternative options[2] for recovering the just and reasonable rate case expense in this docket?

A. Yes. Pima adopted RUCO's option that would recover the just and reasonable rate case expense via a surcharge rather than through base rates. As Mr. Bourassa stated, "A surcharge mechanism not only solves the issue of potential over or under recovery of rate case expense, it is entirely consistent with GAAP."[3]

Q. Please explain Pima's rebuttal adjustment to rate case expense.

A. The Company's rebuttal adjustment removes Pima's $50,000 annual rate case expense from operating expenses, which was Pima's proforma adjustment normalized over four years for a total of $200,000 ($50,000 x 4 years = $200,000). Mr. Bourassa proposes the $200,000 be recovered via a surcharge over five years rather than in base rates. The $200,000 rate case expense amount and the five year recovery period are Staff's direct testimony recommendations.

...

[2] See Coley Direct Testimony on page 26, lines 20-22 through page 27 for a complete discussion of RUCO's three options.
[3] See Bourassa Rebuttal Testimony on page 14, lines 4-6.

Q. Is Mr. Bourassa's rebuttal proposal treatment of rate case expense via a surcharge consistent with RUCO's direct testimony adjustment?

A. Yes and no. RUCO's direct testimony adjustment recommended reducing the Company's rate case expense request by $50,000 from $200,000 to $150,000 and be normalized over four years. This would amount to an annual amount of rate case expense of $37,500 in base rates rather than the Company's rebuttal proposal of $40,000 per annum via a surcharge.

Q. Does RUCO support the Company's rebuttal methodology to recover its rate case expense via a surcharge?

A. RUCO continues to offer its three options for recovery of rate case expense. The rate case prepaid expense surcharge is one of those options.

Q. Why did RUCO provide the Company three alternatives for rate case expense recovery shown on pages 26 and 27 of its direct testimony?

A. The reason was to eliminate the possibly of a company over-collecting its rate case expense under the Commission's traditional method of recovery. RUCO provided an actual what-if rate case expense scenario depicting Pima Water Division, which causes grave concerns for any company to grossly over-collect its rate case expense. This is particularly and glaringly true when considering Pima's history of filing rate cases.

Q. Please reiterate a similar what-if scenario here.

A. The instant case that is before the Commission today is the first rate case filed by Pima Water Division since Decision No. 58743, dated August 11, 1994, which utilized a 1992 TY. Assume the ACC authorized the same $200,000 (normalized over 4 years) of rate case expense or $50,000 per annum. Whatever amount of rate case expense that is authorized in a rate case, it is collected in rates until a company files a new rate case and a new Decision is granted. If the Company was authorized the same annual rate case expense of $50,000 in Decision No. 58743, Pima Water Division would have collected rate case expense of $900,000 ($50,000 x 18 years = $900,000) or over-collected by $700,000 ($900,000 - $200,000 authorized = $700,000). That amounts to an over-collection of 3½ times the amount authorized. The surcharge mechanism, as adopted by the Company, eliminates and solves concerns of both over and under recovery of rate case expense. As Mr. Bourassa also stated in his rebuttal testimony, "because rate case expense is incurred long before the new rates are put into effect, it is by definition a prepaid expense under GAAP and should be recorded as an asset and amortized, not normalized."[4] The very definition of a prepaid expense is an "item paid for in advance of receiving its benefit; classified as an asset."[5]

...

[4] Bourassa Rebuttal Testimony on page 13, lines 13-16.
[5] McGraw-Hill, Fundamental Accounting Principles, J. Wild, K. Larson, and B. Chiappetta, 18th Edition, Glossary, page G-6.

Q. Does RUCO agree with the Company's proposed $200,000 of rate case expense recovered through a surcharge over five years?

A. RUCO recommends a rate case expense level of $150,000. RUCO does not object to a five year time frame. Otherwise, RUCO maintains its direct testimony Schedule TJC-13 position that $150,000 be normalized over four years or $37,500 annually. RUCO's deviation between the two methods of recovery is due to the sensitivity and mitigating factors of over-collecting the expense, if the Company does not file a new rate Application more often than history has dictated.

Q. Does RUCO agree with Mr. Bourassa's reasoning that Pima will file rate cases more often since it has reached full build out?

A. Not entirely.

Q. Please explain why RUCO does not entirely agree with Mr. Bourassa's reasoning that Pima will file more frequent rate cases since it has reached full build out.

A. In the early 2000's, it was believed that growth paid for itself in the utility industry. The mid 2000's experienced exponential growth in the surrounding Phoenix area. During that time, several utilities witnessed that the boom of new homeowners and additional revenues were no longer keeping pace with new utility infrastructure costs. Thus, the advent of hook-up-fees was born via CIAC to help growth pay for itself when the

additional revenues were falling short. Then again, Mr. Bourassa's theory may prove to be correct. It's hard for either one of us to predict the future with any amount of accuracy. It is much safer to assume that history rarely fails to repeat itself in the long run. I have no idea if Pima is land locked and unable or not to extend its Certificate of Convenience and Necessity ("CC&N") and further develop new subdivisions and sources of new revenues. Finally, RUCO's proposal to recover rate case expense over ten years includes a "safety valve" or provision to hold Pima harmless if it does come in for its next rate case earlier than anticipated.

Q. Does RUCO agree with Mr. Bourassa's monthly 33 cent calculation per customer for the surcharge?

A. Yes. The surcharge is roughly equal for both the water and wastewater divisions.

Q. Please proceed to RUCO's other five surrebuttal operating income adjustments.

A. **Operating Income Adjustment #6 – Miscellaneous Expense – Banking Fees**

This adjustment increases the miscellaneous expense account by $6,354. The adjustment shifts 50 percent of the bank fees – 100 percent of which had been recorded on the Water Division's books – to Pima's Wastewater Division.

Q. Is RUCO and the Company in agreement on this adjustment?

A. Yes.

Q. Please explain RUCO's surrebuttal operating income adjustment #7.

A. **Operating Income Adjustment #7 – Salaries and Wages Officers**

This adjustment is related to the director of the Company and decreases the salaries and wages expense account by $83,209. RUCO witness, Mr. Mease, fully addresses the Company's rebuttal position regarding this issue and provides RUCO's rationale for its adjustment.

Q. Did the Company accept RUCO's direct testimony adjustment on this matter?

A. No. I am aware that the Company decreased the amount it requested quite dramatically during the discovery period from its rate Application as filed. My direct testimony provides explains the basis for RUCO's adjustment. For any further details regarding this adjustment, please see Mr. Mease's surrebuttal testimony.

Q. Please explain RUCO's surrebuttal operating income adjustment to contractual services - water testing expense account.

A. **Operating Income Adjustment #8 – Contractual Services – Water Testing Expense**

This is a new surrebuttal adjustment to the account of contractual services – water testing expense that was not included in RUCO's direct testimony adjustments and increases Pima Wastewater Division's water testing expense. This adjustment arose from the parties' rebuttal and direct filings. Staff Engineer, Mr. Marlin Scott Jr., identified some water testing expenses that were being charged to the water division but more appropriately should have been charged to the wastewater division. The adjustment increases the wastewater water testing expense by $12,157.

Q. Is RUCO and the Company in agreement with this adjustment for water testing?

A. Yes. The Company accepted this adjustment in its rebuttal filing.

Q. Please explain RUCO's surrebuttal operating income adjustment to contractual services - other expense account.

A. **Operating Income Adjustment #9 – Contractual Services – Other Expense**

This is a new surrebuttal adjustment to the account of contractual services – other expense that was not included in RUCO's direct testimony

adjustments and decreases Pima Wastewater Division's contractual services – other expense account. This adjustment arose from the parties' rebuttal and direct filings. The Company adopted a Staff recommended adjustment in the amount of $7,138. RUCO's adjustment adopts a portion of the $7,138 adjustment and removes the portion that pertains to the IDA fees that more appropriately should be part of the cost of long term debt. RUCO's adjustment decreases the wastewater contractual services – other expense account by $6,700.

Operating Income Adjustment #10 – Intentionally Left Blank

Q. Please explain RUCO's surrebuttal operating income adjustment to income taxes.

A. **Operating Income Adjustment #11 – Income Tax Expense**

This adjustment removes the Company's $85,405 adjusted Test Year pro forma adjustment for income tax expense. RUCO also recommends no recognition for income taxes on the proposed revenues on a going forward basis. The rationale for the adjustment will be explained by RUCO witness, Mr. Rigsby, in his direct and surrebuttal testimonies on income taxes.

REVENUE REQUIREMENTS

Q. Please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirements for Pima's Wastewater Division.

A. As can be seen on my Schedule TJC-1, a comparison between the Company's and RUCO's recommended revenue increases is presented below:

Pima Revenue $'s Increase	RUCO Revenue $'s Increase	Pima Revenue % Increase	RUCO Revenue % Increase
$ 691,210	$ 95,414	22.32%	3.08%

RATE DESIGN

Q. Please describe RUCO's recommended rate design for Pima's Wastewater Division.

A. RUCO's rate design is similar to the Company's with one exception. The exception is the difference between Pima and RUCO's overall gross revenue increase. In RUCO's surrebuttal rate design, I have accepted Mr. Bourassa's argument that all meter size customers should share equally in any revenue increase. Therefore, RUCO's utilization of the NARUC meter multiplier for the larger meter sizes has been discarded in its surrebuttal rate design. The difference between the NARUC meter multiplier and what is being used by Mr. Bourassa is insignificant and only beneficial to the majority of ratepayers. It is a fair and reasonable deviation from

RUCO's direct rate design and point of view as highlighted by Mr. Bourassa.[6] RUCO surrebuttal rate design proposes a more shared and equitable increase in revenues by all meter sizes.

Q. What would be a typical monthly bill for a 5/8 X 3/4 inch meter residential customer under RUCO's recommended rates and the Company-proposed rates?

A. Under RUCO's recommended rates, a 5/8 X 3/4 inch meter residential customer would experience a typical monthly bill of $23.40 which is 67 cents, or 2.95 percent, higher than Pima's present rate of $22.73. Under the Company-proposed rates, a 5/8 X 3/4 inch meter residential customer would experience a typical monthly bill of $27.79 which is $5.06, or 22.26%, higher than Pima's present rate of $22.73.

Q. Please respond to Mr. Bourassa's rebuttal testimony that the water division's irrigation commodity rate and the wastewater division's effluent commodity rate should be the same because "of the integrated nature of the water and wastewater operations."[7]

A. During the course of this proceeding, RUCO met with Sun Lakes' homeowners and members of the board of the homeowners association ("HOA"). The HOA informed RUCO that the quality of the irrigation water for its golf course(s) was substandard when compared to the effluent from

[6] Bourassa Rebuttal Testimony on pages 40-41, lines 15-2.
[7] Bourassa Rebuttal Testimony on page 41, lines 12-13.

the wastewater division's treatment plant. The particular golf course(s) in question have no access to the higher quality effluent water.[8] In this respect, Pima's water and wastewater operations is not a completely integrated system. RUCO believes that the disparate quality of the two sources of water warrants different prices between the irrigation and effluent commodity rates in this case.

Q. Are there any other issues regarding rate design that RUCO wants to address in surrebuttal testimony?

A. Yes. There are two rate design issues that RUCO would like to address here, which arose during the course of this proceeding. The first issue arose when Mr. Bourassa pointed out in his rebuttal testimony that he believes that RUCO's direct testimony "proposed rates produce too little revenue – on the order of approximately $90,000." RUCO agrees with Mr. Bourassa's assessment concerning the shortfall in revenue in RUCO's direct testimony. This has now been corrected in surrebuttal testimony.

The last issue RUCO would like to address is the Company's rate design calculation for the recovered effluent shown on Company Schedule H-1, page 1 on line 24, which shows present rates of $12,496 and proposed rates of $15,081. Both of those calculations account for only the commodity charges and fail to account for the Company's monthly

[8] Sun Lakes HOA members and leaders informed RUCO that the effluent main had been cut and capped before the effluent main reaches the golf course(s).

minimums in the amount of $180 per month and $232.56 per month respectively. The Company's present rates as shown above for the recovered effluent revenues fall short of the actual revenue being generated by approximately $2,160. The Company's proposed rates as shown above for the recovered effluent revenues fall short of the actual revenue being generated by approximately $2,791 on an annual basis. I have sent Mr. Bourassa an e-mail concerning this issue.

Q. Does this conclude your testimony on Pima's Wastewater Division?

A. Yes, it does.

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TJC-6	1	RATE BASE ADJUSTMENT NO. 3 - CAPITALIZE PLANT ITEMS THAT WERE PREVIOUSLY EXPENSED ADJUSTMENT
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		RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
		RATE BASE ADJUSTMENT NO. 6 - INTENTIONALLY LEFT BLANK
TJC-7	1	OPERATING INCOME
TJC-8	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
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TJC-18	1	COST OF CAPITAL - WAR TESTIMONY

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 9,863,271	$ 9,832,800
2	Adjusted Operating Income (Loss)	$ 441,784	$ 651,192
3	Current Rate of Return (L2 / L1)	4.48%	6.62%
4	Required Operating Income (L5 X L1)	$ 934,052	$ 745,326
5	Required Rate of Return on Fair Value Rate Base	9.47%	7.58%
6	Operating Income Deficiency (L4 - L2)	$ 492,268	$ 94,134
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.4041	1.0136
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ 691,210	$ 95,414
9	Adjusted Test Year Revenue	$ 3,096,775	$ 3,096,775
10	Proposed Annual Revenue (L8 + L9)	$ 3,787,985	$ 3,192,188
11	Required Percentage Increase in Revenue (L8 / L9)	22.32%	3.08%
12	Rate of Return on Common Equity	10.50%	9.40%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-7, and TJC-19

REVENUE REQUIREMENT - CONT'D
PROPERTY TAX GROSS CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:	
1	Revenue	1.0000
2	Proposed Bad Debt Expense (Per Co. Workpapers)	-
4	Subtotal (L1 thru L2)	1.0000
5	Combined Federal, State, Property Tax Rate (L19)	0.0134
6	Subtotal (L4 - L5)	0.9866
7	**Property Tax Conversion Factor** (L1 / L6)	**1.0136**

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 22,055,018	$ (15,467)	$ 22,039,552
2				
3	Less:			
4	Accumulated Depreciation	(11,546,833)	43,095	(11,503,738)
5				
6	Net Utility Plant in Service (L1 less L4)	$ 10,508,186	$ 27,628	$ 10,535,814
7				
8	Advances in Aid of Construction	$ (285,313)	$ 285,313	$ -
9				
10	Contributions in Aid of Construction (CIAC)	(937,694)	(343,412)	(1,281,106)
11	Accumulated Amortization of CIAC	578,092	-	578,092
12	Net CIAC (L10 less L11)	$ (359,602)	$ (343,412)	$ (703,014)
13				
14	Accumulated Deferred Income Taxes (ADIT)	-	-	-
15	Customer Deposits	-	-	-
16				
17	Add:			
18	Allowance for Working Capital	$ -	$ -	$ -
19				
20	Net Regulatory Asset / (Liability)	-	-	-
21				
22	Rounding	-	-	-
23	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 18)	$ 9,863,271	$ (30,471)	$ 9,832,800

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 CONVERT AIAC TO CIAC	(D) ADJMT NO. 3 CAP. / EXP. ITEMS	(E) ADJMT NO. 4 INTENTIONALLY LEFT BLANK	(F) ADJMT NO. 5 INTENTIONALLY LEFT BLANK	(G) ADJMT NO. 6 INTENTIONALLY LEFT BLANK	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 22,055,018	$ (37,858)	$ -	$ 22,391	$ -	$ -	$ -	$ 22,039,552
2									
3	Less:								
4	Accumulated Depreciation	(11,546,833)	43,884	-	(789)	-	-	-	(11,503,738)
5									
6	Net Utility Plant in Service (L1 less L4)	$ 10,508,186	$ 6,026	$ -	$ 21,602	$ -	$ -	$ -	$ 10,535,814
7									
8	Advances in Aid of Construction	(285,313)	-	285,313	-	-	-	-	-
9									
10	Contributions in Aid of Construction (CIAC)	(937,694)	-	(343,412)	-	-	-	-	(1,281,106)
11	Accumulated Amortization of CIAC	578,092	-	-	-	-	-	-	578,092
12	Net CIAC (L10 less L11)	$ (359,602)	$ -	$ (343,412)	$ -	$ -	$ -	$ -	$ (703,014)
13									
14	Accumulated Deferred Income Taxes (ADIT)	-	-	-	-	-	-	-	-
15	Customer Deposits	-	-	-	-	-	-	-	-
16									
17	Add:								
18	Allowance for Working Capital	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19									
20	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-	-
21									
22	Rounding	-	-	-	-	-	-	-	-
23	TOTAL RATE BASE (Sum L's 9, 10, 13, & 14 Thru 1	$ 9,863,271	$ 6,026	$ (58,099)	$ 21,602	$ -	$ -	$ -	$ 9,832,800

References:
Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Test-Year Plant and Accumulated Depreciation (See TJC-4 Direct Plant Schedules, Pages 1-13 and TJC Direct Testimony)
Column (C): Adjustment No. 2 - Convert Gross AIAC to CIAC Per Company Data Response to Staff DR CSB 1-12
Column (D): Adjustment No. 3 - Capitalize Plant Items That Were Expensed Per Company Data Response to Staff DR CSB 1-34
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank
Column (F): Adjustment No. 6 - Intentionally Left Blank
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

RATE BASE ADJUSTMENT NO. 1
PLANT RECONCILIATION

LINE NO.	ACCT NO.	nt Accounts	Company Direct Plant Balances As Filed	RUCO Direct Plant Adjustments	RUCO Direct Plant Balances
1	351	Organization Cost	$ -	$ -	$ -
2	352	Franchise Cost	-	-	-
3	353	Land and Land Rights	91,528	0	91,528
4	354	Structures & Improvements	250,433	(1)	250,432
5	355	Power Generation Equipment	-	-	-
6	360	Collection Sewers - Force	97,523	(0)	97,523
7	361.1	Collection Sewers - Gravity	3,854,512	(0)	3,854,512
8	361.2	Manholes & Cleanouts	1,791,722	(1)	1,791,722
9	362	Special Collecting Structures	-	-	-
10	363	Services to Customers	632,249	0	632,249
11	364	Flow Measuring Devices	-	-	-
12	365	Flow Measuring Installations	-	-	-
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	-	-
15	370	Receiving Wells	226,251	-	226,251
16	371.1	Pumping Equipment - Lift Stations	1,544,146	(22,508)	1,521,638
17	371.2	Other Pumping Equipment	103,441	(0)	103,441
18	371.3	Pumping Equipment - Recharge Wells	1,436,200	(10,666)	1,425,535
19	374	Reuse Distribution Reserviors	-	-	-
20	375	Reuse Transmission and Distribution	137,444	(3,259)	134,185
21	380	Treatment & Disposal Equipment	9,884,071	1	9,884,073
22	381	Plant Sewers	-	-	-
23	382	Outfall Sewer Lines	-	-	-
24	389	Other Plant & Misc Equipment	972,509	0	972,510
25	390	Office Furniture & Equipment	6,529	(0)	6,529
26	390.1	Computers & Software	10,884	(0)	10,884
27	391	Transportation Equipment	21,830	1	21,831
28	392	Stores Equipment	-	-	-
29	393	Tools, Shop & Garage Equipment	156,200	(1,424)	154,776
30	394	Laboratory Equipment	1,993	0	1,993
31	395	Power Operated Equipment	0	(0)	-
32	396	Communication Equipment	118,828	(1)	118,827
33	397	Miscellaneous Equipment	-	-	-
34	398	Other Tangible Plant	-	-	-
35		Post-In Service AFUDC	716,722	(0)	716,722
36		Rounding	(1)	1	
37		Total Plant	$ 22,055,018	$ (37,858)	$ 22,017,160
38		Total Accumulated Depreciation	(11,546,833)	$ 43,884	$ (11,502,949)
39		Rounding	1	-	-
40		Total Net Plant	$ 10,508,186	$ 6,026	$ 10,514,211

41	RUCO's Total Plant Adjustment	$ (37,858)
42	RUCO's Total Accumulated Depreciation Adjustment	$ 43,884
43	RUCO's Total Net Plant Adjustment	$ 6,026

RATE BASE ADJUSTMENT NO. 2
CONVERT ADVANCES IN AID OF CONSTRUCTION (AIAC) TO CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	AIAC as Company Filed	$ 285,313	$ (285,313)	$ -
2	RUCO Recommended AIAC Adjustment (See TJC-3, Column (C) Line 8)			$ 285,313
3	Net CIAC as Company Filed	$ 359,602	$ (343,412)	$ (703,014)
4	RUCO Recommended CIAC Adjustment (See TJC-3, Column (C) Line 10)			$ (343,412)
	RUCO CIAC ADJUSTMENT CALCULATION:			
5	Company Net CIAC as Filed			$ 359,602
6	RUCO's Recommended Net AIAC Conversion to CIAC as Company Filed			285,313
	Plus:			
7	Unpaid AIAC Refunds as Calculated by Company (See Co. Response to Staff Sewer DR CSB 1-12)			58,099
8	RUCO's Recommended Gross AIAC Conversion to CIAC Adjustment (Line 6 + Line 7)			$ 343,412
9	RUCO Recommended CIAC Adjustment (Line 8)			$ (343,412)

RATE BASE ADJUSTMENT NO. 3
CAPITALIZE EXPENSED ITEMS TO PLANT ACCOUNTS

Line No.	Description	Depre. Rate	Amount
1			
2	**Plant:**		
3	Capitalize Expensed Items to NARUC Plant Accounts:		
4	371.1 - Pumping Equipment - Lift Stations		$ 9,179
5	380 - Treatment & Disposal Equipment		13,212
6			
7	Total RUCO Plant Adjustment Per Company DR Response to RUCO DR 3.04		$ 22,391
8			
9			
10	**Accumulated Depreciation:**		
11	371.1 - Pumping Equipment - Lift Stations	10.00%	$ 459
12	380 - Treatment & Disposal Equipment	5.00%	330
13			
14	Total RUCO Accumulated Depreciation Adjustment		$ (789)
15			
16			
17			
18			
19			
20	Remove Materials & Supplies Expense and Capitalize to Plant Accounts (Per RUCO DR 3.04)		$ (22,391)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
1	**Revenues:**					
2	Flat Rate Revenues	$ 2,997,389	$ -	$ 2,997,389	$ 95,414	$ 3,092,802
3	Metered Revenues	93,356	-	93,356	-	93,356
4	Other Revenues	6,030	-	6,030	-	6,030
5	Total Sewer Revenues	$ 3,096,775	$ -	$ 3,096,775	$ 95,414	$ 3,192,188
6						
7	**Operating Expenses:**					
8	Salaries and Wages	$ 345,644	$ -	$ 345,644	$ -	$ 345,644
9	Salaries and Wages - Off. And Dir.	90,294	(83,209)	7,085	-	7,085
10	Employee Pensions and Benefits	115,720	-	115,720	-	115,720
11	Purchased Power	134,337	-	134,337	-	134,337
12	Chemicals	84,059	-	84,059	-	84,059
13	Materials and Supplies	184,532	(22,391)	162,141	-	162,141
14	Office Supplies and Expense	188,906	-	188,906	-	188,906
15	Contractual Services - Engineering	20,305	(19,524)	781	-	781
16	Contractual Services - Accounting	3,067	-	3,067	-	3,067
17	Contractual Services - Legal	108	-	108	-	108
18	Contractual Services - Other	61,500	(6,700)	54,800	-	54,800
19	Contractual Services - Water Testing	15,729	12,157	27,886	-	27,886
20	Rents - Equipment	698	-	698	-	698
21	Transportation Expenses	28,808	-	28,808	-	28,808
22	Insurance - Vehicle	3,067	-	3,067	-	3,067
23	Insurance - General Liability	20,916	-	20,916	-	20,916
24	Insurance - Worker's Comp	222	-	222	-	222
25	Reg. Comm. Exp.	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	50,000	(12,500)	37,500	-	37,500
27	Bad Debt Expense	9,509	-	9,509	-	9,509
28	Miscellaneous Expense	2,174	6,354	8,528	-	8,528
29	Depreciation Expense	1,010,700	3,092	1,013,792	-	1,013,792
30	Amortization of Deferred Operating Costs	62,925	-	62,925	-	62,925
31	Taxes Other Than Income	10,449	-	10,449	-	10,449
32	Property Taxes	125,916	(1,281)	124,635	1,279	125,914
33	Income Tax	85,405	(85,405)	-	-	-
34						
35	**Total Operating Expenses**	$ 2,654,991	$ (209,408)	$ 2,445,583	$ 1,279	$ 2,446,862
36						
37	**Operating Income**	$ 441,784	$ 209,408	$ 651,192	$ 94,134	$ 745,326

References:
Column (A): Company Schedule C-1
Column (B): TJC-7, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): TJC-7, Columns B Thru K
Column (E): Column (C) + Column (D)

Pima Utility Company - Wastewater Division
Docket No. SW-02199A-11-0329 et al.
Test Year Ended December 31, 2010

Wastewater Division
Surrebuttal Schedule TJC-8
Page 1 of 1

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 DEPRECIATION EXPENSE	(C) ADJMT NO. 2 PROPERTY TAX EXPENSE	(D) ADJMT NO. 3 CAPITALIZE EXPENSED ITEMS	(E) ADJMT NO. 4 RECLASSIFY EXP. ITEMS TO CWIP	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 MISCELLANEOUS EXPENSE	(H) ADJMT NO. 7 WAGE/SALARY EXPENSE	(I) ADJMT NO. 8 WATER TESTING EXPENSE	(J) ADJMT NO. 9 IDA BOND FEES EXPENSE	(K) ADJMT NO. 10 INTENTIONALLY LEFT BLANK	(L) ADJMT NO. 11 INCOME TAXES	(M) RUCO AS ADJ'D
1	**Revenues:**													
2	Flat Rate Revenues	$2,997,389	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,997,389
3	Metered Revenues	93,356	-	-	-	-	-	-	-	-	-	-	-	93,356
4	Other Revenues	6,030	-	-	-	-	-	-	-	-	-	-	-	6,030
5	Total Sewer Revenues	$3,096,775	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$3,096,775
6														
7	**Operating Expenses:**													
8	Salaries and Wages	$ 345,644	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 345,644
9	Salaries and Wages - Off. And Dir.	90,294	-	-	-	-	-	-	(83,209)	-	-	-	-	7,085
10	*Employee Pensions and Benefits*	115,720	-	-	-	-	-	-	-	-	-	-	-	115,720
11	Purchased Power	134,337	-	-	-	-	-	-	-	-	-	-	-	134,337
12	Chemicals	84,059	-	-	-	-	-	-	-	-	-	-	-	84,059
13	Materials and Supplies	184,532	-	-	(22,391)	-	-	-	-	-	-	-	-	162,141
14	Office Supplies and Expense	188,906	-	-	-	-	-	-	-	-	-	-	-	188,906
15	Contractual Services - Engineering	20,305	-	-	-	(19,524)	-	-	-	-	-	-	-	781
16	Contractual Services - Accounting	3,067	-	-	-	-	-	-	-	-	-	-	-	3,067
17	Contractual Services - Legal	108	-	-	-	-	-	-	-	-	-	-	-	108
18	Contractual Services - Other	61,500	-	-	-	-	-	-	-	-	(6,700)	-	-	54,800
19	Contractual Services - Water Testing	15,729	-	-	-	-	-	-	-	12,157	-	-	-	27,886
20	Rents - Equipment	698	-	-	-	-	-	-	-	-	-	-	-	698
21	Transportation Expenses	28,808	-	-	-	-	-	-	-	-	-	-	-	28,808
22	Insurance - Vehicle	3,067	-	-	-	-	-	-	-	-	-	-	-	3,067
23	Insurance - General Liability	20,916	-	-	-	-	-	-	-	-	-	-	-	20,916
24	*Insurance - Worker's Comp*	222	-	-	-	-	-	-	-	-	-	-	-	222
25	Reg. Comm. Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	50,000	-	-	-	-	(12,500)	-	-	-	-	-	-	37,500
27	Bad Debt Expense	9,509	-	-	-	-	-	-	-	-	-	-	-	9,509
28	Miscellaneous Expense	2,174	-	-	-	-	-	6,354	-	-	-	-	-	8,528
29	Depreciation Expense	1,010,700	3,092	-	-	-	-	-	-	-	-	-	-	1,013,792
30	Amortization of Deferred Operating Costs	62,925	-	-	-	-	-	-	-	-	-	-	-	62,925
31	Taxes Other Than Income	10,449	-	-	-	-	-	-	-	-	-	-	-	10,449
32	Property Taxes	125,916	-	(1,281)	-	-	-	-	-	-	-	-	-	124,635
33	*Income Tax*	85,405	-	-	-	-	-	-	-	-	-	-	(85,405)	-
34														
35	**Total Operating Expenses**	$2,654,991	$ 3,092	$ (1,281)	$ (22,391)	$ (19,524)	$ (12,500)	$ 6,354	$ (83,209)	$ 12,157	$ (6,700)	$ -	$ (85,405)	$2,445,583
36														
37	**Operating Income**	$ 441,784	$ (3,092)	$ 1,281	$ 22,391	$ 19,524	$ 12,500	$ (6,354)	$ 83,209	$ (12,157)	$ 6,700	$ -	$ 85,405	$ 651,192

ADJUSTMENTS:

1 - Depreciation Expense
2 - Property Tax Expense
3 - Remove Expensed Plant Items and Capitalize to Rate Base
4 - Reclassify Expensed Plant Items to CWIP
5 - Rate Case Expense
6 - Miscellaneous Expense - Bank Charges
7 - Reduce Salaries and Wages of Officer and Bd. Of Director
8 - Adjust Contractual Services - Water Testing Expense
9 - Remove IDA Bond Fees Expense from Contractual Services - Other Exp.
10 - Intentionally Left Blank
11 - Remove Company Proforma Income Tax Adjustment

REFERENCE:

TJC Testimony and Schedule TJC-9, Page 1 of 1
TJC Testimony and Schedule TJC-10, Page 1 of 1
TJC Testimony and Schedule TJC-11, Page 1 of 1
TJC Testimony and Schedule TJC-12, Page 1 of 1
TJC Testimony and Schedule TJC-13, Page 1 of 1
TJC Testimony and Schedule TJC-14, Page 1 of 1
TJC Testimony and Schedule TJC-15, Page 1 of 1
TJC Testimony and Schedule TJC-16, Page 1 of 1
TJC Testimony and Schedule TJC-17, Page 1 of 1
N/A
WAR Testimony and Schedule TJC-18, Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 1
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	NARUC ACCOUNT NO.	ACCOUNT NAME	(A) RUCO TOTAL GROSS PLANT	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	351	Organization Cost	$ -	0.00%	$ -
2	352	Franchise Cost	-	0.00%	-
3	353	Land and Land Rights	91,528	0.00%	-
4	354	Structures & Improvements	250,432	3.33%	8,339
5	355	Power Generation Equipment	-	5.00%	-
6	360	Collection Sewers - Force	97,523	2.00%	1,950
7	361.1	Collection Sewers - Gravity	3,854,512	2.00%	77,090
8	361.2	Manholes & Cleanouts	1,791,722	2.00%	35,834
9	362	Special Collecting Structures	-	2.00%	-
10	363	Services to Customers	632,249	2.00%	12,645
11	364	Flow Measuring Devices	-	10.00%	-
12	365	Flow Measuring Installations	-	10.00%	-
13	366	Reuse Services	-	2.00%	-
14	367	Reuse Meters and Meter Installations	-	8.33%	-
15	370	Receiving Wells	226,251	3.57%	8,077
16	371.1	Pumping Equipment - Lift Stations	1,530,817	10.00%	153,082
17	371.2	Other Pumping Equipment	103,441	10.00%	10,344
18	371.3	Pumping Equipment - Recharge Wells	1,425,535	10.00%	142,553
19	374	Reuse Distribution Reserviors	-	2.50%	-
20	375	Reuse Transmission and Distribution	134,185	2.00%	2,684
21	380	Treatment & Disposal Equipment	9,897,285	5.00%	494,864
22	381	Plant Sewers	-	5.00%	-
23	382	Outfall Sewer Lines	-	3.33%	-
24	389	Other Plant & Misc Equipment	972,510	6.67%	64,866
25	390	Office Furniture & Equipment	6,529	6.67%	435
26	390.1	Computers & Software	10,884	20.00%	2,177
27	391	Transportation Equipment	21,831	20.00%	* -
28	392	Stores Equipment	-	4.00%	-
29	393	Tools, Shop & Garage Equipment	154,776	10.00%	15,478
30	394	Laboratory Equipment	1,993	10.00%	199
31	395	Power Operated Equipment	-	5.00%	-
32	396	Communication Equipment	118,827	10.00%	11,883
33	397	Miscellaneous Equipment	-	10.00%	-
34	398	Other Tangible Plant	-	0.00%	-
35		Post-in-Service AFUDC	716,722	4.52%	32,396
36		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 22,039,552		$ 1,074,898
		Less:			
37		AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(1,281,106)	4.7698% **	(61,106)
38		AMORTIZATION OF REGULATORY ASSETS/(LIABILITIES)			-
39	**RUCO TOTAL DEPRECIATION EXPENSE**				$ 1,013,792
40	Company As Filed				1,010,700
41	Difference				$ 3,092
42	RUCO Adjustment (See TJC-7, Column (C) Line 29)				$ 3,092

* Fully Depreciated
** Per Company Rebuttal Filing - CIAC Amortization Rate

RUCO OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES

LINE NO.	Property Tax Calculation	(A) RUCO AS ADJUSTED	(B) RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues - 2010	$ 3,096,775	$ 3,096,775
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	$ 6,193,549	$ 6,193,549
4a	RUCO Adjusted Test Year Revenues - 2010	3,096,775	
4b	RUCO Recommended Revenue, Per Schedule TJC-7		3,192,188
5	Subtotal (Line 3 + Line 4a)	$ 9,290,324	$ 9,385,737
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	$ 3,096,775	$ 3,128,579
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	$ 6,193,549	$ 6,257,158
10	Plus: 10% of CWIP Per Company Schedule E Plus RUCO's Reclassification of Plant to CWIP	3,971	3,971
11	Less: Net Book Value of Licensed Vehicles (Fully Depreciated)	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	$ 6,197,520	$ 6,261,129
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value (Line 12 * Line 13)	$ 1,239,504	$ 1,252,226
15	Composite Property Tax Rate (Per Company Effective Property Tax Calculation in Rebuttal)	10.0552%	10.0552%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	$ 124,635	
17	Company Proposed Property Tax (Per Company C-1 Schedule)	125,916	
18	RUCO Test Year Adjustment (Line 16-Line 17)	$ (1,281)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		$ 125,914
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		124,635
21	Increase/(Decrease) to Property Tax Expense		$ 1,279
22	Increase/(Decrease) to Property Tax Expense		$ 1,279
23	Increase in Revenue Requirement		95,414
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		0.013407

OPERATING INCOME ADJUSTMENT NO. 3
REMOVE EXPENSED PLANT ITEMS FROM MATERIALS & SUPPLIES EXPENSE AND CAPITALIZE

Line No.	Description	Amount
1		
2	Remove Materials & Supplies Expense and Capitalize to Plant Accounts (Per RUCO DR 3.04)	$(22,391)
3		
4		
5	Capitalize Expensed Items to NARUC Plant Accounts:	
6	371.1 - Pumping Equipment - Lift Stations	$ 9,179
7	380 - Treatment & Disposal Equipment	13,212
8		
9	Total RUCO Plant Adjustment	$ 22,391
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		

OPERATING INCOME ADJUSTMENT NO. 4
REMOVE EXPENSED PLANT ITEMS FROM CONTRACTUAL SERVICES, ENGINEERING EXPENSE AND CAPITALIZE TO CWIP

Line No.	Description		Amount
1			
2	Remove Materials & Supplies Expense and Capitalize to Plant Accounts (Per RUCO DR 3.05)	$	(19,524)
3			
4			
5	Capitalize Expensed Items to CWIP:		
6	Hunt Highway Force Main	$	(19,524)
7	No Rate Base Recognition in this Case		19,524
8			
9	Total RUCO Plant Adjustment	$	-
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			

OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total	$ 200,000	$ (50,000)	$ 150,000
2	Allocation Factor			
3	Wastewater Division (Line 1 X Line 2)			$ -
4	Normalized Over 4 Years			4
5	RUCO Adjusted Rate Case Expense (Line 3 / 4 Years)			$ 37,500
6	Company Rate Case Expenses As Filed (Company Sch. C-2)			$ 50,000
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)			$ (12,500)
8	RUCO Adjustment (See TJC-7, Column (D) Line 26)			$ (12,500)

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE - BANK ANALYSIS FEES

Line No.	Description	Date	Amount
1			
2	JPMorgan Chase Bank	Jan. 2010	$ 1,067
3	JPMorgan Chase Bank	Feb. 2010	913
4	JPMorgan Chase Bank	Mar. 2010	1,097
5	JPMorgan Chase Bank	Apr. 2010	1,136
6	JPMorgan Chase Bank	May 2010	1,069
7	JPMorgan Chase Bank	Jun. 2010	1,066
8	JPMorgan Chase Bank	Jul. 2010	1,015
9	JPMorgan Chase Bank	Aug. 2010	1,073
10	JPMorgan Chase Bank	Sep. 2010	1,080
11	JPMorgan Chase Bank	Oct. 2010	1,068
12	JPMorgan Chase Bank	Nov. 2010	1,007
13	JPMorgan Chase Bank	Dec. 2010	1,116
14			
15	Total Bank Charges Recorded 100% to Water Division (Per Staff Water DR 1.38)		$ 12,707
16			
17	RUCO Miscellaneous Expense Adjustment to Water Division (Line 15 X -50%)		$ (6,354)
18			
19	RUCO Miscellaneous Expense Adjustment to Sewer Division (Line 15 X 50%)		$ 6,354

OPERATING INCOME ADJUSTMENT NO. 7
SALARIES AND WAGES - OFFICER and DIRECTOR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Salaries and Wagees Expense - Officer and Director	$ 90,294	$ (83,209)	$ 7,085
2	RUCO Adjustment (See TJC-7, Column (D) Line 26)			$ (83,209)

RUCO SALARY AND WAGE EXPENSE ADJUSTMENT CALCULATION:

3	Company as Filed Salary and Wage Expense - Officer and Director	$ 90,294
4	Number of Hours Per Company Response to Staff DR 1.29	56.68
5	Hourly Pay Rate Per Company Response to Staff DR 1.29 (Line 3 / 4)	$ 1,593
6	RUCO Recommended Hourly Pay Rate (See Testimony of TJC)	125
7	RUCO Recommended Salary and Wage Expense (Line 4 X Line 6)	$ 7,085

OPERATING INCOME ADJUSTMENT NO. 9
CONTRACTUAL SERVICES - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Increase Water Testing Expense per Staff Engineering	$ 15,729	$ 12,157	$ 27,886
2	RUCO Adjustment (See TJC-7, Column (D) Line 26)			$ 12,157

OPERATING INCOME ADJUSTMENT NO. 10
CONTRACTUAL SERVICES - OTHER EXPENSE

LINE NO.	DESCRIPTION	(C) RUCO ADJUSTMENTS
1	Remove IDA Bond Fees	$ (6,700)
2	Total	$ (6,700)
3	Decrease in Contractual Services Expense - Other	$ (6,700)
4	RUCO Adjustment (See TJC-7, Column (D) Line 26)	$ (6,700)

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	$ 8,370,000	35.36%	4.25%	1.50%
2	Common Equity	15,301,736	64.64%	9.40%	6.08%
3	Total Capitalization	$ 23,671,736	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL				7.58%

References:
Columns (A) Thru (D): WAR Testimony

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$22.73	$2,657,501	0	$0	0	$0	0	$0	$2,657,501
3/4 - INCH	0	0	0	35.33	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	59.33	147,376	0	0	0	0	0	0	147,376
1 1/2 - INCH	0	0	0	117.33	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	187.33	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	119,414	0	0		$2,804,876	0	$0	0	$0	0	$0	$2,804,876

Company Proposed Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$27.79	$3,248,795	0	$0	0	$0	0	$0	$3,248,795
3/4 - INCH	0	0	0	43.19	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	72.53	180,167	0	0	0	0	0	0	180,167
1 1/2 - INCH	0	0	0	143.44	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	229.01	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	444.60	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	694.69	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,389.37	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	119,414	0	0		$3,428,962	0	$0	0	$0	0	$0	$3,428,962

RUCO Recommended Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	116,962	0	0	$23.40	$2,735,581	0	$0	0	$0	0	$0	$2,735,581
3/4 - INCH	0	0	0	36.37	0	0	0	0	0	0	0	0
1 - INCH	2,452	0	0	61.07	151,713	0	0	0	0	0	0	151,713
1 1/2 - INCH	0	0	0	120.79	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	192.85	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	362.12	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	585.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,170.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	2,340.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	4,680.00	0	0	0	0	0	0	0	0
	119,414	0	0		$2,887,294	0	$0	0	$0	0	$0	$2,887,294

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 2,657,501	$ -	$ 2,657,501	$ 3,248,795	$ -	$ 3,248,795	$ 2,735,581	$ -	$ 2,735,581
2	3/4 - INCH	-	-	-	-	-	-	-	-	-
3	1 - INCH	147,376	-	147,376	180,167	-	180,167	151,713	-	151,713
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 2,804,876	$ -	$ 2,804,876	$ 3,428,962	$ -	$ 3,428,962	$ 2,887,294	$ -	$ 2,887,294
12	PERCENTAGE	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)			
4	5/8 X 3/4 - INCH	$22.73	$27.79	$23.40
5	3/4 - INCH	35.33	43.19	36.37
6	1 - INCH	59.33	72.53	61.07
7	1 1/2 - INCH	117.33	143.44	120.79
8	2 - INCH	187.33	229.01	192.85
9	3 - INCH	0.00	444.60	362.12
10	4 - INCH	0.00	694.69	585.00
11	6 - INCH	0.00	1,389.37	1,170.00
12	8 - INCH	0.00	0.00	2,340.00
13	10 - INCH	0.00	0.00	4,680.00
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	RESIDENTIAL, COMMERCIAL AND EFFLUENT CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
40				
41	2 - INCH			
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
45				
46	3 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
50				
51	4 - INCH			
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
55				
56	6 - INCH			
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
60				
61	8 - INCH			
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
65				
66	10 - INCH			
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 22.73	$ 27.79	$ 5.06	22.26%	$ 23.40	$ 0.67	2.95%
2	3/4 - INCH	35.33	43.19	7.86	22.25%	36.37	1.04	2.95%
3	1 - INCH	59.33	72.53	13.20	22.25%	61.07	1.74	2.94%
4	1 1/2 - INCH	117.33	143.44	26.11	22.25%	120.79	3.46	2.95%
5	2 - INCH	187.33	229.01	41.68	22.25%	192.85	5.52	2.95%
6	3 - INCH	0.00	444.60	444.60	N/A	362.12	362.12	N/A
7	4 - INCH	0.00	694.69	694.69	N/A	585.00	585.00	N/A
8	6 - INCH	0.00	1,389.37	1,389.37	N/A	1,170.00	1,170.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	2,340.00	2,340.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	4,680.00	4,680.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY TJC
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$22.73	$6,546	0	$0	0	$0	0	$0	$6,546
3/4 - INCH	36	0	0	35.33	1,272	0	0	0	0	0	0	1,272
1 - INCH	285	0	0	59.33	15,663	0	0	0	0	0	0	15,663
1 1/2 - INCH	108	0	0	117.33	12,672	0	0	0	0	0	0	12,672
2 - INCH	618	0	0	187.33	116,894	0	0	0	0	0	0	116,894
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	1,329	0	0		$153,047	0	$0	0	$0	0	$0	$153,047

Company Proposed Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$27.79	$8,004	0	$0	0	$0	0	$0	$8,004
3/4 - INCH	36	0	0	43.19	1,555	0	0	0	0	0	0	1,555
1 - INCH	285	0	0	72.53	19,148	0	0	0	0	0	0	19,148
1 1/2 - INCH	108	0	0	143.44	15,492	0	0	0	0	0	0	15,492
2 - INCH	618	0	0	229.01	142,902	0	0	0	0	0	0	142,902
3 - INCH	0	0	0	444.50	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	694.69	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,389.37	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	1,329	0	0		$187,100	0	$0	0	$0	0	$0	$187,100

RUCO Recommended Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
5/8 X 3/4 - INCH	282	0	0	$23.40	$6,739	0	$0	0	$0	0	$0	$6,739
3/4 - INCH	36	0	0	36.37	1,309	0	0	0	0	0	0	1,309
1 - INCH	285	0	0	61.07	16,124	0	0	0	0	0	0	16,124
1 1/2 - INCH	108	0	0	120.79	13,045	0	0	0	0	0	0	13,045
2 - INCH	618	0	0	192.85	120,339	0	0	0	0	0	0	120,339
3 - INCH	0	0	0	362.12	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	585.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,170.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	2,340.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	4,680.00	0	0	0	0	0	0	0	0
	1,329	0	0		$157,556	0	$0	0	$0	0	$0	$157,556

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 X 3/4 - INCH	$ 6,546	$ -	$ 6,546	$ 8,004	$ -	$ 8,004	$ 6,739	$ -	$ 6,739
2	3/4 - INCH	1,272	-	1,272	1,555	-	1,555	1,309	-	1,309
3	1 - INCH	15,663	-	15,663	19,148	-	19,148	16,124	-	16,124
4	1 1/2 - INCH	12,672	-	12,672	15,492	-	15,492	13,045	-	13,045
5	2 - INCH	116,894	-	116,894	142,902	-	142,902	120,339	-	120,339
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 153,047	$ -	$ 153,047	$ 187,100	$ -	$ 187,100	$ 157,556	$ -	$ 157,556
12	PERCENTAGE	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	(RESIDENTIAL AND COMMERCIAL CUSTOMERS)			
4	5/8 X 3/4 - INCH	$22.73	$27.79	$23.40
5	3/4 - INCH	35.33	43.19	36.37
6	1 - INCH	59.33	72.53	61.07
7	1 1/2 - INCH	117.33	143.44	120.79
8	2 - INCH	187.33	229.01	192.85
9	3 - INCH	0.00	444.50	362.12
10	4 - INCH	0.00	694.69	585.00
11	6 - INCH	0.00	1,389.37	1,170.00
12	8 - INCH	0.00	0.00	2,340.00
13	10 - INCH	0.00	0.00	4,680.00
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	RESIDENTIAL AND COMMERCIAL CUSTOMERS	0	0	0
18				
19	RECOMMENDED COMMODITY RATES BY METER SIZE			
20				
21	5/8 X 3/4 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
40				
41	2 - INCH			
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
45				
46	3 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
50				
51	4 - INCH			
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
55				
56	6 - INCH			
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
60				
61	8 - INCH			
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
65				
66	10 - INCH			
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A TO N/A GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - N/A N/A GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 X 3/4 - INCH	$ 22.73	$ 27.79	$ 5.06	22.26%	$ 23.40	$ 0.67	2.95%
2	3/4 - INCH	35.33	43.19	7.86	22.25%	36.37	1.04	2.95%
3	1 - INCH	59.33	72.53	13.20	22.25%	61.07	1.74	2.94%
4	1 1/2 - INCH	117.33	143.44	26.11	22.25%	120.79	3.46	2.95%
5	2 - INCH	187.33	229.01	41.68	22.25%	192.85	5.52	2.95%
6	3 - INCH	0.00	444.50	444.50	N/A	362.12	362.12	N/A
7	4 - INCH	0.00	694.69	694.69	N/A	585.00	585.00	N/A
8	6 - INCH	0.00	1,389.37	1,389.37	N/A	1,170.00	1,170.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	2,340.00	2,340.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	4,680.00	4,680.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY TJC
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	1,800,000	$180.00	$3,240	71,278,931	$41,342	0	$0	0	$0	$44,582
EFFLUENT SALES 2	15	1,424,316,972	1,500,000	180.00	2,700	127,983,361	74,230	0	0	0	0	76,930
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	3,300,000		$5,940	199,262,292	$115,572	0	$0	0	$0	$121,512

Company Proposed Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	0	$232.56	$4,186	73,078,931	$51,155	0	$0	0	$0	$55,341
EFFLUENT SALES 2	15	1,424,316,972	0	232.56	3,488	129,483,361	90,638	0	0	0	0	94,127
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	0		$7,674	202,562,292	$141,794	0	$0	0	$0	$149,468

RUCO Recommended Rates

A Meter Size	B Number of Bills	C Total Gallons Consumed (Midrange)	D Minimum Gallons	E Monthly Minimum Charge	F Metered Minimum Revenue B X E	G Tier One Gallons Subject to Comodity Charge (Midrange)	H Tier One Commodity Revenue per 1,000 Gal.	I Tier Two Gallons Subject to Comodity Charge (Midrange)	J Tier Two Commodity Revenue per 1,000 Gal.	K Tier Three Gallons Subject to Comodity Charge (Midrange)	L Tier Three Commodity Revenue per 1,000 Gal.	M Total Metered Revenue F + H + J + L
EFFLUENT SALES 1	18	803,868,241	0	$180.00	$3,240	73,078,931	$43,847	0	$0	0	$0	$47,087
EFFLUENT SALES 2	15	1,424,316,972	0	180.00	2,700	129,483,361	77,690	0	0	0	0	80,390
1 - INCH	0	0	0	450.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	900.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	1,440.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	2,700.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	4,500.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	9,000.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	18,000.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	36,000.00	0	0	0	0	0	0	0	0
	33	2,228,185,214	0		$5,940	202,562,292	$121,537	0	$0	0	$0	$127,477

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	EFFLUENT SALES '	$ 3,240	$ 41,342	$ 44,582	$ 4,186	$ 51,155	$ 55,341	$ 3,240	$ 43,847	$ 47,087
2	EFFLUENT SALES ;	2,700	74,230	76,930	3,488	90,638	94,127	2,700	77,690	80,390
3	1 - INCH	-	-	-	-	-	-	-	-	-
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	TOTALS	$ 5,940	$ 115,572	$ 121,512	$ 7,674	$ 141,794	$ 149,468	$ 5,940	$ 121,537	$ 127,477
12	PERCENTAGE	4.89%	95.11%	100.00%	5.13%	94.87%	100.00%	4.66%	95.34%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(EFFLUENT SALES CUSTOMERS)							
4	EFFLUENT SALES 1					$180.00	$232.56	$180.00
5	EFFLUENT SALES 2					180.00	232.56	180.00
6	1 - INCH					0.00	0.00	450.00
7	1 1/2 - INCH					0.00	0.00	900.00
8	2 - INCH					0.00	0.00	1,440.00
9	3 - INCH					0.00	0.00	2,700.00
10	4 - INCH					0.00	0.00	4,500.00
11	6 - INCH					0.00	0.00	9,000.00
12	8 - INCH					0.00	0.00	18,000.00
13	10 - INCH					0.00	0.00	36,000.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					100,000	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	EFFLUENT SALES 1							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.60
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
25								
26	EFFLUENT SALES 2							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.60
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ 0.60
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT SALES RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	EFFLUENT SALES 1	$ 180.00	$ 232.56	$ 52.56	29.20%	$ 180.00	$ -	0.00%
2	EFFLUENT SALES 2	180.00	232.56	52.56	29.20%	180.00	0.00	0.00%
3	1 - INCH	0.00	0.00	0.00	N/A	450.00	450.00	N/A
4	1 1/2 - INCH	0.00	0.00	0.00	N/A	900.00	900.00	N/A
5	2 - INCH	0.00	0.00	0.00	N/A	1,440.00	1,440.00	N/A
6	3 - INCH	0.00	0.00	0.00	N/A	2,700.00	2,700.00	N/A
7	4 - INCH	0.00	0.00	0.00	N/A	4,500.00	4,500.00	N/A
8	6 - INCH	0.00	0.00	0.00	N/A	9,000.00	9,000.00	N/A
9	8 - INCH	0.00	0.00	0.00	N/A	18,000.00	18,000.00	N/A
10	10 - INCH	0.00	0.00	0.00	N/A	36,000.00	36,000.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	100,000	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY XXX
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$180.00	$0	21,544,200	$12,496	0	$0	0	$0	$12,496
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$0	21,544,200	$12,496	0	$0	0	$0	$12,496

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$232.56	$0	21,544,200	$15,081	0	$0	0	$0	$15,081
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$0	21,544,200	$15,081	0	$0	0	$0	$15,081

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
RECOVERED EFFLI	12	236,986,200	0	$180.00	$2,160	21,544,200	$12,927	0	$0	0	$0	$15,087
RECOVERED EFFLI	0	0	0	270.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	450.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	900.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	1,440.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	2,700.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	4,500.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	9,000.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	18,000.00	0	0	0	0	0	0	0	0
RECOVERED EFFLI	0	0	0	36,000.00	0	0	0	0	0	0	0	0
	12	236,986,200	0		$2,160	21,544,200	$12,927	0	$0	0	$0	$15,087

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
REVENUE COMPARISON

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	RECOVERED EFFLI	$ -	$ 12,496	$ 12,496	$ -	$ 15,081	$ 15,081	$ 2,160	$ 12,927	$ 15,087
2	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
3	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
4	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
5	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
6	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
7	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
8	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
9	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
10	RECOVERED EFFLI	-	-	-	-	-	-	-	-	-
11	TOTALS	$ -	$ 12,496	$ 12,496	$ -	$ 15,081	$ 15,081	$ 2,160	$ 12,927	$ 15,087
12	PERCENTAGE	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	14.32%	85.68%	100.00%

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
RECOMMENDED RATES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RECOVERED EFFLUENT CUSTOMERS)							
4	RECOVERED EFFLUENT					$180.00	$232.56	$180.00
5	RECOVERED EFFLUENT					0.00	0.00	270.00
6	RECOVERED EFFLUENT					0.00	0.00	450.00
7	RECOVERED EFFLUENT					0.00	0.00	900.00
8	RECOVERED EFFLUENT					0.00	0.00	1,440.00
9	RECOVERED EFFLUENT					0.00	0.00	2,700.00
10	RECOVERED EFFLUENT					0.00	0.00	4,500.00
11	RECOVERED EFFLUENT					0.00	0.00	9,000.00
12	RECOVERED EFFLUENT					0.00	0.00	18,000.00
13	RECOVERED EFFLUENT					0.00	0.00	36,000.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	RECOVERED EFFLUENT							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 0.58	$ 0.70	$ 0.60
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
25								
26	RECOVERED EFFLUENT							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
30								
31	RECOVERED EFFLUENT							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
35								
36	RECOVERED EFFLUENT							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
40								
41	RECOVERED EFFLUENT							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
45								
46	RECOVERED EFFLUENT							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
50								
51	RECOVERED EFFLUENT							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
55								
56	RECOVERED EFFLUENT							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	0	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
60								
61	RECOVERED EFFLUENT							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
65								
66	RECOVERED EFFLUENT							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A	TO	999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	N/A		0	GALLONS:	$ -	$ -	$ -

PIMA UTILITY COMPANY - WASTEWATER DIVISION EFFLUENT WATER SALES RECOVERED RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2010
MONTHLY MINIMUM CHARGES

DOCKET NO. SW-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	RECOVERED EFFLUENT	$ 180.00	$ 232.56	$ 52.56	29.20%	$ 180.00	$ -	0.00%
2	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	270.00	270.00	N/A
3	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	450.00	450.00	N/A
4	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	900.00	900.00	N/A
5	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	1,440.00	1,440.00	N/A
6	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	2,700.00	2,700.00	N/A
7	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	4,500.00	4,500.00	N/A
8	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	9,000.00	9,000.00	N/A
9	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	18,000.00	18,000.00	N/A
10	RECOVERED EFFLUENT	0.00	0.00	0.00	N/A	36,000.00	36,000.00	N/A
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY XXX
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

EXHIBIT
Ruco 7
ADMITTED

ed crash test speed, using that time instead to undertake "a multi-year effort to obtain additional data." 65 Fed. Reg. at 30,685. "Based on the results of those information gathering and analysis efforts" and public input, NHTSA said that it would then make a final decision regarding the maximum test speed for unbelted dummy testing in the long run. *Id.* We see no defect in this explanation, for nothing in the APA precludes an agency from collecting data and monitoring real-world experience with regulatory standards before adopting new standards governing periods of time far into the future—especially in cases, as here, that involve unpredictable technological change. Indeed, gathering evidence *before* making a long-term decision is eminently sensible. *See Nat'l Ass'n of Broadcasters v. FCC,* 740 F.2d 1190, 1211 (D.C.Cir.1984) (holding that the FCC acted reasonably in postponing a decision on certain details of a spectrum allocation rule because "the Commission acted against an evolving background," certain relevant factors could not "be known at the present," and "[a]s a result, too fine a calibration of the relocation [of spectrum space] would have been premature").

At bottom, Public Citizen's arbitrary-and-capricious challenge boils down to a policy disagreement with NHTSA. Public Citizen believes that NHTSA should have set the unbelted test speed at thirty miles per hour. Perhaps the record could have supported such a standard. But because NHTSA's selection of twenty-five miles per hour is both supported by the record and rationally explained, we have no basis for substituting Public Citizen's views for the agency's, particularly given NHTSA's judgment that doing so would increase the risk of harm to children and small women. *See State Farm,* 463 U.S. at 43, 103 S.Ct. at 2866–67.

IV.

The petition for review is denied.

So ordered.

BP WEST COAST PRODUCTS, LLC, Petitioner,

v.

FEDERAL ENERGY REGULATORY COMMISSION and United States of America, Respondents.

SFPP, L.P., et al., Intervenors.

Nos. 99-1020, 99-1051, 00-1221, 00-1240, 00-1256, 01-1413, 01-1453, 01-1469, 01-1475, 02-1008, 02-1011, 02-1321.

United States Court of Appeals, District of Columbia Circuit.

Argued Nov. 12, 2003.

Decided July 20, 2004.

Background: Shippers petitioned for review of initial decision by the Federal Energy Regulatory Commission (FERC) with respect to reasonableness of pipeline company's rates, 1999 WL 12216, as well as of ratemaking and reparations orders entered by the FERC on motions for rehearing or clarification, 2000 WL 640584, 2001 WL 34076552, and 2001 WL 1379466.

Holdings: The Court of Appeals held that:

(1) FERC's conclusion that revisions to pipeline company's tariffs did not constitute a "new rate," and were thus eligible for grandfathering under the Energy Policy Act (EPAct), was reasonable;

(2) decision that, while not eligible for grandfathering, the rates set by pipeline company for transportation of new type of fuel were nevertheless immune from challenge, since rates were identical to grandfathered rates for other types of fuel that had been deemed just and reasonable, was arbitrary and capricious;

(3) FERC's interpretation of "protest" language in grandfathering provision of the EPAct was not unreasonable;

(4) "contractual prohibition" exception to the EPAct's general prohibition against any challenge to grandfathered rates was party-specific;

(5) where pipeline company, as limited partnership, paid no income taxes, the FERC should not have imputed tax liability to create allowance to pass through to rate payers;

(6) FERC's decision, not to allow pipeline company to recover the unusually high costs of current rate litigation by means of permanent rate increase, but to instead require company to recover such costs in form of an amortized five-year surcharge, was not unreasonable; and

(7) reparations orders would not be disturbed.

Affirmed in part and reversed in part.

1. Carriers ⚷31

Federal Energy Regulatory Commission's (FERC's) conclusion that revisions to oil pipeline company's tariffs did not constitute a "new rate," and were thus eligible for grandfathering under the Energy Policy Act (EPAct), was reasonable interpretation of statute, to which Court of Appeals would defer, where revisions merely recognized new origination point on pipeline and added rate for shipping services from that new origination point which was the same as rates from other source points in area. Energy Policy Act of 1992, § 1803(b), 42 U.S.C.A. § 7172 note.

See publication Words and Phrases for other judicial constructions and definitions.

2. Statutes ⚷219(6.1)

While the Energy Policy Act (EPAct) does not expressly confer ratemaking authority on the Federal Energy Regulatory Commission (FERC), the FERC's interpretations of the EPAct in adjudicating controversies thereunder are entitled to *Chevron* deference. Energy Policy Act of 1992, § 1803, 42 U.S.C.A. § 7172 note.

3. Statutes ⚷219(1)

When Congress authorizes agency to adjudicate complaints arising under statute, agency's interpretations of that statute announced in its adjudications are generally entitled to *Chevron* deference.

4. Carriers ⚷26

If the Federal Energy Regulatory Commission (FERC) was indeed correct that only filed rates were eligible for grandfathering under provision of the Energy Policy Act (EPAct) which generally insulates from challenge any pipeline rates that were in effect for one full year prior to the EPAct's enactment, and that were not subject to any "protest, investigation, or complaint" during this 365-day period, then the FERC could not grandfather unfiled rates on assumption that, if rates had been filed, no challenge would have been brought. Energy Policy Act of 1992, § 1803(b), 42 U.S.C.A. § 7172 note.

5. Carriers ⚷26

Federal Energy Regulatory Commission's (FERC's) conclusion that, while they were not eligible for grandfathering under the Energy Policy Act (EPAct), the rates set by pipeline company for transportation

length public offering," provide an accurate estimate of an entity's risk level. 96 FERC at 62,068. SFPP misses the mark when it states that there is no single capital structure dictated by the market, for although other reasonable debt-equity ratios might have been adopted for SFPP, none would have market imprimatur. The reasonableness of the Commission's position is confirmed by the very different nature of the respective entities' business operations and the stark contrast between the capital structures each adopted. The same reasoning explains the Commission's choice to use December 19, 1988, the date of SFPP's initial public offering, as the relevant snapshot of its equity level, hardly an arbitrary date given its reliance on the judgment of the financial markets.

SFPP maintains, however, that by adopting SFPP's December 19, 1988 capital structure for purposes of the starting rate base calculation, the Commission improperly applied it "retroactively," thereby denying the pipeline a fair chance to bring itself in line with the capital structure hypothesized. The Commission's use of the December 19, 1988 capital structure was predicated on the conclusion that it was representative of the pipeline's risks in 1988, and that there were "no rational grounds here to believe that SPPL's operations or business substantially changed between June 28, 1985 and December 19, 1988." Opinion No. 435–B, 96 FERC at 62,067. SFPP points to nothing that suggests otherwise. The starting rate base is an element of the determination of the prospective rates "in dispute in this proceeding," and the Commission was neither altering past rates nor seeking to recover the pipeline's past losses in future rates; rather, it was determining a just and reasonable valuation of the pipeline's investment for the purpose of setting present rates. As such, there was nothing "retroactive" about the Commission's setting of the starting rate base.

Because the record contained sufficient evidence on which the Commission could find that SPPL faced significantly lower risks than SFSP in 1985, and SFPP concedes that the Commission may depart from an actual capital structure in the starting rate base formula where it is not representative of a pipeline's risks, the court has no occasion to decide whether the Commission improperly relied on nonrecord material from Moody's Transportation Manual regarding the poor financial condition of the Southern Pacific Railroad during the relevant period. Nor need we decide whether the Commission's other basis for departing from SFSP's 1985 capital structure—its concern that SFSP's 78.29% equity component would yield an exorbitantly high starting rate base—would suffice to uphold its decision. Accordingly, we affirm the Commission's starting rate base decision.

B. *Cost Issues*

1. *Income Tax Allowance*

[16] As one element of the cost of service allowable to SFPP, FERC included a 42.7% income tax allowance reflecting the interest in the regulated entity held by a subchapter C corporation. All petitioners assigned this tax allowance as error. The shipper petitioners, and intervenors supporting them, allege as error the recognition of any income tax allowance as SFPP is a limited partnership that pays no income taxes. SFPP alleges as error the denial of a full income tax allowance. Because FERC has not established that its 42.7% allowance is the product of reasoned decisionmaking and indeed has provided no rational basis for this part of its order, we find that allowance to have been erroneous and we vacate.

[17] There is no question that as a general proposition a pipeline that pays income taxes is entitled to recover the costs of the taxes paid from its ratepayers. We explained this proposition thoroughly in *City of Charlottesville v. FERC*, 774 F.2d 1205 (D.C.Cir.1985) (Scalia, J.). While we will not fully discuss the analysis set forth in that decision, we will briefly review the basic principles as background for the current controversy.

The Commission must ensure that the rates of jurisdictional pipelines are "just and reasonable." *Id.* at 1207 (quoting 15 U.S.C. § 717c(a) (1982)). This means that using the principles of cost of service ratemaking, Commission-approved rates must yield "sufficient revenue to cover all proper costs," and provide an appropriate return on capital. *Id.* (citing *Pub. Serv. Co. of New Mexico v. FERC*, 653 F.2d 681, 683 (D.C.Cir.1981)). Taxes, including federal income taxes, are costs. *See id.* at 1207. The difficulty in the application of this seemingly straightforward principle arises when "the utility is part of a consolidated group," only a portion of which is regulated. *Id.* Historically, the Commission has employed two differing methodologies for attribution of tax costs in dealing with this difficulty. Again, *City of Charlottesville* provides the background for understanding the two methodologies. Under the older, "flow-through" methodology, the Commission "derive[d] an effective tax rate by determining the ratio of each [regulated] pipeline's taxable income to the total taxable income of all affiliates, multipl[ied] this fraction by the group's consolidated tax liability, and divide[d] this figure by the pipeline's taxable income." *Id.* at 1207. Under the more recently derived "stand-alone" methodology, the Commission has sought to segregate the regulated utility, then determine "the taxable income and deductions . . . specifically attributable to the utility's jurisdictional activities." *Id.* Under this approach, the Commission then applies "the statutory tax rate . . . to the tax base to yield the stand-alone tax allowance." *Id.* The present controversy arises from the fact that neither of these historic methods can by its terms be literally applied to the rates of SFPP.

The name of the jurisdictional pipeline operator explains the origin of the difficulty. SFPP, L.P., is a limited partnership — specifically a publicly-traded one. Both the flow-through and stand-alone methodologies presume taxable income generated by the regulated entity. Each arose in the context of corporate ownership of a jurisdictional pipeline by a taxpaying corporation which is part of an affiliated group. Shipper petitioners concede that were SFPP a subchapter C corporation, a tax allowance would be appropriate in order "to insure that the regulated entity has the opportunity to earn its allowed return on equity." *Lakehead*, 71 FERC at 62,314. But a limited partnership operating jurisdictional pipelines incurs no income tax liability. 26 U.S.C. § 7704(d)(1)(E). Therefore, shipper petitioners contend there is no rational basis for FERC to approve an income tax allowance for a limited partnership that incurs no income taxes. Thus, shippers argue, FERC erred in allowing even a 42.7% tax allowance in the rates of SFPP.

Shippers raised this argument before the Commission and the Commission discussed it in Opinion No. 435. *See* 86 FERC at 61,101–07; *see also* Opinion No. 435–A, 91 FERC at 61,508–09; Opinion No. 435–B, 96 FERC at 62,077–78. In all of its iterations, FERC's discussion of the issue has been in terms of the "*Lakehead* policy." FERC first announced that policy in *Lakehead*, 71 FERC ¶ 61,338, and offered certain clarifications of the policy in *Lakehead II*, 75 FERC ¶ 61,181. That

case also involved ratemaking of a limited partnership. In *Lakehead*, the Commission declared that where a regulated pipeline is a non-taxed limited partnership, it will not be permitted the same tax allowance as it would if the pipeline company were a corporation. However, FERC further ruled that where the limited partnership includes corporate partners, it would treat the partnership as being "in essence a division of each of its corporate partners" for purposes of determining an income tax component in the partnership's cost of service computation. *Lakehead*, 71 FERC at 62,315. Importantly, FERC's opinion in *Lakehead* was never subjected to judicial review, and neither this court nor any other circuit has ever passed on the validity of the *Lakehead* policy. Therefore, while FERC may deem itself bound to follow that policy, we are not so bound and consider its validity for the first time in this application. All petitioners urge us to reject it in whole or in part, though for differing reasons.

Commencing with the assumption that it should apply the *Lakehead* policy to SFPP's ratemaking, FERC considered the question before it to be the determination of how that policy applied to a limited partnership composed of one partner (or partners) that is a subchapter C (taxpaying) corporation and other partners that are not subchapter C corporations but rather individuals, subchapter S corporations, trusts, or other entities that do not incur corporate income tax. FERC's analysis is rooted in the rationale offered in *Lakehead*, discussed in the ALJ Decision, *see* 80 FERC at 65,179, and adopted by the Commission in Opinion No. 435, *see* 86 FERC at 61,102. The Commission bases that rationale on the "double taxation" incurred in the context of subchapter C corporations, in which the profitmaking corporation is liable for corporate income tax and the shareholders of the corporation are individually liable for their individual income tax on dividends generated by the profitmaking corporations.[5] The Commission in *Lakehead* ruled that "because the corporate tax is an extra layer of taxation, the Commission includes an element for the corporate taxes in the cost-of-service to insure that the regulated entity has the opportunity to earn its allowed return on equity." 71 FERC at 62,314. This same rationale guided the Commission's computation of tax allowance for the nontaxpaying limited partnership, including one or more subchapter C partners, throughout the *Lakehead* administrative litigation and the SFPP ratemaking now before us. Because SFPP, Inc., a subchapter C corporation, held a 42.7% interest[6] in the SFPP limited partnership, the Commission included in the cost of service computation for SFPP, L.P., a 42.7% allowance for income taxes that would have been incurred had the pipeline's jurisdictional earnings been subject to corporate taxation. 86 FERC at 61,103.

Shippers contend that FERC erred in including this income tax allowance, arguing that the ALJ was correct that because no income taxes have been or will be paid on SFPP's partnership income, the inclusion of an income tax allowance in the cost of service constitutes allowance for "phantom taxes." *Id.* SFPP, on the other hand, contends that the 42.7% allowance is in

5. In our discussion of the double-taxation rationale, we are advertent to actual and proposed changes in corporate and dividend taxation occurring after the ratemaking we now review. In view of the timing of the ratemaking, and of our resolution of this issue, no such changes are germane to our further analysis.

6. A 41.7% limited partnership interest and a 1% general partnership interest.

fact inadequate to reflect cost of service. It argues that the *Lakehead* policy results in an understatement of the appropriate income tax allowance, and that the Commission should have applied a version of the "stand-alone" methodology discussed above, treating the regulated entity as if it alone were responsible for taxes which would have been incurred on the same income had the jurisdictional pipeline been a taxable corporation.

Because we conclude that FERC's rationale does not support its conclusion, we hold that inclusion of the 42.7% income tax allowance in the cost of service computation was erroneous and we vacate FERC's order to that effect. We further conclude that SFPP's arguments are not well-taken and reject the proposition that FERC should have included the 100% allowance that SFPP seeks. We further conclude that the shipper petitioners offer a convincing analysis consistent with ratemaking principles and governing law, and that on the record before us SFPP is entitled to no allowance for the phantom income taxes it did not pay.

We cannot conclude that FERC's inclusion of the income tax allowance in SFPP's rates is the product of reasoned decision-making. In *Lakehead*, as re-adopted in the opinion before us, the "reasoning" consists of a recitation of separately unassailable statements that do not together constitute a syllogism leading to the conclusion purportedly based on them. The Commission in *Lakehead* reasoned that:

> 1. Under cost-of-service ratemaking principles a regulated company is entitled to rates that yield sufficient revenue to cover its appropriate costs.
>
> 2. Income tax allowance is no different from the allowance for any other costs.
>
> 3. When the regulated entity is organized as a corporation, its revenues are taxed at the corporate tax rate and the earnings of the owners (shareholders) of the corporation are then taxed on dividends at their particular rate.

71 FERC at 62,314.

To that point the Commission's statements are unassailable. However, the Commission follows these statements with a rather cryptic statement. "Because the corporate tax is an extra layer of taxation, the Commission includes an element for the corporate taxes in the cost-of-service to ensure that the regulated entity has the opportunity to earn its allowed return on equity. However, there is no allowance for the taxes paid by the owners of the corporation." *Id.* Again, the second of these two sentences is inarguable, but it is not at all clear what the Commission means by the first. It would seem to follow from the Commission's own reasoning in the preceding elements of analysis, as well as fundamental principles of ratemaking, that if the corporate tax is to be included in the cost-of-service, it is not because it is "an extra layer of taxation," but rather because it is a *cost*. *Id.* In the Commission's own words, a tax allowance is "no different from the allowance for any other costs." *Id.* Presumably whatever tax rate was applicable to a tax-paying regulated entity would be included in the cost-of-service analysis, nor does anything said by the Commission in *Lakehead* or in the opinions before us dispute that presumption. From this line of "reasoning," FERC proceeded to conclude that the limited partnership operating a jurisdictional pipeline "is entitled to an income tax allowance with respect to income attributable to its corporate partners." *Id.* The only further explanation that FERC offers for this conclusion is "when partnership interests are held by corporations, the partnership is entitled to a tax allowance in its cost-of-service for those corporate interests because the tax costs will be passed

on to the corporate owners who must pay corporate income taxes on their allocated share of income directly on their tax returns." *Id.*

The Commission then goes on to "conclude[ ] that [the limited partnership pipeline] should not receive an income tax allowance with respect to income attributable to the limited partnership interests held by individuals ... because those individuals do not pay a corporate income tax." *Id.* at 62,315. Presumably, however, the individual owners pay individual income taxes. Also, presumably many owners (shareholders) of corporate holders of limited partnership interests will not be paying taxes on dividends as corporations often do not generate dividends.[7] In the original *Lakehead* opinion, the Commission had little further to say about why it distinguished between the corporate taxes of corporate unit holders and the individual income taxes of individual unit holders. In *Lakehead II,* and in the opinions we review today, the Commission did offer some attempt to explain the distinction.

In *Lakehead II,* FERC considered the argument of the *Lakehead* limited partnership that the Commission's refusal to grant a tax allowance reflecting the tax liabilities of all limited partnership unit holders, whether or not each holder was a subchapter C corporation, did not comport with the Commission's own "actual taxes paid" rationale, because the Commission, under the "stand-alone" tax policy discussed above, would permit "a regulated entity to collect a fair tax allowance even where no actual tax liability is incurred." *Lakehead II,* 75 FERC at 61,594. *Lakehead II* went on to argue that under this rationale, even if the jurisdictional entity is a non-taxed limited partnership, "rate payers should be responsible for the tax liability otherwise associated with the revenue generated from the jurisdictional activities, without regard to any actual amount paid to the IRS." *Id.* In rejecting the argument, the Commission stated, no doubt correctly, that in the case of a jurisdictional corporate subsidiary of a corporate group, "the allowed equity return generates an actual tax liability for the pipeline that must be paid to the IRS, either in cash or through the use of another member's deductions.... [E]ither way, the tax liability of the jurisdictional company is a real cost of providing service." *Id.* at 61,595 (citing *Northern Border Pipeline Co.,* 67 FERC ¶ 61,194, 61,110–11, 1994 WL 196221 (1994)). As applied to tax liability generating corporate subsidiaries engaged in jurisdictional activities, the Commission's statement is again quite defensible, when such a subsidiary does not itself incur a tax liability but generates one that might appear on a consolidated return of the corporate group. The difficulty arose when the Commission attempted to take the next step and explain why this reasoning applied to an entity that is a non-taxable limited partnership and to justify discriminating between allowances for the tax liability of corporate unit holders and the tax liability of those unit holders who are individuals or otherwise not subchapter C corporations. The Commission's reasoning on that point extends for two more paragraphs, but is summarized in the following statement immediately following the last quoted language from *Lakehead II*:

> In contrast, there is no corporate tax liability associated with individual partners' equity return and therefore it is

7. As noted in n.5, *supra,* changes in tax laws subsequent to the Commission's opinion herein may further affect the asymmetry of including in ratemaking allowance for the corporate tax of corporate unit holders but not the individual tax of individual unit holders.

not appropriate to allow Lakehead to collect for such amounts in its cost-of-service.

Id. This does not supply reasoning for differentiating between individual and corporate tax liability. It is merely restating the proposition that the Commission is so differentiating. Otherwise stated, the Commission is once again simply declaring: we are including a tax allowance for corporate tax liability; we are not allowing a deduction for individual income tax liability. To re-phrase a proposition is not the same as supplying supporting reasoning. In short, the Commission's opinions in *Lakehead* do not evidence reasoned decisionmaking for their inclusion in cost of service of corporate tax allowances for corporate unit holders, but denial of individual tax allowances reflecting the liability of individual unit holders.

Nonetheless, we could sustain the Commission's decision if the opinions we review had added the reasoned decisionmaking lacking in *Lakehead.* They do not. Before the court, the Commission's counsel argues that the distinction is justified in the reasoning offered by the ALJ in the portion of his decision affirmed by the Commission. The ALJ, attempting to apply the *Lakehead* policy, had reasoned that "investors in a regulated pipeline are entitled to a return 'commensurate with returns on investments in other enterprises having corresponding risk.'" ALJ Decision, 80 FERC at 65,177 (quoting *FPC v. Hope Natural Gas Co.,* 320 U.S. 591, 603, 64 S.Ct. 281, 288, 88 L.Ed. 333 (1944)). Still struggling with the *Lakehead* policy which had permitted a corporate income tax allowance but not an allowance for the tax liability of other investors in the limited partnership, the ALJ concluded "because there is no dual taxation, a tax allowance is not necessary to ensure that an individual limited partner obtains a 'commensurate return.'" *Id.* We agree that the ALJ's invocation of the *Hope Natural Gas Co.* principle was apt, but unlike the Commission, we agree that the conclusion he based it on was sound.

[18] The *Hope Natural Gas* decision did not itself involve attribution of tax liability for purposes of determining allowances and ratemaking. It did however, apply general principles of ratemaking that are instructive in that context. As the Commission argues to us, that decision teaches that the Commission's ratemaking function involves "a pragmatic assessment of whether the rates prescribed for a pipeline will support its services and provide a reasonable return to its investors." FERC Br. 60 (citing *Hope Natural Gas,* 320 U.S. at 602, 64 S.Ct. at 287–88; *Farmers II,* 734 F.2d at 1502). However, the Commission's premise again does not lead to the Commission's conclusion. The ALJ correctly derived from *Hope Natural Gas* the more specific principle that the regulating commission is to set rates in such a fashion that the regulated entity yields returns for its investors commensurate with returns expected from an enterprise of like risks. Were the corporate unit holders investing in a non-regulated entity of like risk and otherwise similar return, they would of course expect to pay their own corporate tax on any profit they might realize from that investment. Should that profit generate dividends from the corporations, the shareholders would expect to pay their own taxes on such dividends.[8] Likewise, individual investors in such a non-regulated enterprise would expect to pay their individual taxes thereon. Granted, the second group of investors would pay one level of taxation; the first group, at least potentially, two layers of taxation.

8. *See* footnotes 5 and 7, *supra.*

This is a product of the corporate form, not of the regulated or unregulated nature of the pipeline or any comparable investment or of the risks involved therein. Therefore, consistent with *Hope Natural Gas,* the ALJ correctly concluded that where there is no tax generated by the regulated entity, either standing alone or as part of a consolidated corporate group, the regulator cannot create a phantom tax in order to create an allowance to pass through to the rate payer. The Commission erred when it rejected the ALJ's conclusion.

As we have recited repeatedly above, and as the Commission itself has recognized in this very proceeding, under cost-of-service principles, a regulated company is entitled to a rate design to yield sufficient revenue to cover its appropriate cost; income tax allowance is no different from the allowance of any other costs. The regulated pipeline generates many costs, for example bookkeeping expenses. Presumably those bookkeeping expenses are recoverable in its rates. Its corporate unit holders, if any, presumably also have bookkeeping expenses. The bookkeeping expenses of the corporate unit holders are not recoverable in the rates of the pipeline, even though the corporation and its shareholders each may independently be paying bookkeepers and accountants unlike individual unit holders who pay only for their own accounting. All of this makes sense. It makes equal sense when applied to income taxes.

SFPP, while raising its own objections to the *Lakehead* policy, joins the Commission in opposing the shipper petitioners' arguments that no income tax allowance should be included in the ratemaking. SFPP, however, argues that the Commission not only did not err in including the potential tax liability of its corporate unit holders, it instead erred in not including the potential tax liability of its individual or other non-subchapter C corporate unit holders. That argument serves to illustrate further why the ALJ was correct in including no such pass-through or phantom taxes at all. Under the Commission's present order, the imputed tax liability of the corporate unit holders creates an allowance included in the making of the rate for the pipeline. The ratepayers pay that rate for the product shipped, but the allocation of the nontaxed profit of the limited partnership pipeline is, so far as the record reflects, subject to division among the unit holders rateably according to their interest in the limited partnership, not affected by how their share of the profits will ultimately be taxed. Therefore, even if the Commission's goal of changing the risk analysis of "double-taxed" investors were a valid one, it is not being accomplished. The inclusion of the phantom taxes in the rate changes the profit margin for all unit holders in the untaxed limited partnership, not just those who are under a particular tax structure. Therefore, SFPP may well be correct that if such an allowance were allowable at all, it should have been allowed for the imputed taxes potentially incurred by all unit holders who realized taxable income from the untaxed profits of the limited partnership of the pipeline. For the reasons set forth above, we hold that the first step of this analysis is erroneous — that is, we hold that no such allowance should be included.

Both FERC and SFPP argue that the position we adopt today is inconsistent with the "stand-alone" methodology approved by this court in *City of Charlottesville,* for reasons related to the so-called "actual tax" principle discussed therein. *City of Charlottesville,* 774 F.2d at 1207, 1215. Again, we will not rehash the full analysis of *City of Charlottesville,* but simply will remind SFPP that the stand-alone principle as approved in *City of Charlottes-*

ville dealt with the imputation of taxes within a corporate structure where the imputation was made necessary not by the non-taxable, non-corporate nature of the regulated entity, but by the allocation of profits and losses among the related members maintaining separate balance sheets within a consolidated corporate group. While it is true that then-Judge Scalia posited the applicability of the stand-alone methodology to a circumstance in which taxes were "not necessarily ... paid," *id.* at 1215, that analysis dealt with the use of "actual or estimated taxes paid or incurred" rather than being limited to actual taxes paid. But the part of the *City of Charlottesville* opinion in which that discussion occurred dealt with the argument that the taxes, though properly estimated and actually incurred, might not ever be actually paid because of such factors as losses generated in the corporate structure, or the allocation of profits between and among taxable years in such a fashion as to result in a different tax actually being paid, if any at all. *See id.* at 1214–15. Nothing in the *City of Charlottesville* opinion suggests that it is the business of the Commission to create tax liability when neither an actual nor estimated tax is ever going to be paid or incurred on the income of the utility in the ratemaking proceeding.[9]

Finally, SFPP argues that adopting the *Lakehead* policy and applying it to this case to restrict the allowance to the taxes of the corporate unit holders as opposed to imputing the taxes of all unit holders "runs directly contrary to legislation in which Congress expressly sought to encourage the publicly traded partnership formed for oil pipelines and other selected industries." Underlying this argument is Congress's 1987 enactment of Section 7704 of the Internal Revenue Code. 26 U.S.C. § 7704 (added by Pub. L. 100–203, Title X, § 10211(a), Dec. 22, 1987, 101 Stat. 1330–403). Under Section 7704, Congress decreed that, in general, publicly traded limited partnerships would be taxed as corporations. However, Congress made the policy decision that for a limited number of industries, including "pipelines transporting gas, oil, or products thereof," limited partnerships should operate without taxation to encourage investment in those critical industries. *Id.* § 7704(d)(1)(E). SFPP argues that because Congress singled out a narrow category of enterprises with the intent to facilitate investment in such enterprises by providing a tax-efficient means to raise capital, FERC's policy is inconsistent with congressional intent because it provides a smaller incentive than would be the case if it granted an allowance for phantom taxes based on all unit holders instead of simply the corporate ones. This is a classic case of an argument proving too much.

SFPP's argument would equally apply to any decision by the Commission that caused the pipeline lower allowances rather than higher. Unsurprisingly, SFPP is able to offer no precedent for the proposition that we should compel the Commission, or any other agency, to adopt a rate structure bringing it into line with the perceived intent of Congress to achieve objectives in general, as opposed to consistency with the mandate adopted by Con-

9. At least equally inapposite is *Carolina Power and Light v. FERC*, 860 F.2d 1097 (D.C.Cir. 1988). SFPP relies on *Carolina Power and Light* for the proposition that "the Commission is not obligated in prospective ratemaking proceedings to match rates dollar for dollar with taxes paid to the Internal Revenue Service." *Id.* at 1101 (internal quotations omitted). There, again, we dealt with the computation of the precise amount of taxes to be passed through, not whether the Commission could create a tax liability out of whole cloth to pass through to rate payers of a nontaxable utility.

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subject to *Williamson County* ripeness requirements. *See Forseth*, 199 F.3d at 370 (citing *Hager v. City of West Peoria*, 84 F.3d 865, 869–70 (7th Cir.1996)). That court also has taken the position that awarding the types of relief appellants have requested—an order declaring the Skyland Acts unconstitutional and injunctive relief barring exercise of eminent domain power—"would render *Williamson County*'s holding nugatory." *Patel v. City of Chicago*, 383 F.3d 569, 574 (7th Cir. 2004); *see id.* at 573. Here, the District maintains that appellants' allegations regarding the 2004 Skyland Act—claims that it severely reduced the value of their property and leases, Compl. ¶ 115, placed their livelihoods at risk, *id.* ¶ 122, and specifically targeted and affected plaintiffs and their businesses and property, *id.* ¶ 117—state a takings claim rather than an equal protection or due process claim. *See Patel*, 383 F.3d at 573. In their reply brief, appellants do not explicitly challenge the District's characterization of their due process and equal protection claims. Although appellants maintain that in view of the commencement of condemnation proceedings in the District of Columbia courts their claims are ripe, appellants' focus is on their public use claim. We therefore remand only their public use claim to the district court.

[5] Finally, appellants' challenge to the authority of the District of Columbia is without merit. Congress has delegated legislative powers to the District government. *See* D.C. CODE §§ 1–203.02, 1–204.04(b), 16–1311; *District of Columbia v. John R. Thompson Co.*, 346 U.S. 100, 110, 73 S.Ct. 1007, 97 L.Ed. 1480 (1953); *Marijuana Policy Project v. United States*, 304 F.3d 82, 83 (D.C.Cir.2002). Consequently, the District government's delegation of eminent domain authority to the NCRC does not involve an improper redelegation, particularly as the statute establishing NCRC, *see* D.C. CODE §§ 2–1219.01–1219.29, requires the D.C. Council to approve any eminent domain action, *see id.* § 2–1219.19(b); *see generally* 1A NICHOLS ON EMINENT DOMAIN § 3.03[4].

Accordingly, we reverse the dismissal of appellants' public use claim as unripe and remand that part of the case to the district court. Upon remand, the district court should address the District's other grounds for dismissal of the complaint, including the standing of individual appellants, res judicata as may arise from the condemnation proceedings in the District of Columbia courts, and, in its discretion, abstention.

EXXONMOBIL OIL CORPORATION, Petitioner

v.

FEDERAL ENERGY REGULATORY COMMISSION and United States of America, Respondents

Western Refining Company, L.P., et al., Intervenors.

Nos. 04–1102, 04–1103, 04–1104, 04–1140, 04–1142, 04–1143, 04–1160, 05–1204, 05–1217, 05–1218, 05–1219, 05–1223, 05–1226, 05–1232, 05–1245, 05–1303.

United States Court of Appeals, District of Columbia Circuit.

Argued Dec. 12, 2006.

Decided May 29, 2007.

Background: Shippers filed petitions for review of three orders of the Federal Energy Regulatory Commission, 2000 WL

1373022, 2004 WL 598166, and 2005 WL 1315040, concerning an oil pipeline operator's rates.

Holdings: After consolidation, the Court of Appeals held that:

(1) it was not arbitrary and capricious for FERC, in its ratemaking decision, to grant oil pipeline operator an income tax allowance to the extent that its partners, both individual and corporate, incurred actual or potential tax liability on their distributive share of the partnership income;

(2) FERC reasonably interpreted section of Energy Policy Act grandfathering certain oil pipeline rates as they existed at the time of the Act's enactment; and

(3) yet-to-be-finalized interim rates, which the shippers paid to use regulated oil pipeline, were not immune from reparation claims under *Arizona Grocery*.

Petitions granted in part and denied in part.

1. Carriers ⚷26

It was not arbitrary and capricious for Federal Energy Regulatory Commission (FERC), in its ratemaking decision, to grant oil pipeline operator an income tax allowance to the extent that its partners, both individual and corporate, incurred actual or potential tax liability on their distributive share of the partnership income; Commission acted within the scope of its discretion and reasonably explained its actions in determining that such taxes were "attributable" to the regulated entity, and that a full income tax allowance was necessary to ensure that corporations and partnerships of like risk would earn comparable after-tax returns.

2. Public Utilities ⚷194

Federal Energy Regulatory Commission's (FERC) ratemaking decisions are reviewed under the arbitrary and capricious standard; FERC's decisions will be upheld as long as the Commission has examined the relevant data and articulated a rational connection between the facts found and the choice made.

3. Carriers ⚷26

Federal Energy Regulatory Commission (FERC) must ensure that the rates charged by jurisdictional pipelines are just and reasonable; just and reasonable rates are rates yielding sufficient revenue to cover all proper costs, including federal income taxes, plus a specified return on invested capital.

4. Carriers ⚷26

Federal Energy Regulatory Commission (FERC) reasonably interpreted phrase "a substantial change has occurred after the date of the enactment of this Act in the economic circumstances of the oil pipeline which were a basis for the rate," as used in section of Energy Policy Act grandfathering certain oil pipeline rates as they existed at the time of the Act's enactment, to require a substantial change in the overall rate of return of the pipeline, rather than in one cost element, such as a tax allowance. Energy Policy Act of 1992, § 1803, 42 U.S.C.A. § 7172 note.

5. Public Utilities ⚷168

Federal Energy Regulatory Commission (FERC) may not depart from its own precedent without a reasoned explanation.

6. Administrative Law and Procedure ⚷229

A party must first raise an issue with an agency before seeking judicial review.

ders. The shipper petitioners are BP West Coast Products, Chevron Products, ConocoPhillips, ExxonMobil Oil, Navajo Refining, Ultramar, Valero Marketing and Supply, and Western Refining. The shippers raise several challenges to the Commission's orders. In particular, they argue that: (1) the Commission unlawfully granted an income tax allowance to SFPP; (2) the Commission applied the wrong standard and relied upon faulty data in its analysis of whether SFPP's rates should be "de-grandfathered" under the Energy Policy Act of 1992; and (3) the Commission erroneously held that certain shippers were not entitled to reparations for rates charged on SFPP's East Line after August 1, 2000. SFPP and the Association of Oil Pipe Lines have intervened on behalf of the Commission with respect to these issues.

SFPP and the Association of Oil Pipe Lines have also cross-petitioned for review of the three challenged orders. They argue that the Commission incorrectly interpreted the Energy Policy Act and made several computational errors in determining whether SFPP's rates should be degrandfathered. The shippers have intervened on behalf of the Commission regarding these issues.

We deny the petitions for review with respect to the income tax allowance issues and the Energy Policy Act issues. We hold that the Commission's income tax allowance policy was not arbitrary or capricious or contrary to law. We also hold that FERC's interpretation of the Energy Policy Act was reasonable. We need not consider several of the arguments raised by SFPP and the shippers regarding FERC's calculations because the parties failed to raise those arguments before the Commission in the first instance. However, we grant the shippers' petition for review with respect to the reparations issue. FERC acted contrary to law when it held that the *Arizona Grocery* doctrine precluded the Commission from awarding reparations to East Line shippers for rates paid after August 1, 2000.

I. FERC's Income Tax Allowance Policy

The first issue in these petitions for review is whether it was lawful for FERC to grant an income tax allowance to pipelines operating as limited partnerships. In the Remand Order, FERC held that SFPP is entitled to an income tax allowance to the extent that its partners incur "actual or potential income tax liability" on the income they receive from the partnership. *SFPP, L.P.*, 111 FERC ¶ 61,334 at 62,456 (2005). The shipper petitioners contend that this order is arbitrary and capricious and contrary to our decision in *BP West Coast Products, LLC v. FERC*, 374 F.3d 1263 (D.C.Cir.2004), because it grants a tax allowance to entities that do not actually pay income taxes. While we agree that the orders under review and the policy statement upon which they are based incorporate some of the troubling elements of the phantom tax we disallowed in *BP West Coast*, FERC has justified its new policy with reasoning sufficient to survive our review. We therefore deny the petitions for review with respect to this issue.

A.

FERC's income tax allowance ("ITA") policy for pipelines that operate as limited partnerships has a tortuous history. In 1995, the Commission adopted the "*Lakehead* policy," under which pipelines' ITA eligibility turned on whether the partners were corporations or individuals. *Lakehead Pipe Line Co.*, 71 FERC ¶ 61,338 at 62,313–15 (1995). In *Lakehead*, FERC held that a pipeline was entitled to an ITA only for income taxes that were "attribut-

able to its corporate partners." *Id.* at 62,314. The Commission reasoned:

> When partnership interests are held by corporations, the partnership is entitled to a tax allowance in its cost-of-service for those corporate interests because the tax cost will be passed on to the corporate owners who must pay corporate income taxes on their allocated share of income directly on their tax returns. The partnership is in essence a division of each of its corporate partners because the partnership functions as a conduit for income tax purposes.

Id. at 62,314–15. In contrast, FERC held that pipelines were not entitled to an ITA with respect to income attributable to partnership interests held by individuals because "those individuals do not pay a corporate income tax." *Id.* at 62,315. The Commission noted that its holding "comports with the principle that there should not be an element in the cost-of-service to cover costs that are not incurred." *Id.*

In the Opinion No. 435 proceedings, FERC applied the *Lakehead* policy to SFPP's rates, holding that SFPP could include an income tax allowance in its cost-of-service for the share of the partnership's income that was attributable to corporate partners. *SFPP, L.P.*, 86 FERC ¶ 61,022 at 61,102–04 (1999). Several parties petitioned for review of this order. The shipper petitioners argued—as they do in the instant case—that SFPP should not be entitled to any income tax allowance because it is a limited partnership that pays no income tax at the entity level. In contrast, SFPP argued that it should have been granted a full income tax allowance, even on the share of income attributable to non-corporate partners.

In *BP West Coast*, we granted the shippers' petition for review and vacated the income tax allowance provisions of Opinion No. 435. 374 F.3d at 1285–93. We held that:

> [T]he Commission's opinions in *Lakehead* do not evidence reasoned decision-making for their inclusion in cost of service of corporate tax allowances for corporate unit holders, but denial of individual tax allowances reflecting the liability of individual unit holders.

Id. at 1290. In other words, the Commission did not reasonably explain why corporate partners and individual partners were treated differently under the *Lakehead* policy. *Id.* at 1288–90. We acknowledged that corporate income is taxed twice—while other income is taxed only once—but we emphasized that this discrepancy is simply "a product of the corporate form." *Id.* at 1290–91. FERC may not attempt to compensate for the double taxation of corporations by creating a "phantom" tax allowance. As we explained:

> [W]here there is no tax generated by the regulated entity, either standing alone or as part of a consolidated corporate group, the regulator cannot create a phantom tax in order to create an allowance to pass through to the rate payer.

Id. at 1291. Income tax costs are "no different" than any other costs, such as bookkeeping expenses. *Id.* We noted that just as a pipeline does not receive an allowance for the bookkeeping costs of its investors, neither may it receive an allowance for income taxes paid by "corporate unit holders" (*i.e.*, investors). *Id.* In sum, our per curiam decision in *BP West Coast* vacated FERC's *Lakehead* policy because the Commission did not provide a reasoned explanation for distinguishing between individual and corporate partners, and because the Commission appeared to be granting income tax allowances to regulated entities that did not actually pay income taxes.

In response to our decision in *BP West Coast*, the Commission issued a notice of inquiry seeking comments from interested parties on the question when, if ever, it is appropriate to provide an income tax allowance for partnerships or similar pass-through entities that hold interests in a regulated public utility. *Inquiry Regarding Income Tax Allowances; Request for Comments*, 69 Fed.Reg. 72,188 (Dec. 13, 2004). On May 4, 2005, the Commission issued a policy statement that provided guidance about how it planned to address the ITA issue going forward. *Policy Statement on Income Tax Allowances*, 111 FERC ¶ 61,139 (2005) ("Policy Statement"). In the Policy Statement, the Commission concluded that "such an allowance should be permitted on all partnership interests, or similar legal interests, if the owner of that interest has an actual or potential income tax liability on the public utility income earned through the interest." *Id.* at 61,736. In response to its request for comments, the Commission received 42 responses. *Id.* at 61,737. After review of the comments, the Commission determined that it should choose one of four possible approaches:

> (1) provide an income tax allowance only to corporations, but not partnerships; (2) give an income tax allowance to both corporations and partnerships; (3) permit an allowance for partnerships owned only by corporations; and (4) eliminate all income tax allowances and set rates based on a pre-tax rate of return.

Id. at 61,741. The Commission ultimately selected the second option, stating that it would "permit an income tax allowance for all entities or individuals owning public utility assets, provided that an entity or individual has an actual or potential income tax liability to be paid on that income from those assets." *Id.* After weighing the relevant policy concerns, FERC concluded that this policy "serves the public because it allows rate recovery of the income tax liability attributable to regulated utility income, facilitates investment in public utility assets, and assures just and reasonable rates." *Id.* at 61,736.

The Commission applied its new policy and reiterated its reasoning in the Remand Order. 111 FERC at 62,454–56. In that order, FERC ruled that SFPP was entitled to an ITA to the extent that the pipeline's partners—both individual and corporate—paid taxes on the income they received from the partnership. *Id.* at 62,455–56. The Commission acknowledged that "the pass-through entity does not itself pay income taxes," but nonetheless granted the ITA because "the owners of a pass-through entity pay income taxes on the utility income generated by the assets they own via the device of the pass-through entity." *Id.* at 62,455. FERC reasoned that:

> [J]ust as a corporation has an actual or potential income tax liability on income from the public utility assets it controls, so do the owners of a partnership or limited liability corporation (LLC) on the assets and income that they control by means of the pass-through entity.

Id. Thus, the Commission concluded that "SFPP, L.P. should be afforded an income tax allowance on all of its partnership interests to the extent that the owners of those interests had an actual or potential income tax liability during the periods at issue." *Id.* at 62,456.

ExxonMobil Oil, BP West Coast Products, Navajo Refining Company, and other shippers have petitioned for review of the Remand Order, arguing that FERC's decision to grant SFPP an income tax allowance was arbitrary and capricious and contrary to our decision in *BP West Coast*. The Policy Statement is not directly challenged in these petitions for review.

However, in the Remand Order—which is challenged in the instant case—the Commission expressly relied upon the conclusions and reasoning of the Policy Statement. *See* 111 FERC at 62,456 ("Given the Commission's *Policy Statement* and the application of its policy in this opinion, the Commission concludes that SFPP, L.P. should be afforded an income tax allowance ...."). Thus, in determining whether the Remand Order was arbitrary and capricious or contrary to *BP West Coast*, we necessarily review the Commission's conclusions and reasoning in the Policy Statement.

B.

[1] In the Remand Order, FERC resolved the principal defect of the *Lakehead* policy, which was the inadequately explained differential treatment of the tax liability of individual and corporate partners. The Commission concluded that regulated pipelines operating as limited partnerships should be eligible for income tax allowances to the extent that *all* partners incur actual or potential tax liability on the income they receive from the partnership. FERC's explanation in support of this policy choice is reasonable, and the Commission's Remand Order is not inconsistent with *BP West Coast*. Accordingly, we deny the petitions for review with respect to this issue.

[2] We review the Commission's ratemaking decisions under the "arbitrary and capricious" standard. *Ass'n of Oil Pipe Lines v. FERC*, 83 F.3d 1424, 1431 (D.C.Cir.1996) ("*AOPL*"). Under this test, FERC's decisions will be upheld as long as the Commission has examined the relevant data and articulated a rational connection between the facts found and the choice made. *Id.* (quoting *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29,43, 103 S.Ct. 2856, 77 L.Ed.2d 443 (1983)). In other words, the Commission must "cogently explain why it has exercised its discretion in [the] given manner." *Exxon Corp. v. FERC*, 206 F.3d 47, 54 (D.C.Cir.2000) (internal quotation marks omitted) (alteration in original). In reviewing FERC's orders, we are "particularly deferential to the Commission's expertise" with respect to ratemaking issues. *AOPL*, 83 F.3d at 1431; *see also FPC v. Hope Natural Gas Co.*, 320 U.S. 591, 602, 64 S.Ct. 281, 88 L.Ed. 333 (1944) (noting that a party challenging a natural gas rate order "carries the heavy burden of making a convincing showing that it is invalid because it is unjust and unreasonable").

[3] The Commission must ensure that the rates charged by jurisdictional pipelines are "just and reasonable." *BP West Coast*, 374 F.3d at 1286 (citation omitted). We have held that "just and reasonable" rates are "rates yielding sufficient revenue to cover all proper costs, including federal income taxes, plus a specified return on invested capital." *City of Charlottesville v. FERC*, 774 F.2d 1205, 1207 (D.C.Cir. 1985). Of course, this canonical principle of ratemaking begs the question of which costs are "proper." In the challenged Remand Order, FERC concluded that it was proper to grant SFPP an income tax allowance to the extent that its partners—both individual and corporate—incurred actual or potential tax liability on their distributive share of the partnership income. In light of the deference we extend to the Commission's judgments regarding ratemaking issues, we cannot hold that this conclusion was arbitrary or capricious.

On remand from *BP West Coast*, the Commission considered four different options for its income tax allowance policy. First, the Commission considered—and rejected—a proposal to adopt a modified version of the *Lakehead* policy. As FERC explained in the Policy Statement, "the

Commission agrees with the court's conclusion in *BP West Coast* that ... *Lakehead* did not articulate a rational ground for concluding that there should be no tax allowance on partnership interests owned by individuals, but that there should be one for partnership interests owned by corporations." 111 FERC at 61,743. Given our holding in *BP West Coast*, the Commission was certainly permitted—if not required—to reject the comments that proposed a modified *Lakehead* policy. Second, FERC considered a proposal that would grant income tax allowances only to partnerships that are "owned wholly by corporations filing a consolidated return." *Id.* at 61,738. FERC reasonably rejected this for the same reason it rejected the first alternative—because it found no rational reason for differentiating between corporate and non-corporate partnership interests. *Id.* at 61,744.

The two remaining policy options considered by the Commission were polar opposites. One proposal would have categorically prohibited limited partnerships from taking income tax allowances, while the other would have granted partnerships a full income tax allowance to the extent that the partners incur actual or potential tax liability. *Id.* at 61,739–41. The Commission chose to adopt a policy of full income tax allowances for limited partnerships, and we cannot conclude that this choice was unreasonable. Most importantly, FERC determined that income taxes paid by partners on their distributive share of the pipeline's income are "just as much a cost of acquiring and operating the assets of that entity as if the utility assets were owned by a corporation." *Id.* at 61,742. In other words, the Commission found no good reason to limit the income tax allowance to corporations, given that "both partners and Subchapter C corporations pay income taxes on their first tier income." *Id.* at 61,744.

Moreover, the Commission determined that income taxes paid on the partners' distributive share of the pipeline's income were properly "attributable" to the regulated entity because such taxes must be paid regardless of whether the partners actually receive a cash distribution. *See United States v. Basye*, 410 U.S. 441, 453, 93 S.Ct. 1080, 35 L.Ed.2d 412 (1973) ("[I]t is axiomatic that each partner must pay taxes on his distributive share of the partnership's income without regard to whether that amount is actually distributed to him."). Based on this aspect of partnership law, FERC concluded that income taxes paid by investors in a limited partnership are "first-tier" taxes that may be allocated to the regulated entity's cost-of-service. The shipper petitioners argue that these taxes are ultimately paid by individual investors—not the pipeline—and thus it was improper for FERC to grant an ITA to the regulated entity. However, the Commission reasonably addressed this concern, explaining:

> Because public utility income of pass-through entities is attributed directly to the owners of such entities and the owners have an actual or potential income tax liability on that income, the Commission concludes that its rationale here does not violate the court's concern that the Commission had created a tax allowance to compensate for an income tax cost that is not actually paid by the regulated utility.

Policy Statement, 111 FERC at 61,742.

FERC also emphasized that "the return to the owners of pass-through entities will be reduced below that of a corporation investing in the same asset if such entities are not afforded an income tax allowance on their public utility income." *Id.* The Commission determined that "termination of the allowance would clearly act as a

disincentive for the use of the partnership format," because it would lower the returns of partnerships vis-a-vis corporations, and because it would prevent certain investors from realizing the benefits of a consolidated income tax return. *Id.* We cannot hold that these conclusions were unreasonable. It has long been established that "the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks." *Hope Natural Gas,* 320 U.S. at 603, 64 S.Ct. 281. In the Policy Statement, FERC concluded that it would be inequitable to grant a full income tax allowance to corporations while denying a similar allowance to limited partnerships. 111 FERC at 61,740, 61,742. For example, if the corporate tax rate is 35%, then a pipeline that operates as a corporation is permitted to charge a rate of $154 in order to earn after-tax income of $100. As several commenters pointed out, "if an income tax allowance is not allowed the partnership, then the partners must pay a $35 income tax on $100 of utility income, leaving them with only an after-tax return of $65." *Id.* Based on these comments, the Commission determined that pipelines operating as limited partnerships should receive a full income tax allowance in order to maintain parity with pipelines that operate as corporations. This conclusion was not unreasonable, and we defer to FERC's expert judgment about the best way to equalize after-tax returns for partnerships and corporations.

In sum, policy choices about ratemaking are the responsibility of the Commission—not this Court. *See AT&T Corp. v. FCC,* 220 F.3d 607, 631 (D.C.Cir.2000) (noting that "policy judgment[s]" are "for the agency—not this court—to make"). Our role as a reviewing court is limited to ensuring that "the Commission's decisionmaking is reasoned, principled, and based upon the record." *So. Cal. Edison Co. v. FERC,* 443 F.3d 94, 98 (D.C.Cir.2006) (quoting *Williston Basin Interstate Pipeline Co. v. FERC,* 165 F.3d 54, 60 (D.C.Cir.1999)). Here, the conclusions reached in the Policy Statement and the Remand Order were within the scope of the Commission's discretion with respect to ratemaking issues. We held in *City of Charlottesville* that regulated entities are entitled to recover all "proper" costs from their ratepayers. 774 F.2d at 1207. Obviously, "proper" is not a self-defining term, and the Commission thus has broad discretion to determine which costs may be recovered through a pipeline's rates. Here, FERC has reasonably explained why income taxes paid on partnership income are properly allocated to the regulated entity for ratemaking purposes, and the shipper petitioners have offered no compelling reason to second-guess the agency's policy choices.

* * *

Petitioners argue that regardless of whether FERC's new ITA policy is reasonable, the Remand Order must be set aside because it is inconsistent with our opinion in *BP West Coast.* We disagree.

At the outset, we note that *BP West Coast* did not categorically prohibit the Commission from granting income tax allowances to pipelines that operate as limited partnerships. We granted the shippers' petition for review in that case primarily because of the Commission's inadequately justified differential treatment of individual partners and corporate partners. As we explained, "the Commission's opinions in *Lakehead* do not evidence reasoned decisionmaking for their inclusion in cost of service of corporate tax allowances for corporate unit holders, but denial of individual tax allowances reflecting the liability of individual unit holders." *BP West Coast,*

374 F.3d at 1290. The Commission has now chosen to treat all income taxes alike, regardless of whether they are incurred by individual partners or corporate partners. *See* Remand Order, 111 FERC at 62,455 (conceding that "*Lakehead* mistakenly focused on who pays the taxes rather than on the more fundamental cost allocation principle of what costs, including tax costs, are attributable to regulated service, and therefore properly included in a regulated cost of service"). *BP West Coast* did not pass upon the specific question at issue in the instant case—whether FERC may grant an ITA to limited partnerships for the income taxes paid by *all* partners on the income they receive from the partnership. It is a basic tenet of administrative law that when an agency action is found to be arbitrary and capricious because of a failure to exercise reasoned decisionmaking, the agency is free to adopt a new policy on remand, provided it supplies a reasoned explanation for its actions. *See SEC v. Chenery Corp.*, 332 U.S. 194, 200–01, 67 S.Ct. 1575, 91 L.Ed. 1995 (1947) (holding that when a court sets aside an agency order as "unsupportable for the reasons supplied by that agency," the agency is "bound to deal with the problem afresh" on remand).

Petitioners also argue that limited partnerships do not pay entity-level income taxes, and thus FERC's new ITA policy disregards our statement in *BP West Coast* that "the regulator cannot create a phantom tax in order to create an allowance to pass through to the rate payer." 374 F.3d at 1291. While not without force, this argument cannot ultimately prevail, for two reasons. First, as FERC explained in the Policy Statement and the Remand Order, the income taxes for which SFPP will receive an income tax allowance are real, albeit indirect. SFPP will be eligible for a tax allowance only to the extent it can demonstrate—in a rate proceeding—that its partners incur "actual or potential" income tax liability on their respective shares of the partnership income. Remand Order, 111 FERC at 62,456. Second, when we used the term "phantom tax" in *BP West Coast*, we were reviewing a very different set of orders than the ones at issue here. In *BP West Coast*, we vacated the *Lakehead* policy because the Commission had offered *no* reasoning to support its distinction between corporate partners and individual partners. 374 F.3d at 1290 ("This does not supply reasoning for differentiating between individual and corporate tax liability. It is merely restating the proposition that the Commission is so differentiating."). However, in the instant case FERC has gone to great lengths to explain why the taxes in question are not "phantom" and are properly attributed to the regulated entity. And there is at least one aspect of partnership law that supports FERC's conclusion but was not advanced by the Commission in *BP West Coast*—investors in a limited partnership are required to pay tax on their distributive shares of the partnership income, even if they do not receive a cash distribution. *See Basye*, 410 U.S. at 454, 93 S.Ct. 1080. As explained above, this supports FERC's determination that taxes on the income received from a limited partnership should be allocated to the pipeline and included in the regulated entity's cost-of-service. In this sense, petitioners' likening of partnership tax to shareholder dividend tax is inapposite because a shareholder of a corporation is generally taxed on the amount of the cash dividend actually received. In sum, in the Policy Statement and the Remand Order, FERC has reasonably explained why its new ITA policy does not result in the creation of "phantom" tax liability for regulated pipe-

lines that operate as limited partnerships. The same cannot be said for the *Lakehead* policy that we vacated in *BP West Coast.*

Shipper petitioners also emphasize that in *BP West Coast* we rejected SFPP's argument that the Commission should have adopted a full income tax allowance for limited partnerships. Petitioners argue that this holding is now the "law of the case," because the instant case involves the same issue that was litigated—and resolved in the shippers' favor—in the earlier proceeding. Again, we disagree. In *BP West Coast,* SFPP cross-petitioned for review of the *Lakehead* policy. Like the shipper petitioners, SFPP argued that the Commission's distinction between corporate partners and individual partners was unsupportable. 374 F.3d at 1291. However, while the shipper petitioners argued that FERC should not have permitted *any* income tax allowance, SFPP argued that FERC should have granted a *full* ITA to pipelines operating as limited partnerships. We rejected SFPP's argument in *BP West Coast,* but petitioners now read too much into our holding with respect to this issue. All we held in *BP West Coast* is that the Commission was not *required* to grant a full income tax allowance to pipelines that operate as limited partnerships. Petitioners' argument assumes that "not required" is synonymous with "prohibited." To the contrary, when an agency has broad discretion to choose among different policy options, the fact that any one option is not required certainly does not mean that it is prohibited. Arguably, a fair return on equity might have been afforded if FERC had chosen the fourth alternative of computing return on pretax income and providing no tax allowance at all for the pipeline owners. This, however, is a policy decision rejected by FERC. As we noted above, policy decisions are for the Commission and not the court.

* * *

In conclusion, we deny the petitions for review with respect to the income tax allowance issue. Under the arbitrary and capricious test, our standard of review is "only reasonableness, not perfection." *Kennecott Greens Creek Min. Co. v. MSHA,* 476 F.3d 946, 954 (D.C.Cir.2007). We need not decide whether the Commission has adopted the best possible policy as long as the agency has acted within the scope of its discretion and reasonably explained its actions. In the Policy Statement and the Remand Order, the Commission resolved the principal defect of the *Lakehead* policy, which was the unexplained differential treatment of individual and corporate partners. FERC then determined that it would be "just and reasonable" to grant regulated pipelines an income tax allowance to the extent that all of the pipeline's partners—whether individual or corporate—incur actual or potential tax liability. The Commission reasonably determined that such taxes are "attributable" to the regulated entity, given that partners must pay tax on their share of the partnership income regardless of whether they actually receive a cash distribution. Additionally, the Commission reasonably relied upon evidence that a full income tax allowance is necessary to ensure that corporations and partnerships of like risk will earn comparable after-tax returns. Lastly, in the income tax allowance Policy Statement, FERC explained in detail why it chose to reject the other three policy options proposed by commenters. We cannot hold that the Commission's policy choices were arbitrary and capricious. Accordingly, we deny the petitions for review with respect to this issue.

II. Energy Policy Act Issues

[4] Both sets of petitioners argue that FERC misinterpreted § 1803 of the Ener-

gy Policy Act of 1992. This provision grandfathers certain oil pipeline rates as they existed at the time of the Act's enactment. Under this statute, shippers can challenge these grandfathered rates when "a substantial change has occurred after the date of the enactment of [the EPAct] ... in the economic circumstances of the oil pipeline which were a basis for the rate." FERC interpreted § 1803 to allow rate challenges when there has been a substantial change in a pipeline's overall rate of return. Shipper petitioners argue that this interpretation grandfathers too many rates; they contend that a substantial change in any one cost element, even if offset by other changes such that the overall rate of return is unaffected, subjects a rate to challenge under § 1803. From the other direction, pipeline petitioners contend that FERC's interpretation grandfathers too few rates; they argue that the correct standard should take account of factors in addition to a pipeline's costs. FERC has rejected the diametrically opposed arguments of the petitioners and interpreted the statutory text to establish a middle ground between those two competing positions. We hold that FERC's interpretation is reasonable.

A.

Federal regulation of oil pipelines began in 1906, when Congress passed the Hepburn Act. That statute applied the Interstate Commerce Act (ICA) to oil pipelines and gave the Interstate Commerce Commission jurisdiction over the pipelines. Pub.L. No. 59–337, § 1, 34 Stat. 584, 584. In 1977, Congress transferred responsibility for oil pipeline regulation to the newly created FERC. Department of Energy Reorganization Act, Pub.L. No. 95–91, § 402(b), 91 Stat. 565, 584. The following year, Congress comprehensively revised the ICA but provided that its 1977 provisions would continue to govern FERC's regulation of oil pipelines.[1] Act of Oct. 17, 1978, Pub L. No. 95–473, § 4(c), 92 Stat. 1337, 1470.

The ICA prohibits pipelines from charging rates that are "unjust or unreasonable" and permits shippers to challenge both pre-existing and newly filed rates. 49 U.S.C. app. §§ 13(1), 15(1), (7). FERC has generally approved just and reasonable rates based primarily on a pipeline's costs. *See Frontier Pipeline Co. v. FERC,* 452 F.3d 774, 776 (D.C.Cir.2006) (citing *Ass'n of Oil Pipe Lines v. FERC,* 83 F.3d 1424, 1428–29 (D.C.Cir.1996); *Farmers Union Cent. Exch. v. FERC,* 734 F.2d 1486, 1495–96 (D.C.Cir.1984); *Farmers Union Cent. Exch. v. FERC,* 584 F.2d 408, 412–22 (D.C.Cir.1978)). In Opinion No. 154–B, issued in 1985, FERC adopted the "trended original cost" (or "TOC") method for ratemaking, in which asset depreciation and equity recovery are smoothed out over the lifetime of a pipeline in order to avoid excessively high rates at the front end, thereby encouraging new market entrants. *See Williams Pipe Line Co.,* 31 FERC ¶ 61,377 at 61,833 (1985); *BP West Coast Prods., LLC v. FERC,* 374 F.3d 1263, 1282–83 (D.C.Cir.2004).

In 1992, Congress enacted the Energy Policy Act (EPAct). Pub.L. No. 102–486, 106 Stat. 2776. In Title 18 of that Act, called "Oil Pipeline Regulatory Reform," Congress sought to simplify ratemaking procedures for oil pipelines; this would reduce administrative and litigation costs for pipelines and shippers. *See id.* at 3010–12 (codified at 42 U.S.C. § 7172 note); *Ass'n of Oil Pipe Lines v. FERC,*

1. As a result, the older version of the ICA was reprinted in the appendix to Title 49 of the United States Code. Because newer editions of the Code do not include the ICA, however, all citations to the ICA in this opinion refer to the 1988 U.S.Code.

83 F.3d 1424, 1429 (D.C.Cir.1996). Section 1801 of the EPAct directed FERC to "issue a final rule which establishes a simplified and generally applicable ratemaking methodology for oil pipelines" within one year of the passage of the Act. 106 Stat. at 3010. Section 1802 required FERC to "issue a final rule to streamline procedures ... relating to oil pipeline rates in order to avoid unnecessary regulatory costs and delays" within 18 months. *Id.* The goal of these provisions was to decrease the costs associated with administrative proceedings and litigation involving oil pipeline rates.

FERC implemented those mandates in Order No. 561 by establishing an indexed cap system, in which the maximum permissible rates for pipelines are adjusted annually to reflect predictions of industry-wide changes in costs. *See Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992,* Order No. 561, FERC Stats. & Regs. ¶ 30,985, 58 Fed. Reg. 58,753 (1993); Order No. 561–A, FERC Stats. & Regs. ¶ 31,000, 59 Fed. Reg. 40,243 (1994). A pipeline may charge a rate above the applicable cap only if there is a "substantial divergence" between the cap and its actual costs, if it shows that it lacks "significant market power," or if all of its customers consent. 18 C.F.R. § 342.4.

We upheld this scheme in *Association of Oil Pipe Lines v. FERC.* 83 F.3d at 1428. We have explained that the primary benefits of the cap system are that it "dispenses with intricate calculations of specific pipeline costs" and encourages pipelines to develop "cost-reducing innovations" because any given pipeline's cost-cutting is unlikely to affect the industry-wide cap. *Frontier Pipeline Co.,* 452 F.3d at 777.

In keeping with its general purpose to reduce costs from administrative proceedings and litigation associated with the regulation of oil pipelines, the EPAct also includes a "grandfathering" provision that insulates certain pre-existing pipeline rates from challenge even if the rates exceed the appropriate indexed cap. Section 1803(a) provides that any rate in effect for the full year ending on the date of the enactment of the EPAct (October 24, 1992) is just and reasonable unless it had been subject to protest, investigation, or complaint during that one-year period. Under § 1803(b), a grandfathered rate can be challenged as not just and reasonable—"de-grandfathered"—if "evidence is presented to the Commission which establishes that a *substantial change* has occurred after the date of the enactment of this Act—(A) in the economic circumstances of the oil pipeline which were a basis for the rate; or (B) in the nature of the services provided which were a basis for the rate" (emphasis added). Thus, under § 1803, "the analysis of a pipeline rate challenge ... proceeds in two steps: first, FERC determines whether the rate in question is grandfathered; if it is, FERC then asks whether the rate falls within either of the exceptions outlined in Section 1803(b)." *BP West Coast,* 374 F.3d at 1272.

The background to this litigation is complex. Since the EPAct went into effect in 1992, shippers have asked FERC to declare that SFPP's lines either did not qualify for grandfathering or should be degrandfathered due to substantially changed circumstances.

Docket No. OR92–8 (1992–1995). In Docket No. OR92–8, addressing complaints filed between 1992 and August 1995, FERC determined that SFPP's West Line rates were (with one exception) grandfathered, but that its East Line rates were not. *SFPP, L.P.,* Opinion No. 435–A, 91 FERC ¶ 61,135 at 61,499 (2000); *BP West Coast,* 374 F.3d at 1281. We affirmed FERC's conclusion with respect to the West Line in *BP West Coast Products,*

LLC v. FERC (the East Line analysis was not challenged). 374 F.3d at 1278, 1282. In that same docket, FERC also determined that the West Line had not experienced substantially changed circumstances necessary to de-grandfather its rates, despite the fact that FERC's new *Lakehead* policy had altered the income tax allowances SFPP could include in its rates. *See Lakehead Pipe Line Co., L.P.*, 71 FERC ¶ 61,338 (1995); Opinion No. 435–A, 91 FERC at 61,499; *BP West Coast*, 374 F.3d at 1280. In *BP West Coast*, we did not need to reach the question of substantially changed circumstances on the West Line because we held that the *Lakehead* policy itself was defective. 374 F.3d at 1280. We therefore remanded the issue to FERC.

Docket No. OR96–2 (1995–2000). While the BP West Coast appeal was pending, FERC consolidated in Docket No. OR96–2 shipper complaints filed between August 1995 and August 2000. In March 2004, three months before we announced our decision in *BP West Coast*, FERC held that the West Line had experienced substantially changed circumstances and thus its rates were de-grandfathered. *ARCO Prods. Co. v. SFPP, L.P.*, 106 FERC ¶ 61,-300 at 62,148 (2004) ("Order on Initial Decision"). In the same order, FERC held that SFPP's North and Oregon Lines had not experienced substantially changed circumstances, reversing an ALJ decision to the contrary. *Id.* at 62,153. FERC explained that the ALJ had wrongly found substantially changed circumstances solely because SFPP's tax allowance—only one factor in its total costs—had changed due to the *Lakehead* policy. *Id.* at 62,144. Instead, the Commission explained, the ALJ should have considered whether SFPP's total costs on those lines had substantially changed. *Id.* In other words, even if SFPP's tax liability had significantly decreased, if its overall cost of service remained roughly the same due to other cost increases, there would not be substantially changed circumstances. FERC analyzed the change in total costs on the West, North, and Oregon Lines, and found that only the West Line had experienced substantially changed circumstances. *Id.* at 62,148–50.

June 2005 Remand Order. In June 2005, eleven months after our remand order in *BP West Coast*, FERC issued an order that served both as a remand order from *BP West Coast* (addressing Docket No. OR92–8) and as a decision on appeal in Docket No. OR96–2. *SFPP, L.P.*, 111 FERC ¶ 61,334 (2005) ("Remand Order"). In that order, FERC re-calculated whether there had been substantially changed circumstances on SFPP's lines in light of its new adoption of a full income tax allowance policy (see Part I above). After making these calculations, FERC reaffirmed its determinations that the West Line was de-grandfathered but that the North and Oregon Lines were not. *Id.* at 62,458–59.

Both SFPP (with the Association of Oil Pipe Lines) and its shippers petitioned this Court for review, each believing that the Commission's standard for determining substantially changed circumstances is incorrect. Both sets of petitioners also allege in their petitions that FERC erred in some of its calculations for determining whether SFPP's lines had experienced substantially changed circumstances. We have jurisdiction under 49 U.S.C. app. § 17(10) (1988).

B.

Both sets of petitioners challenge FERC's interpretation of the statutory phrase "a substantial change has occurred after the date of the enactment of this Act ... in the economic circumstances of the oil pipeline which were a basis for the

EXHIBIT
RUCO 9
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PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 27, 2012

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EXECUTIVE SUMMARY

The Residential Utility Consumer Office recommends that the Arizona Corporation Commission reject Pima Utility Company's request to recover income taxes of its shareholders in rates for the company's Water and Wastewater Divisions.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My Name is William A. Rigsby. I am the Chief of Accounting and Rates for the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please describe your qualifications in the field of utility regulation and your educational background.

A. I have been involved with utility regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. Appendix 1, which is attached to my direct testimony on the cost of capital issues in this case, further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present RUCO's position on Pima Utility Company's ("Pima" or "Company") request to collect income taxes in rates for its Water and Wastewater Divisions. Pima's request was presented in

the Company's Water and Wastewater Division applications for permanent rate increases which were filed with the Commission on August 29, 2011. The rate applications were consolidated for ratemaking purposes pursuant to a Procedural Order issued on September 30, 2011 ("Consolidated Application"). Pima is using a test year ended December 31, 2010 (Test Year).

Q. Will RUCO be filing testimony on the required revenue, rate design and cost of capital issues associated with Pima's Application?

A. Yes. RUCO witness Robert B. Mease and Timothy J. Coley will provide direct testimony presenting RUCO's recommendations on required revenue and rate design for Pima's Water and Wastewater Divisions respectively. I have also filed, under separate cover, direct testimony on the cost of capital issues in this case.

Q. Briefly describe Pima.

A. Pima is a Class B Arizona public service corporation. The Company serves the Sun Lakes retirement community which is located approximately 25 miles southeast of Phoenix in Maricopa County. According to Pima's Consolidated Application, the Company's Water Division had 10,175 service connections and the Company's Wastewater Division had 10,050 connections during the Test Year. Pima's current water rates and charges were established in Decision No. 58743, dated

August 11, 1994 using a test year ending December 31, 1992. The Company's present wastewater rates and charges were established in Decision No. 62184, dated January 5, 2000 using a test year ended December 31, 1997.

Q. Is this your first case involving Pima?

A. No. I testified on behalf of RUCO during Pima's last Wastewater Division rate case in 1999.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. What is RUCO recommending on Pima's request to collect income taxes in rates for the Company's Water and Wastewater Divisions?

A. RUCO recommends that the Commission reject Pima's request to collect income taxes in rates for the Company's Water and Wastewater Divisions.

INCOME TAX EXPENSE

Q. How is Pima organized for income tax purposes?

A. Pima is organized as an S corporation under Subtitle A, Chapter 1, Subchapter S of the Internal Revenue Code.

...

Q. Did Pima pay income taxes as a corporate entity during the Test Year?

A. No. This can be seen in the "Test Year Book Results" column exhibited in Schedule C of Pima's Consolidated Application.

Q. Why doesn't Pima pay income taxes?

A. Pima is not required to pay income taxes as a corporate entity because the principals of the Company chose to organize the business as an S corporation. As explained by the Internal Revenue Service ("IRS")[1], unlike C corporations, "S corporations are corporations that elect to pass corporate income, losses, deductions and credit through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income."

...

[1] http://www.irs.gov/businesses/small/article/0,,id=98263,00.html

Q. Have you reviewed the direct testimony of AWC witnesses Ray L. Jones and Thomas J. Bourassa that addresses Pima's request to collect income taxes in rates for the Company's water and Wastewater Divisions?

A. Yes. Both Mr. Jones and Mr. Bourassa present similar arguments why they believe that Pima should be permitted to collect income taxes of their shareholders in rates despite the fact that the Company is an S corporation that pays no federal or state income taxes as a corporate entity.

Q. Does RUCO believe that the arguments for including income taxes of its shareholders in rates presented by the Company's witnesses have any merit?

A. No. Both Mr. Jones and Mr. Bourassa somehow believe that Pima's shareholders are at a disadvantage to shareholders of a C corporation who face double taxation on corporate income. Both Mr. Jones and Mr. Bourassa argue that Pima's shareholders receive a lower rate of return on their equity investments than what shareholders of S corporations receive.

Q. Why does RUCO believe that the Company's arguments have no merit?

A. First and foremost, Pima's shareholders made a conscious business decision to elect S corporation status because that is the form of

organization that best served their personal needs. The Company admitted as much in a follow-up response to ACC Staff Data Request CSB 1.4 dated March 8, 2012 in which Pima's Senior Vice President and Chief Financial Officer, Mr. Steven Soriano, stated the following:

> "The S-Corporation election improves the ability of a startup utility to raise capital from the stockholders while at the same time lowering the total amount of capital needed. The end result is a better chance of a financially healthy utility which is a benefit to ratepayers and in the public interest. For example, the pass-through of net income and net losses to the stockholders can provide benefit to the startup utility, its customers and the shareholders. If there are profits, the shareholders subsidize the start-up company by paying taxes that would, absent the S Corporation election, be paid from corporate sources. If there are tax losses, the stockholders may be able to take immediate advantage of the losses, possibly moderating the negative impact of the losses on the stockholders return on their investment."

Based on the response cited above, the election to organize as an S corporation benefited Pima's shareholders just as much as Pima's ratepayers from the standpoint that it aided in the financial health of the Company. Pima's shareholders could have organized their company as a C corporation had they wanted to and nothing would have prevented them from doing so. Clearly, Pima's shareholders believed that S corporation status was the most advantageous form of organization for them during the company's startup phase. Second, if the Company believes this form of organization is affecting their earnings or not beneficial for any other reason, the Company can at any time reorganize under another form of organization. The Company's actions indicate that the benefit to

shareholders of avoiding double taxation overrides the Company's concerns regarding its earnings.

Q. Do you believe, as Mr. Soriano does, that S corporation shareholders subsidize a utility when they pay income taxes?

A. No. Pima's shareholders cannot possibly subsidize the Company in regards to income tax liability because the Company, as a corporate entity, has no income tax liability to begin with. The only tax liability that exists is the personal income tax liability of Pima's shareholders and that is because of their election to organize the Company as an S corporation. It is clear from Mr. Soriano's response above that S corporation shareholders are simply paying income taxes, at their individual tax rates, on their own personal income (i.e. their proportionate share of the distribution of operating income). If the Commission were to allow a regulated utility organized as an S corporation, such as Pima, to collect income taxes in rates when the utility pays no taxes, the utility's ratepayers would be subsidizing the utility's shareholders by paying their personal income taxes for them – something that would not occur with a C corporation that actually has a tax liability.

...

Q. Please address the argument that S corporation shareholders receive a lower return on their investment than shareholders of C corporations.

A. A regulated utility organized as an S corporation receives a rate of return or operating income that is calculated in the same manner as a regulated utility that is organized as a C corporation. Hypothetically speaking, a utility with a rate base of $12.5 million and a weighted cost of capital of 8.00 percent would receive an operating income of $1 million[2] whether it is organized as an S corporation or a C corporation. If the entire $1,000,000 in operating income were distributed to the utility's shareholders, those shareholders would pay assessed taxes on their proportionate share of income at their individual income tax rates whether the utility is organized as an S corporation or a C corporation. In the case of a C corporation, shareholders may not have any income to pay taxes on should the utility's board of directors elect not to distribute any earnings in the form of dividends.

...

[2] Rate Base x Rate of Return = Operating Income = $12,500, 000 x 8.00% = $1,000,000

Q. If the example above is correct, then why are Mr. Jones and Mr. Bourassa making the argument that C corporation shareholders have an advantage despite the double taxation issue and the fact that C corporation shareholders may not receive any income from their investment?

A. The rationale for this argument, that has also been advanced during a workshop[3] on water issues ordered under Decision No. 71878, is that a parent company which is the sole shareholder of a utility subsidiary organized as a C corporation retains income taxes paid by ratepayers when it files a consolidated income tax return that results in no income taxes owed. This rationale is flawed from the standpoint that the C corporation subsidiary has a tax liability regardless of whether or not its parent owes taxes in any given year. Quite simply, it is not a certainty that the utility's parent will not have to make tax payments every year in which it files an income tax return. It also has to be remembered that the utility organized as a C corporation may not always be a subsidiary of a parent company. It is entirely possible that the utility could be spun off by its parent company in which case the utility would be a stand-alone corporate

[3] Pursuant to Decision No. 71878, dated September 14, 2010, water industry stakeholders, including Staff of the Arizona Corporation Commission and Global Utilities, were ordered to conduct a series of workshops under an existing generic docket (opened on March 8, 2006) for the purpose of looking at how best to achieve the Commission's objectives with regard to encouraging the acquisition of troubled water companies and the development of regional infrastructure where appropriate. A Staff Report is due to be filed sometime around March 19, 2012.

entity that is required to pay federal and state income taxes because of its C corporation form of organization.

Q. Has the Commission typically allowed S corporations to collect income taxes in rates in the past?

A. No. The Commission has typically not allowed income tax expense for S corporations or Limited Liability Companies[4] ("LLCs") when the owners of the corporate entity enjoy the benefit of pass-through taxation. This was true in Pima's last rate case for the Company's Wastewater Division[5] in which the Commission rejected the Company's argument for an increase in its rate of return because of its S corporation status. The most recent proceeding that I was involved with where the issue of including income taxes in rates was addressed was a rate case filed by Johnson Utilities LLC.[6] In both cases the Commission did not allow income taxes to be collected in rates.

...

[4] A Limited Liability Company (LLC) is a business structure allowed by state statute. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. Other features of LLCs are more like a partnership, providing management flexibility and the benefit of pass-through taxation. Source: http://www.irs.gov/businesses/small/article/0,,id=98277,00.html

[5] Decision No. 62184, dated January 5, 2000

[6] Decision No. 71854, dated August 24, 2010

Q. Why has the Commission rejected the inclusion of income taxes in rates for S corporations and Limited Liability Companies?

A. The best answer to that question was expressed in Decision No. 71445, dated December 23, 2009 on Sunrise Water Co., a Class B water provider organized as an S Corporation like Pima. Pima's witness Mr. Jones also testified before the ACC in that particular proceeding. In its final decision on Sunrise Water Co., the Commission rejected Mr. Jones arguments to include income taxes in rates and, in Decision No. 71445, stated the following:

> "Although we are interested by the apparent split of opinion among the public utility commissions in various states in terms of the appropriateness of recognizing income tax recovery for pass-thru entities and may like to explore this further in a different docket when time and resources allow, we believe that at this time it is appropriate to rely upon the bulk of our own prior cases involving pass-thru entities in determining the appropriate treatment of Sunrise's request to recover pro forma income tax expenses in this case. The Commission has established a long-standing policy of denying recovery of income tax expenses for pass-thru entities and apparently has varied from it, at least in recent years, only as an exception made under unique circumstances or as an inadvertent error. The Commission's policy is apparent in the Consolidated case; was expressly stated in the Camp Verde case; is strongly suggested and supported by S corporations' and LLCs' currently almost unanimously not requesting recovery of income tax expenses in their rate applications; is apparent in the almost complete lack of discussion regarding the issue in recent Commission decisions; and is apparent from Staff's testimony in this case. We have inadvertently allowed recovery of income tax expenses in several isolated incidents involving pass-thru entities, most recently for Wickenburg Ranch. This was done in error, not as an indication of a change in the Commission's policy. We are confident that the errors will not be repeated in the near future and that the Wickenburg Ranch anomaly, which is the only un-remedied anomaly of which we are aware at this lime, will be remedied in its next rate case. Because it has long been our policy not to allow recovery of these hypothetical income tax expenses for non-taxable pass-thru entities, because we recognize that C

> corporation subsidiaries included in a parent corporation's consolidated income tax return are different than an S corporation because they are actually taxable entities, because we have no documentary evidence before us of Sunrise's income passed through to Mr. Campbell or that Mr. Campbell has actually paid any income taxes on that income," and because Sunrise can easily become a C corporation if he chooses to do so in order to obtain recovery of income tax expenses in future rate cases, we will not allow Sunrise to recover any income tax expenses in this matter. In addition, because allowing recovery of accumulated deferred income tax ("ADIT") as an addition to rate base, as proposed by Sunrise and recommended by Staff, would be inconsistent with the disallowance of recovery of income tax expense, we also will not allow the proposed addition of $143,632 in ADIT to Sunrise's rate base."

The Commission later reiterated this position in the Johnson Utilities, LLC case cited above:

> "We do not share the Company's view that inclusion of the Company's members' pass-through tax liability in customers' rates would lead to a fair, equitable, and non-discriminatory result. As we determined in Decision No. 71445 (December 23, 2009), it is not appropriate or in the public interest to allow pass through entities such as the Company to recover income tax expenses through rates. The Company's request is not reasonable and will be denied."

Q. Is it true that the Federal Energy Regulatory Commission ("FERC") allows for the inclusion of income taxes in rates for certain companies that it regulates?

A. Yes. It is true that the FERC allows for the inclusions of income taxes in rates for rate-regulated pipeline companies organized as master limited partnerships ("MLPs"), which, like S corporations and LLC's, are pass-through entities for tax purposes. However the FERC's pipeline policy,

and the court decision[7] that upholds it, has not been without criticism. Perhaps the most noteworthy critic is the same Federal Court of Appeals judge who upheld FERC's most current policy. Originally, in 2004, the same judge struck down FERC's attempt to "create a phantom tax in order to create an allowance to pass through to the ratepayer."[8]

In an article that appeared in the June 21, 2010 issue of Tax Notes (Exhibit 1), David Cay Johnston, a former tax reporter for the New York Times who teaches at the Syracuse University College of Law, makes the following points:

> "Wouldn't it be fantastic if someone else paid your income taxes for you? Imagine all that extra money in your bank account. You could pay off your debts, save, and even splurge.
>
> Of course, for the person who paid your income taxes it would be awful. They would have to pay their own income taxes and then, out of what was left, pay yours.
> Congress would never enact such a law, right?
>
> The good news is that Congress has not enacted such a law. The bad news is that buried deep in the fine print of the Federal Register is a regulatory rule that has the same effect.
>
> The requirement that forces you to pay the personal income taxes of others applies – for now – only to owners of rate-regulated pipelines organized as master limited partnerships, or MLPs.
>
> It is not surprising if you have never heard about this tax-shifting rule. Unless you dig into the inordinately arcane proceedings of the Federal Energy Regulatory Commission (FERC), a small government agency that wields enormous economic power, you would be in the dark. The commission gets almost no news

[7] Exxon Mobile Oil Corp. vs. FERC et al ., 487 F.3d 945, 376, U.S. App. D.C. 259 (D.C. Cir. 2007)

[8] The FERC policy and its history will be briefed from a legal standpoint in RUCO's closing legal briefs.

> coverage. The very few, and brief, news reports on the cases related to the MLP charge missed the tax issue."

The opinions expressed by Mr. Johnston on the FERC pipeline policy are just as relevant in this case. Pima's ratepayers, or for that matter Arizona ratepayers, should not have to pay personal income taxes of shareholders of utilities that are organized as S corporations or LLCs (that do not request to be treated as a C corporation for income tax purposes).

Q. Have a large majority of state commissions adopted the FERC policy regarding the inclusion of income taxes in rates?

A. It does not appear so. Based on information that was presented during the workshop on water issues noted earlier, Kansas, Pennsylvania, Wisconsin, New Mexico and Texas have adopted different versions of what are known as the Kansas Doctrine and the New Mexico Rule that permit the inclusion of income taxes in rates. Based on its own research, RUCO has found that Colorado and Wyoming also allow for inclusion of income taxes in rates. On the other hand, Florida, Indiana, Illinois, Kentucky, New Hampshire and Vermont do not include income taxes in rates.

...

Q. Does RUCO believe that the Commission should adopt the FERC's policy?

A. No. RUCO has not changed its position from the Johnson Utilities, LLC case cited earlier in my testimony. RUCO continues to believe that Arizona should not adopt a policy just because an agency of the federal government has chosen to do so. The policy must make sense for Arizona. In this case, Pima has not shown why it makes sense for the Company's ratepayers to pay the income taxes of the Company's shareholders when the Company's shareholders, who enjoy the benefit of pass-through taxation, elected to organize Pima in such a way that the Company is not taxed.

Q. What is RUCO's final recommendation regarding Pima's request to include income taxes in rates for the Company's Water and Wastewater Divisions?

A. RUCO recommends that the Commission reject Pima's request to include income taxes in rates for the Company's Water and Wastewater Divisions.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of the Company's witnesses constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your direct testimony on Pima?

A. Yes, it does.

EXHIBIT 1

Master Limited Partnerships: Paying Other People's Taxes

David Cay Johnston | Jun. 21, 2010 10:40 AM EDT

Wouldn't it be fantastic if someone else paid your income taxes for you? Imagine all that extra money in your bank account. You could pay off your debts, save, and even splurge.

Of course, for the person who paid your income taxes it would be awful. They would have to pay their own income taxes and then, out of what was left, pay yours.

Congress would never enact such a law, right?

The good news is that Congress has not enacted such a law. The bad news is that buried deep in the fine print of the *Federal Register* is a regulatory rule that has the same effect.

The requirement that forces you to pay the personal income taxes of others applies -- for now -- only to owners of rate-regulated pipelines organized as master limited partnerships, or MLPs.

It is not surprising if you have never heard about this tax-shifting rule. Unless you dig into the inordinately arcane proceedings of the Federal Energy Regulatory Commission (FERC), a small government agency that wields enormous economic power, you would be in the dark. The commission gets almost no news coverage. The very few, and brief, news reports on the cases related to the MLP charge missed the tax issue.

You would never know from looking at your utility bills and gas station receipts that the federal government has let one type of big business drill a hole in your pocket to collect income taxes, just as when looking across the surface of the planet, you cannot see the rich deposits of oil and natural gas buried under miles of water, soil, and rock. The cost is embedded in the sums your local utility or gas station pays for the natural gas and petroleum delivered via pipeline.

While you may not have heard about MLPs, readers of *Barron's* and other publications for savvy investors have. In approving cover stories, *Barron's* and other investment journals tout MLPs as a way for investors to earn returns of 8 percent or more each year while paying little or no income tax.

In the shadows, business can use government to drill holes into consumer and producer pockets through inflated prices. Now one industry has applied this to taxes. This column casts a focused light on such activity to encourage disclosure, integrity, and fairness in taxation.

If this tax-shifting policy continues unchecked, you can expect one thing: well-funded and determined efforts to expand it to other rate-regulated monopolies. Given the complexity of the issue, hiding the tax shifting would be easy -- or at least it would have been until now -- by obscuring the issues in an era when few news organizations report on regulations. Pipelines are big, but small-time compared with electric, gas, cable, water utilities, and the railroads. Your interest is too small to put up a fight against this tax shift, but is big enough to encourage owners to ask the government to enable more such tax gouging. Get government to concentrate just a penny a day from every American and you collect a billion dollars annually year after year. You and I probably will not fight against being ripped off for a few bucks a year, but any enterprise will fight for a slice of a billion.

All that is needed to expand this tax shifting is a change in federal law -- a change so minor it does not even require a sentence to be added to section 7704 (d)(1)(E), a list of industries that can be owned through publicly traded partnerships without being subject to the corporate income tax. As one lawyer deeply involved in the pipeline case told me: "The electric utilities would be

master limited partnerships now except that when the law was changed, the Edison Electric Institute was uncharacteristically asleep at the switch."

At the core of the tax issue are two long-standing principles of rate regulation that are fundamental to fairness and integrity. The first is that owners of legal monopolies are entitled to recover all of their costs and earn the return on equity needed to attract capital for their level of risk. The second is that customers can only be charged actual expenses so that regulated prices, called rates, are just and reasonable.

The FERC pipeline policy, and the court decision upholding *FERC*, destroy both of these principles. They don't just harm them, they destroy them, something Judge David Sentelle and two other appeals court judges somehow failed to realize in the specious reasoning they used to justify this tax-shifting outrage in 2007. (For the case, see *ExxonMobil Oil Corp. v. FERC et al.*, 487 F.3d 945, 376 U.S. App. D.C. 259 (D.C. Cir. 2007).)

The tax-shifting issue arises because Congress imposes two levels of taxes on corporate profits, but only one on partnerships. Historically pipelines were organized as corporations. To determine the rates charged to customers, a pipeline includes all of its costs and a rate of return set by FERC or, for intrastate pipelines, a state-level regulatory agency. For a traditional corporate-owned pipeline, these costs include the corporate income tax on company profits. However, the income taxes of individual investors have never before counted as a cost of providing service.

Forcing You to Pay Other's Individual Income Taxes

Corporate profits are taxed twice, partnership profits only once, yet the government lets pipelines owned by partnerships collect the same tax as corporations. The result: Partnership investors get a 75 percent larger return because you pay the partners' personal income taxes.

This chart assumes a monopoly pipeline is allowed a 10 percent after-tax return of equity	**Corporation Under Actual Cost Rules at 42.7 Percent**	**Master Limited Partnership Under Actual Cost Rules**	**Master Limited Partnership Under New Fake Tax Rules**
Pre-tax profit Under Government Set Prices	$175	$100	$175
Less 42.7% Corporate Income Tax Paid on Profit	$(75)	$—	$—
Net Pipeline Profit After Taxes	$100	$100	$175
Less Owner's Personal Income Tax at 35 Percent	$(35)	$(35)	$(61)
Owner's After-tax Income	$65	$65	$114
Increase in after-tax income to owner by including fake tax			$49
Percent increase in after-tax income			75%

Source: Calculations by author from Federal District Court of Appeals decision in *BP West Coast*

The 1986 Tax Reform Act allowed publicly traded partnerships in the pipeline business to escape double taxation even though their shares, called units, trade on the New York Stock Exchange and other bourses just like shares of a corporation. With an MLP, thanks to this law, pipeline profits and losses flow through to the partners, and so does any income tax obligation.

Even though the MLP does not pay the corporate income tax, FERC lets MLP pipelines include income tax in the rates charged to customers. FERC policy assumes the top marginal tax rate. Since the only income tax paid is by individual owners, this means that the rates include the individual income tax the MLP investors owe. In other words, you are forced to pay the income taxes of the MLP investors when you buy natural gas or petroleum products that were transported on such a pipeline.

Just how the income taxes you pay for others are assigned is another matter. But you must pay regardless of how the tax money is divvied up under the agreement between the general partner and the limited partners.

Actually, it is worse than that. The regulatory rule, upheld by the court of appeals, is that you must pay the income taxes of the pipeline partners even if they are only "potential" taxes. No actual income tax need be paid.

What exactly can be just or reasonable about forcing you to pay the income tax of another person who may not even pay tax?

Government regulation of monopolies like pipelines, electric utilities, and railroads is supposed to act as a proxy for the market. But just as a market requires buyers and sellers who are equally informed and are not coerced, regulated pricing requires treating both owners and customers equally. The introduction of MLPs into pipeline ownership created opportunities for the owner side to tilt the economic playing field, and FERC went along, going out of its way to rationalize this unfair tax policy.

Regulatory agencies often become captives of the industries they are supposed to regulate, seeing the world through the eyes of the regulated and blinding themselves to the concerns of customers. This is a natural human tendency, seen also in those journalists who identify with their sources rather than their audience, a now widely recognized problem in Washington coverage.

Judge Sentelle and his colleagues acted like they too have been captured by the pipeline industry, applying faulty reasoning that does not merely damage the just and reasonable standard but destroys it.

The first time the issue arose, in a 2004 case known as *BP West Coast Products*, Judge Sentelle and two other associates stood steadfast for fairness for only including actual taxes in rates (*BP West Coast Products LLC v. FERC et al.*, 374 F.3d 1263, 362 U.S. App. D.C. 438 (D.C. Cir. 2004)).

In *BP West Coast*, Judge Sentelle and his colleagues held that only actual taxes can be included in pipeline rates. FERC had included a 42.7 percent income tax allowance in rates for the SFPP Pipeline, an MLP pipeline whose creation traces back to the Santa Fe railroad rights of way.

"There is no question," Judge Sentelle held in *BP West Coast*, "that as a general proposition a pipeline that pays income taxes is entitled to recover the costs of the taxes paid from its

ratepayers." (See *City of Charlottesville v. FERC*, 774 F.2d 1205, 249 U.S. App. D.C. 236. (D.C. Cir. 1985).)

Judge Sentelle walked through the history with nuanced clarity and then walloped FERC: "We cannot conclude that FERC's inclusion of the income tax allowance in SFPP's rates is the product of reasoned decision making."

After hitting FERC with a metaphorical two-by-four, Judge Sentelle made a crucial observation. He quoted FERC's own policy:

> Because the corporate tax is an extra layer of taxation, the Commission includes an element for the corporate taxes in the cost-of-service to ensure that the regulated entity has the opportunity to earn its allowed return on equity. However, there is no allowance for the taxes paid by the owners of the corporation.

The court held that regulators "cannot create a phantom tax in order to create an allowance to pass through to the ratepayer" and that a regulated limited partnership pipeline company cannot be allowed to collect "for the phantom income taxes it did not pay."

You would think that would be the end of it. But not when vast sums are at stake.

The math here is stunning. When rates include a tax that does not exist, the investors make out like, well, bandits. Investors in an MLP pocket 75 percent more in after-tax profits than they would if they invested in a traditional corporation owning a pipeline.

You will not find this math in Judge Sentelle's 2007 decision. Had he done the math, would the outcome have been different?

The broad issues here have continued through five administrations, so the makeup of the commissioners is bipartisan. The commissions have always issued decisions that tended to favor owners over consumers, but during the George W. Bush administration things went further.

FERC responded to the 2004 decision not by reopening the formal rate-making process, but by inventing something outside regulatory law. The commission in 2005 called this extraordinary procedure a "statement of policy."

Because that statement was not a formal case, it meant that there was no prohibition against lobbyists meeting privately with commissioners. That is, the ex parte rules did not apply. The commission considered four options after *BP West Coast*, including ignoring taxes and what it ultimately did, which was to find that if any tax might be owed by some owner, the maximum tax rate should be included in the authorized rates charged customers.

Judge Sentelle made clear that his panel could have found grounds to reject the new policy, but then he approved it, resting his decision on the thinnest of reeds by finding that FERC "justified its new policy with reasoning sufficient to survive our review."

"We hold that the Commission's income tax allowance policy was not arbitrary or capricious or contrary to law," the decision stated.

The tax shifted to consumers looks to be as much as $1.6 billion a year for gas pipelines and $1.3 billion more for petroleum pipelines. Industry data show oil pipeline profits are an eye-popping 42 percent of revenues, more than four times the margin for the 12,000 largest corporations.

This estimate has to be heavily hedged because, amazingly, FERC does not issue any statistical reports on either the cost of this tax transfer or of the underlying data from which a solid estimate could easily be calculated. A new law requiring either truth, or at least transparency, in regulations that shift tax burdens would help here, but the Wall Street-friendly Obama administration seems unlikely to take up such a cause.

The commission, at this writing, is conducting an inquiry into the gaps in its natural gas pipeline financial reporting systems, which mix incompatible accounting theories and fail to ask for some basic data. The oil pipeline data reporting is so loosely administered that 1 in 4 pipeline companies evidently does not even file the required annual reports, known by the bizarre name of "Page 700." Maybe someday we can determine just how much is being taken from you to pay the income taxes of individual pipeline investors.

The tax shifting is also inflated by a curious FERC practice. FERC has acknowledged that there is some over-collection by oil pipelines and yet it continues to grant rate hikes based not on costs, but on an index. This only worsens the over-collection from customers. Because there are virtually no added costs, the over-collection is pure profit except for the income tax burden, which is shifted to customers. This forces consumers to pay even more to cover assumed income tax costs even though no taxes may be going to the government. This is neither just nor reasonable and that two branches of government, the executive and the courts, allow this should be investigated by the third branch of our government, Congress.

Whatever the tax-shifting cost, it could easily balloon to much more – well north of a billion dollars per month for customers of utilities and railroads. Adding them to the list of industries eligible to have publicly traded MLPs that are subject to just one tier of tax would force anyone who boils water or drives a car to pay the individual income taxes of a thin slice of wealthy investors. Given the stakes, it is more than reasonable to expect those who want you to pay their income taxes to exploit FERC's ridiculous policy and Judge Sentelle's faulty reasoning to form the basis for expanding the new rules.

The one ray of hope is that the California Public Utilities Commission had a recent case involving the portion of the SFPP that operates within the Golden State. A proposed decision would flatly reject the idea that an untaxed entity can collect income taxes in its rates.

Taxes should not be hidden, as David Ricardo and Adam Smith taught. They should also not be shifted from those who gain to those who are captive customers of monopolies. But the trend in America under both parties is away from markets and toward a subtle expansion of corporate socialism, under which profits are concentrated through government action and losses are socialized through bailouts. Now we have income tax burdens forcibly shifted from the wealthy few to the many through regulation.

David Cay Johnston is a former tax reporter for *The New York Times*. He teaches at Syracuse University College of Law and is the author of two books about taxes, *Free Lunch* and *Perfectly Legal*.

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EXHIBIT
RUCO
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ADMITTED

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

SURREBUTTAL TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MAY 18, 2012

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EXECUTIVE SUMMARY

RUCO continues to recommend that the ACC deny Pima Utility Company's request to recover income tax expense in rates.

RUCO continues to recommend that the Commission adopt a 9.40 percent cost of common equity.

RUCO is recommending that, subject to updated information on Pima's pending loan agreement, the Commission adopt the Company's revised 4.25 percent cost of debt.

RUCO is recommending that the Commission adopt the Company's revised capital structure of 35.36 percent long-term debt and 64.64 percent common equity until more information is obtained on Pima's pending loan agreement and the repayment of existing debt.

As a result of its revised cost of debt and capital structure recommendations, RUCO is recommending that the Commission adopt a weighted average cost of capital of 7.58 percent.

As a result of its revised cost of debt and capital structure, RUCO is recommending that the Commission adopt a weighted average cost of capital of 7.58 percent, which is 71 basis points lower than the Company-proposed weighted average cost of capital of 8.29 percent.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My Name is William A. Rigsby. I am the Chief of Accounting and Rates for the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Have you filed any prior testimony in this case on behalf of RUCO?

A. Yes. On March 27, 2012, I filed direct testimony that presented RUCO's recommendations on the treatment of income tax expense and the cost of capital for Pima.

Q. Please state the purpose of your surrebuttal testimony.

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Pima witnesses Steven Soriano, Marc L. Spitzer and Thomas J. Bourassa, which was filed on April 27, 2012.

Q. Will RUCO be filing surrebuttal testimony on the rate base, operating income and rate design issues in this case?

A. Yes. Those aspects of the case will be addressed in the surrebuttal testimony of RUCO rate analysts Timothy J. Coley and Robert B. Mease.

...

Q. How is your surrebuttal testimony organized?

A. My surrebuttal testimony is comprised of four parts: the introduction that I've just presented; a brief summary of Pima's rebuttal testimony; a section on the treatment of income tax expense; and, a section on cost of capital.

SUMMARY OF REBUTTAL TESTIMONY

Q. Briefly summarize Pima's rebuttal testimony.

A. Pima witnesses Steven Soriano and Marc L. Spitzer, who is testifying for the first time in this proceeding, continue to support Pima's position that it should be permitted to recover income tax expense from the Company's ratepayers even though Pima is organized as an S corporation and does not pay income taxes as a corporate entity. Both Mr. Soriano and Mr. Spitzer take the position that Pima's shareholders are paying Pima's income taxes as opposed to paying their own personal income taxes on earnings that have been passed though to them. Mr. Soriano continues to argue that it is not fair to provide Pima's customers with "discounted rates" that do not allow for the recovery of income tax expense. Mr. Spitzer, ~~who is testifying for the first time in this proceeding,~~ believes that the ACC should adopt the same policy that the FERC has adopted which allows corporate entities that have elected to organize as S corporations or Limited Liability Companies to recover income tax expense in rates.

Mr. Thomas Bourassa, Pima's cost of capital consultant, continues to recommend a cost of common equity of 10.50 percent and takes issue

with my recommended 9.40 percent cost of equity. Mr. Bourassa has revised his original 7.182 percent recommended cost of debt downward to 4.25 percent in light of the Commission's recent decision[1] to approve a loan agreement presented in Pima's recent financing application (which I discussed in my direct testimony). He has also revised his recommended capital structure as a result of the aforementioned Commission decision. As a result of his revisions, Mr. Bourassa is now recommending a weighted average cost of capital of 8.29 percent.

INCOME TAXES

Q. Have you reviewed Mr. Soriano's and Mr. Spitzer's rebuttal testimony on the income tax issue in this case?

A. Yes I have and I will address the rebuttal testimony of both witnesses. However, I would point out that I am not an attorney and will not address the legal aspects of this issue that are presented in Mr. Spitzer's testimony. RUCO's attorney will address those aspects in our legal briefs.

Q. Do you agree with Mr. Soriano's statements that the Commission's current policy on the recovery of income taxes in rates for S corporations represents a windfall to Pima's ratepayers?

A. No, I do not. Pima, as a corporate entity, has no income tax expense and, as noted in Mr. Spitzer's rebuttal testimony, files only an informational

[1] Decision No. 73078, dated April 4, 2012

income tax return at both the federal and state levels. It is simply not possible for Pima's ratepayers to be realizing a windfall because they are not paying for an income tax expense that does not exist.

Q. Is Mr. Soriano relying on the arguments advanced by Mr. Spitzer?

A. Yes. Mr. Soriano's position is based on Mr. Spitzer's argument that Pima's rates are being "artificially suppressed" because the Commission does not allow for the recovery of income tax expense in rates for pass-through entities such as Pima.

Q. Do you agree with Mr. Spitzer's position that Pima's rates are being "artificially suppressed"?

A. No I do not for the same reason that I stated above. Pima's rates cannot be "artificially suppressed" because they do not provide recovery for an income tax expense that does not exist.

Q. What is the basis for Mr. Spitzer's argument for the recovery of income taxes in rates for pass-through entities such as Pima?

A. Mr. Spitzer takes the position that Pima's ratepayers are, in effect, paying the corporate income taxes of Pima, as opposed to paying personal income taxes on their proportionate share of Pima's earnings or losses which were distributed to them (the arrangement that the shareholders elected as a direct result of organizing as an S corporation). Mr. Spitzer

states on page 7 of his rebuttal testimony that "the argument that an S corporation does not pay income taxes rests on a technical distinction rather than a reality."

Q. Do you believe in Mr. Spitzer's argument that the reason that Pima "does not pay income taxes rests on a technical distinction rather than a reality"?

A. No, I do not believe Mr. Spitzer's "technical distinction" argument. The reality is that Pima, as a corporate entity, has not made income tax payments to either the U.S. Treasury or to the Arizona Department of Revenue on income derived from the operation of the business and will not make any such payments under current tax law. That is a fact that cannot be denied.

Pima's shareholders pay personal income taxes, not corporate income taxes. This is a real difference and not a mere technicality. The shareholders income tax filings are not subject to the federal or state codes pertaining to corporate income tax. Their individual tax returns can include all the deductions and tax credits available to individuals and not corporations. For example, a Pima shareholder could apply deductions for minor children, childcare expenses, medical expenses, losses or gains from personal financial investments including income from other S corporations and a myriad of other possible factors in calculating that shareholder's individual income tax liability.

It cannot be stressed enough that the Company's shareholders receive their pro-rata share of earnings or losses which are treated as personal income for income tax purposes. These earnings or losses are reported on their individual federal and state income tax returns and are subject to the tax rates that apply to them as individual taxpayers. As I explained in my direct testimony, Pima's shareholders' election to organize as an S corporation provides them with the benefit of avoiding the double taxation that is experienced by C corporations.

Q. But isn't it true that under S corporation status the shareholders are also responsible for taxes owed on any undistributed income also?

A. Yes. But again this is due to the shareholders conscious business decisions to (1) organize and adhere to the conditions of S corporation status and (2) not to distribute any of the shareholders income from the S corporation for whatever reason they deemed reasonable.

Q. Please respond to Mr. Spitzer's position that Pima's non-existent corporate tax liability, which he believes is real due to a "technical distinction," should be recovered in rates just as any other prudently incurred operating expense.

A. I have been involved in utility regulation in Arizona since 1994. In all of that time I have never once been involved in a general rate case (as opposed to a CC&N proceeding) in which the ACC permitted the recovery

of an operating expense that either did not exist or that a regulated utility could not prove with absolute certainty that it was going to incur in the immediate future.

Q. Isn't it true that the ACC did allow for the recovery of income taxes in rates for S corporations at one time?

A. Both Mr. Soriano and Mr. Spitzer make this point in their rebuttal testimony. It is my understanding that the Commission reversed this policy sometime in the late 1980's in a case involving a company known as Consolidated Utilities.

Q. Do you believe that the Commission made the correct decision to establish the current policy that denies the recovery of income taxes in rates for pass-through entities such as Pima?

A. Yes I do. I believe that the Commission was correct in establishing its current policy that does not allow for the recovery of an income tax liability that does not exist, or one that has been referred to as a phantom tax.

Q. Have you read Mr. Spitzer's rebuttal testimony on the issue of phantom taxes?

A. Yes.

Q. **Do you agree with Mr. Spitzer that Pima's shareholders are paying their pro-rata share of Pima's income tax liability in the "phantom tax" section that begins on page 8 of Mr. Spitzer's rebuttal testimony?**

A. No.

Q. Can you explain why?

A. A review of Form 1120S, which I have included in my surrebuttal testimony as Exhibit 1, will reveal that, other than taxes owed on passive income or LIFO[2] recapture and capital gains income on activities that the S corporation is engaged in, there is no calculation of an income tax liability that is passed on to S corporation shareholders. Furthermore, a review of the Schedule K-1, included as Exhibit 2, does not contain any calculated income tax that is passed on to S corporation shareholders. Only income, after expenses, from the S corporation is included in the K-1 for shareholders to report on their individual income tax filing. The income reported on the K-1 is reported on the shareholders' Schedule E (Exhibit 3) as either passive income or non-passive income and is ultimately added to other forms of taxable income reported on the shareholders' Form 1040 (Exhibit 4). So any tax liability owed on the S corporation income is a tax on the personal income of the S corporation shareholder as opposed to a flowed through corporate tax liability.

[2] Last In First Out method of inventory valuation

Q. Does the Commission allow public service corporations organized as C corporations to recover taxes owed on passive income, LIFO recapture or capital gains income?

A. No. Taxes for C corporations are calculated only on the income that is derived through utility operations and not passive income, LIFO recapture or capital gains.

Q. Do you agree with Mr. Spitzer's analogy that compares the IRS' treatment of frequent flyer miles to the income tax issue in this case?

A. No. Frequent flyer miles have an actual value that can be viewed as income that is taxable. In the case of S corporations, no amount of tax, on business operations, is incurred by the corporate entity.

Q. Are any of the examples on pages 9 and 10 of Mr. Spitzer's testimony applicable to the pass-through entity issue in this case?

A. I do not believe so. In each of Mr. Spitzer's examples the taxable entity (either an individual or a corporation) incurred an actual tax liability that was reduced or eliminated by a tax credit, an operating loss or some other circumstance that ultimately resulted in no taxes being owed. In the case of an S corporation, there is no corporate income tax liability on business operations from the start. So the examples in Mr. Spitzer's testimony would not be representative of an entity that is organized as an S corporation. Again this is because, under S corporation status, the

earnings or losses are passed through to the shareholders who may not pay any taxes on their own personal income tax liability as a result of tax credits or operating losses on other business activities that the shareholder may be engaged in.

Q. Would you agree with Mr. Spitzer that S corporation status can reduce or eliminate certain costs that would be incurred by a C corporation, thus benefiting Pima and the Company's ratepayers?

A. Yes. I would agree that both Pima and the Company's ratepayers benefit from those lower costs. However, I fail to see how that benefit to ratepayers would continue if they are required to pay for a corporate income tax expense that simply does not exist.

Q. Does RUCO still recommend that the Commission reject Pima's request to include income taxes in rates?

A. Yes.

COST OF CAPITAL

Q. Have you reviewed Mr. Bourassa's rebuttal testimony on the cost of capital issues in this case?

A. Yes.

Q. Have you had an opportunity to update your cost of equity analysis?

A. Yes. I updated my cost of equity analysis to include more recent data published in Value Line's April 20, 2012 quarterly update on the water utility industry. I also updated the 8-week average of stock prices used in my analysis and made a small revision to my natural gas DCF growth estimate.

Q. Have you revised your recommended 9.40 percent cost of common equity for Pima as a result of your updated analysis?

A. No. Based on the results of my updated analysis, I am continuing to recommend that the Commission adopt a 9.40 percent cost of common equity for Pima.

Q. How does your cost of common equity recommendation compare with the recommendations of Pima's and ACC Staff's cost of capital witnesses?

A. My recommended 9.40 percent cost of common equity is 110 basis points lower than Mr. Bourassa's 10.50 percent cost of common equity (as I noted earlier in my surrebuttal testimony, Mr. Bourassa has not made any changes to the Company-proposed cost of common equity). ACC Staff witness John A. Cassidy is recommending a 9.10 percent cost of common equity which is 140 basis points lower than Mr. Bourassa's 10.50 percent

recommendation and 30 basis points lower than my recommended 9.40 percent.

Q. Are the parties to the case in agreement on Pima's cost of debt?

A. At this stage of the proceeding the answer is no. This is mainly due to the fact that the loan agreement approved in Decision No. 73078 has not been finalized. However, I think it is fair to say that the Company, ACC Staff and RUCO are moving closer to the same number. In his rebuttal testimony, Mr. Bourassa revised his original 7.182 percent recommended cost of debt downward to 4.25 percent which is closer to Mr. Cassidy's 5.50 percent recommendation. In my direct testimony, I reserved the right to revise my 7.696 percent cost of debt figure based on the Commission's final decision on Pima's financing application and on the terms that are contained in an executed loan agreement between the Company and a third-party lender.

Q. Are you willing to adopt Pima's revised cost of debt at this point in time?

A. Yes. Until we know the final stated rate of interest in the pending loan agreement, I am willing to accept Pima's revised 4.25 percent cost of debt figure.

Q. Where do the parties stand on a capital structure for Pima?

A. Mr. Bourassa states in his rebuttal testimony that he has revised his recommended capital structure from one comprised of 31.08 percent long-term debt and 68.92 percent common equity to one comprised of 35.36 percent long-term debt and 64.64 percent common equity. ACC Staff's Mr. Cassidy is recommending a capital structure comprised of 37.90 percent long-term debt and 62.10 percent common equity. In my direct testimony, I recommended the Company's adjusted end of test year capital structure comprised of 22.53 percent long-term debt and 77.47 percent common equity mainly because of the uncertainty regarding Commission approval of Pima's financing application. However, at this point I am willing to accept Mr. Bourassa's revised capital structure of 35.36 percent long-term debt and 64.64 percent common equity until more information is obtained on the Company's pending loan agreement and the repayment of existing debt.

Q. Please compare the recommended weighted average cost of capital being proposed by Pima, ACC Staff and RUCO at this stage of the proceeding.

A. At this stage of the proceeding Pima is recommending a weighted average cost of capital of 8.29 percent that is 49 basis points higher than ACC Staff's recommended 7.80 percent. Based on my revised cost of debt and revised capital structure recommendations described above, RUCO is

recommending a weighted average cost of capital of 7.58 percent that is 71 basis points lower than Pima and 22 basis points lower than ACC Staff.

Q. Has the Federal Reserve made any changes to its current policy to keep interest rates low for an extended period of time since you filed your direct testimony?

A. No.

Q. Please respond to Mr. Bourassa's position that your recommended cost of equity is lower than an average of projections published in Value Line's recent quarterly updates on the water and natural gas industries.

A. In the case of the water utilities, Mr. Bourassa only averages Value Line's long-term projections on returns on book common equity, as opposed to estimated costs of common equity, of the water companies which our samples have in common. As can be seen in Attachment A of my surrebuttal testimony, Value Line is projecting a long-term (2015 - 2017) 9.50 percent return on book common equity for all of the water companies that it follows including Middlesex Water Company, which I included in my sample, and American Water Works Company, Inc. which I did not include. As can also be seen in Attachment A, Value Line is also forecasting average industry returns on book common equity, as opposed to estimated costs of common equity, of 8.50 percent for 2012 and 2013

which is close to the estimated cost of equity derived from my sample of water utilities. Given that the water companies followed by Value Line are also engaged in unregulated activities, I believe that my recommended 9.40 percent cost of equity for Pima, which is close to the cost of equity derived from my natural gas LDC sample, is quite reasonable when compared to Value Line's long-term 9.50 percent projection for the water utility industry as a whole.

Q. But isn't Value Line's projected long-term return on common equity for the natural gas industry 14.50 percent?

A. Yes it is. Again this industry average includes some LDCs that were not included in my natural gas sample. However, I believe that it is best to rely on Value Line's water industry projections given the fact that Pima is after all a water utility. Despite this fact, I am recommending a cost of common equity that is close to the higher result obtained from my natural gas sample which, as I just noted, is close to Value Line's long-term 9.50 percent projection for the water utility industry as a whole. Now that Value Line's standard edition (which provides long-term projections) is following more publicly traded water utilities than it has in the past, I may be phasing out the use of natural gas LDCs in my cost of capital analyses in the near future.

Q. What is the risk premium of your recommended 9.40 percent cost of equity for Pima based on the cost of debt that you have adopted at this point in the proceeding?

A. The risk premium is 515 basis points, which is the difference between my recommended 9.40 percent cost of equity and the Company-proposed 4.25 percent cost of debt. I believe my 9.40 percent cost of common equity, which is more than double the Company's 4.25 percent cost of debt, is more than enough to compensate investors for any perceived business risk that might exist.

Q. Does your silence on any other issues, matters or findings addressed in the rebuttal testimony of either Mr. Soriano, Mr. Spitzer or Ms. Bourassa constitute your acceptance of the Company's positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your surrebuttal testimony on the income tax and cost of capital issues in Pima's filing?

A. Yes, it does.

EXHIBIT 1

Form **1120S**

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ **Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.**
▶ **See separate instructions.**

OMB No. 1545-0130

2011

For calendar year 2011 or tax year beginning , 2011, ending , 20

A S election effective date	TYPE OR PRINT	Name	D Employer identification number
B Business activity code number *(see instructions)*		Number, street, and room or suite no. If a P.O. box, see instructions.	E Date incorporated
C Check if Sch. M-3 attached ☐		City or town, state, and ZIP code	F Total assets *(see instructions)* $

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☐ No If "Yes," attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year . . . . . ▶

Caution. *Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.*

Income	1a	Merchant card and third-party payments. For 2011, enter -0-	1a			
	b	Gross receipts or sales not reported on line 1a (see instructions)	1b			
	c	Total. Add lines 1a and 1b	1c			
	d	Returns and allowances plus any other adjustments (see instructions)	1d			
	e	Subtract line 1d from line 1c			1e	
	2	Cost of goods sold (attach Form 1125-A)			2	
	3	Gross profit. Subtract line 2 from line 1e			3	
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*			4	
	5	Other income (loss) *(see instructions—attach statement)*			5	
	6	**Total income (loss).** Add lines 3 through 5 ▶			6	
Deductions (see instructions for limitations)	7	Compensation of officers			7	
	8	Salaries and wages (less employment credits)			8	
	9	Repairs and maintenance			9	
	10	Bad debts			10	
	11	Rents			11	
	12	Taxes and licenses			12	
	13	Interest			13	
	14	Depreciation not claimed on Form 1125-A or elsewhere on return *(attach Form 4562)*			14	
	15	Depletion **(Do not deduct oil and gas depletion.)**			15	
	16	Advertising			16	
	17	Pension, profit-sharing, etc., plans			17	
	18	Employee benefit programs			18	
	19	Other deductions *(attach statement)*			19	
	20	**Total deductions.** Add lines 7 through 19 ▶			20	
	21	**Ordinary business income (loss).** Subtract line 20 from line 6			21	
Tax and Payments	22a	Excess net passive income or LIFO recapture tax *(see instructions)*	22a			
	b	Tax from Schedule D (Form 1120S)	22b			
	c	Add lines 22a and 22b *(see instructions for additional taxes)*			22c	
	23a	2011 estimated tax payments and 2010 overpayment credited to 2011	23a			
	b	Tax deposited with Form 7004	23b			
	c	Credit for federal tax paid on fuels *(attach Form 4136)*	23c			
	d	Add lines 23a through 23c			23d	
	24	Estimated tax penalty *(see instructions)*. Check if Form 2220 is attached ▶ ☐			24	
	25	**Amount owed.** If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25	
	26	**Overpayment.** If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26	
	27	Enter amount from line 26 **Credited to 2012 estimated tax** ▶	**Refunded** ▶		27	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date ▶ Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11510H Form **1120S** (2011)

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a ☐ Cash b ☐ Accrual c ☐ Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ b Product or service ▶		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: **(a)** name and employer identification number (EIN), **(b)** percentage owned, and **(c)** if 100% owned, was a qualified subchapter S subsidiary election made?		
4	Has this corporation filed, or is it required to file, **Form 8918,** Material Advisor Disclosure Statement, to provide information on any reportable transaction?		
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐ If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
6	If the corporation: **(a)** was a C corporation before it elected to be an S corporation **or** the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation **and (b)** has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year. $		
8	Are the corporation's total receipts (*see instructions*) for the tax year **and** its total assets at the end of the tax year less than $250,000? If "Yes," the corporation is not required to complete Schedules L and M-1		
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		
b	If "Yes," did the corporation file or will it file all required Forms 1099?		

Schedule K Shareholders' Pro Rata Share Items

					Total amount
Income (Loss)	1	Ordinary business income (loss) (page 1, line 21)		1	
	2	Net rental real estate income (loss) (*attach Form 8825*)		2	
	3a	Other gross rental income (loss)	3a		
	b	Expenses from other rental activities (*attach statement*)	3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a		3c	
	4	Interest income		4	
	5	Dividends: a Ordinary dividends		5a	
		b Qualified dividends	5b		
	6	Royalties		6	
	7	Net short-term capital gain (loss) (*attach Schedule D (Form 1120S)*)		7	
	8a	Net long-term capital gain (loss) (*attach Schedule D (Form 1120S)*)		8a	
	b	Collectibles (28%) gain (loss)	8b		
	c	Unrecaptured section 1250 gain (*attach statement*)	8c		
	9	Net section 1231 gain (loss) (*attach Form 4797*)		9	
	10	Other income (loss) (*see instructions*) Type ▶		10	

		Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11	Section 179 deduction (*attach Form 4562*)	11	
	12a	Contributions	12a	
	b	Investment interest expense	12b	
	c	Section 59(e)(2) expenditures (1) Type ▶ _____ (2) Amount ▶	12c(2)	
	d	Other deductions (*see instructions*) Type ▶	12d	
Credits	13a	Low-income housing credit (section 42(j)(5))	13a	
	b	Low-income housing credit (other)	13b	
	c	Qualified rehabilitation expenditures (rental real estate) (*attach Form 3468*)	13c	
	d	Other rental real estate credits (*see instructions*) Type ▶ _____	13d	
	e	Other rental credits (*see instructions*) Type ▶ _____	13e	
	f	Alcohol and cellulosic biofuel fuels credit (*attach Form 6478*)	13f	
	g	Other credits (*see instructions*) Type ▶	13g	
Foreign Transactions	14a	Name of country or U.S. possession ▶ _____		
	b	Gross income from all sources	14b	
	c	Gross income sourced at shareholder level	14c	
		Foreign gross income sourced at corporate level		
	d	Passive category	14d	
	e	General category	14e	
	f	Other (*attach statement*)	14f	
		Deductions allocated and apportioned at shareholder level		
	g	Interest expense	14g	
	h	Other	14h	
		Deductions allocated and apportioned at corporate level to foreign source income		
	i	Passive category	14i	
	j	General category	14j	
	k	Other (*attach statement*)	14k	
		Other information		
	l	Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	14l	
	m	Reduction in taxes available for credit (*attach statement*)	14m	
	n	Other foreign tax information (*attach statement*)		
Alternative Minimum Tax (AMT) Items	15a	Post-1986 depreciation adjustment	15a	
	b	Adjusted gain or loss	15b	
	c	Depletion (other than oil and gas)	15c	
	d	Oil, gas, and geothermal properties—gross income	15d	
	e	Oil, gas, and geothermal properties—deductions	15e	
	f	Other AMT items (*attach statement*)	15f	
Items Affecting Shareholder Basis	16a	Tax-exempt interest income	16a	
	b	Other tax-exempt income	16b	
	c	Nondeductible expenses	16c	
	d	Distributions (*attach statement if required*) (*see instructions*)	16d	
	e	Repayment of loans from shareholders	16e	
Other Information	17a	Investment income	17a	
	b	Investment expenses	17b	
	c	Dividend distributions paid from accumulated earnings and profits	17c	
	d	Other items and amounts (*attach statement*)		
Recon-ciliation	18	**Income/loss reconciliation.** Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18	

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	( )		( )	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (*see instructions*)				
6	Other current assets (*attach statement*)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (*attach statement*)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	( )		( )	
11a	Depletable assets				
b	Less accumulated depletion	( )		( )	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	( )		( )	
14	Other assets (*attach statement*)				
15	Total assets				
	Liabilities and Shareholders' Equity				
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (*attach statement*)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (*attach statement*)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings				
25	Adjustments to shareholders' equity (*attach statement*)				
26	Less cost of treasury stock		( )		( )
27	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 required instead of Schedule M-1 if total assets are $10 million or more—see instructions

1	Net income (loss) per books		5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize)		a	Tax-exempt interest $
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14l, not charged against book income this year (itemize):
a	Depreciation $		a	Depreciation $
b	Travel and entertainment $		7	Add lines 5 and 6
4	Add lines 1 through 3		8	Income (loss) (Schedule K, line 18). Line 4 less line 7

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

		(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year			
2	Ordinary income from page 1, line 21			
3	Other additions			
4	Loss from page 1, line 21	( )		
5	Other reductions	( )	( )	
6	Combine lines 1 through 5			
7	Distributions other than dividend distributions			
8	Balance at end of tax year. Subtract line 7 from line 6			

EXHIBIT 2

671111

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

Schedule K-1 (Form 1120S)
Department of the Treasury
Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 ending _____, 20____

Shareholder's Share of Income, Deductions, Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number

B Corporation's name, address, city, state, and ZIP code

C IRS Center where corporation filed return

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code

F Shareholder's percentage of stock ownership for tax year . . . . . _____ %

For IRS Use Only

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

* See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1.	**Ordinary business income (loss).** Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2.	**Net rental real estate income (loss)**	See the Shareholder's Instructions
3.	**Other net rental income (loss)**	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4.	**Interest income**	Form 1040, line 8a
5a.	**Ordinary dividends**	Form 1040, line 9a
5b.	**Qualified dividends**	Form 1040, line 9b
6.	**Royalties**	Schedule E, line 3b
7.	**Net short-term capital gain (loss)**	Schedule D, line 5
8a.	**Net long-term capital gain (loss)**	Schedule D, line 12
8b.	**Collectibles (28%) gain (loss)**	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c.	**Unrecaptured section 1250 gain**	See the Shareholder's Instructions
9.	**Net section 1231 gain (loss)**	See the Shareholder's Instructions
10.	**Other income (loss)**	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts & straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub. 535
	E Other income (loss)	See the Shareholder's Instructions
11.	**Section 179 deduction**	See the Shareholder's Instructions
12.	**Other deductions**	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions—royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions—portfolio (2% floor)	Schedule A, line 23
	L Deductions—portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13.	**Credits**	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal communtiy employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14.	**Foreign transactions**	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15.	**Alternative minimum tax (AMT) items**	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal—gross income	
	E Oil, gas, & geothermal—deductions	
	F Other AMT items	
16.	**Items affecting shareholder basis**	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17.	**Other information**	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest—completed long-term contracts	See Form 8697
	J Look-back interest—income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information—oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

EXHIBIT 3

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ **Attach to Form 1040, 1040NR, or Form 1041.** ▶ **See separate instructions.**

OMB No. 1545-0074

2011

Attachment Sequence No. **13**

Name(s) shown on return | **Your social security number**

A Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No

B If "Yes," did you or will you file all required Forms 1099? ☐ Yes ☐ No

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

Caution. For each rental property listed on line 1, check the box in the last column only if you owned that property as a member of a qualified joint venture (QJV) reporting income not subject to self-employment tax.

1	Physical address of each property–street, city, state, zip	Type–from list below	2 For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions.		Fair Rental Days	Personal Use Days	QJV
A				A			
B				B			
C				C			

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:			Properties A		Properties B		Properties C	
3a	Merchant card and third party payments. For 2011, enter -0-	3a						
b	Payments not reported to you on line 3a	3b						
4	Total not including amounts on line 3a that are not income (see instructions)	4						
Expenses:								
5	Advertising	5						
6	Auto and travel (see instructions)	6						
7	Cleaning and maintenance	7						
8	Commissions	8						
9	Insurance	9						
10	Legal and other professional fees	10						
11	Management fees	11						
12	Mortgage interest paid to banks, etc. (see instructions)	12						
13	Other interest	13						
14	Repairs	14						
15	Supplies	15						
16	Taxes	16						
17	Utilities	17						
18	Depreciation expense or depletion	18						
19	Other (list) ▶	19						
20	Total expenses. Add lines 5 through 19	20						
21	Subtract line 20 from line 4. If result is a (loss), see instructions to find out if you must file **Form 6198**	21						
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	22	( )		( )		( )	

23a	Total of all amounts reported on line 3a for all rental properties	23a		
b	Total of all amounts reported on line 3a for all royalty properties	23b		
c	Total of all amounts reported on line 4 for all rental properties	23c		
d	Total of all amounts reported on line 4 for all royalty properties	23d		
e	Total of all amounts reported on line 12 for all properties	23e		
f	Total of all amounts reported on line 18 for all properties	23f		
g	Total of all amounts reported on line 20 for all properties	23g		
24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses		24	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here		25	( )
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2		26	

Name(s) shown on return. Do not enter name and social security number if shown on other side. | Your social security number

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations

Note. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(e)** on line 28 and attach **Form 6198.** See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. ☐ Yes ☐ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A			☐		☐
B			☐		☐
C			☐		☐
D			☐		☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(f) Passive loss allowed (attach **Form 8582** if required)	(g) Passive income from **Schedule K-1**	(h) Nonpassive loss from **Schedule K-1**	(i) Section 179 expense deduction from **Form 4562**	(j) Nonpassive income from **Schedule K-1**
A					
B					
C					
D					
29a Totals					
b Totals					

30	Add columns (g) and (j) of line 29a	30	
31	Add columns (f), (h), and (i) of line 29b	31	( )
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31. Enter the result here and include in the total on line 41 below	32	

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed (attach **Form 8582** if required)	(d) Passive income from **Schedule K-1**	(e) Deduction or loss from **Schedule K-1**	(f) Other income from **Schedule K-1**
A				
B				
34a Totals				
b Totals				

35	Add columns (d) and (f) of line 34a	35	
36	Add columns (c) and (e) of line 34b	36	( )
37	**Total estate and trust income or (loss).** Combine lines 35 and 36. Enter the result here and include in the total on line 41 below	37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from **Schedules Q,** line 2c (see instructions)	(d) Taxable income (net loss) from **Schedules Q,** line 1b	(e) Income from **Schedules Q,** line 3b

39 Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below 39

Part V Summary

40	Net farm rental income or (loss) from **Form 4835.** Also, complete line 42 below	40	
41	**Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18 ▶	41	
42	**Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code U; and Schedule K-1 (Form 1041), line 14, code F (see instructions)	42	
43	**Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

EXHIBIT 4

Form **1040** Department of the Treasury—Internal Revenue Service (99)

U.S. Individual Income Tax Return

2011 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning , 2011, ending , 20 See separate instructions.

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name	Foreign province/county / Foreign postal code	

Filing Status

Check only one box.

1 ☐ Single

2 ☐ Married filing jointly (even if only one had income)

3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶

4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child

Exemptions

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a

b ☐ **Spouse**

Boxes checked on 6a and 6b

c **Dependents:** (1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)
			☐
			☐
			☐
			☐

If more than four dependents, see instructions and check here ▶ ☐

No. of children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

d Total number of exemptions claimed

Add numbers on lines above ▶

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use **Form 1040-V.**

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	
8a	**Taxable** interest. Attach Schedule B if required		8a	
b	**Tax-exempt** interest. **Do not** include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required		9a	
b	Qualified dividends	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13	
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions	15a	b Taxable amount	15b
16a	Pensions and annuities	16a	b Taxable amount	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits	20a	b Taxable amount	20b
21	Other income. List type and amount		21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22	

Adjusted Gross Income

23	Educator expenses	23		
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24		
25	Health savings account deduction. Attach Form 8889	25		
26	Moving expenses. Attach Form 3903	26		
27	Deductible part of self-employment tax. Attach Schedule SE	27		
28	Self-employed SEP, SIMPLE, and qualified plans	28		
29	Self-employed health insurance deduction	29		
30	Penalty on early withdrawal of savings	30		
31a	Alimony paid b Recipient's SSN ▶	31a		
32	IRA deduction	32		
33	Student loan interest deduction	33		
34	Tuition and fees. Attach Form 8917	34		
35	Domestic production activities deduction. Attach Form 8903	35		
36	Add lines 23 through 35		36	
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶		37	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Tax and Credits

38	Amount from line 37 (adjusted gross income)		38
39a	Check if: ☐ **You** were born before January 2, 1947, ☐ Blind. ☐ **Spouse** was born before January 2, 1947, ☐ Blind. **Total boxes checked ▶ 39a**		
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐		
40	**Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin)		40
41	Subtract line 40 from line 38		41
42	**Exemptions.** Multiply $3,700 by the number on line 6d		42
43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43
44	**Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐ 962 election		44
45	**Alternative minimum tax** (see instructions). Attach Form 6251		45
46	Add lines 44 and 45 ▶		46
47	Foreign tax credit. Attach Form 1116 if required	47	
48	Credit for child and dependent care expenses. Attach Form 2441	48	
49	Education credits from Form 8863, line 23	49	
50	Retirement savings contributions credit. Attach Form 8880	50	
51	Child tax credit (see instructions)	51	
52	Residential energy credits. Attach Form 5695	52	
53	Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐	53	
54	Add lines 47 through 53. These are your **total credits**		54
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶		55

Standard Deduction for—
- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $5,800
Married filing jointly or Qualifying widow(er), $11,600
Head of household, $8,500

Other Taxes

56	Self-employment tax. Attach Schedule SE	56
57	Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919	57
58	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	58
59a	Household employment taxes from Schedule H	59a
b	First-time homebuyer credit repayment. Attach Form 5405 if required	59b
60	Other taxes. Enter code(s) from instructions	60
61	Add lines 55 through 60. This is your **total tax** ▶	61

Payments

If you have a qualifying child, attach Schedule EIC.

62	Federal income tax withheld from Forms W-2 and 1099	62	
63	2011 estimated tax payments and amount applied from 2010 return	63	
64a	**Earned income credit (EIC)**	64a	
b	Nontaxable combat pay election 64b		
65	Additional child tax credit. Attach Form 8812	65	
66	American opportunity credit from Form 8863, line 14	66	
67	First-time homebuyer credit from Form 5405, line 10	67	
68	Amount paid with request for extension to file	68	
69	Excess social security and tier 1 RRTA tax withheld	69	
70	Credit for federal tax on fuels. Attach Form 4136	70	
71	Credits from Form: **a** ☐ 2439 **b** ☐ 8839 **c** ☐ 8801 **d** ☐ 8885	71	
72	Add lines 62, 63, 64a, and 65 through 71. These are your **total payments** ▶		72

Refund

73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you **overpaid**	73
74a	Amount of line 73 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐	74a
▶ b	Routing number ▶ c Type: ☐ Checking ☐ Savings	
▶ d	Account number	
75	Amount of line 73 you want **applied to your 2012 estimated tax** ▶ 75	

Direct deposit? See instructions.

Amount You Owe

76	**Amount you owe.** Subtract line 72 from line 61. For details on how to pay, see instructions ▶	76
77	Estimated tax penalty (see instructions) 77	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶		Firm's EIN ▶		
Firm's address ▶		Phone no.		

ATTACHMENT A

It has been business as usual for most in the Water Utility Industry in recent months. There hasn't been any major developments to speak of since our January review, and the stocks here have been more or less holding steady, trading on company-specific fundamentals.

Still, nearly all of those in this space continue to deal with increasing infrastructure needs. Many water systems in the United States are well-aged, and are decaying, thus requiring greater attention. Most utilities do not have the finances to meet these needs, though, and are having to seek out help from outsiders.

Most industry regulators appear to be doing their best to aid water providers, with recent rate case rulings having been far more favorable than in the past. The regulatory climate will undoubtedly remain a key determinant to this sectors success in light of the hundreds of billions of dollars that will be needed for maintenance and systems repair.

Still, even with a more favorable regulatory environment in place, the expected financing costs required will likely remain a drag on the industry's growth prospects. This makes timely investments usually hard to come by here.

INDUSTRY TIMELINESS: 38 (of 98)

Industry Backdrop

Water providers are responsible for the safe and timely delivery of water to millions of people each day. As a result, those operating in this space are just as important as the liquid they provide itself. Population growth ought to support healthy demand for the foreseeable future.

And, although purification and distribution standards are strict, utilities have been riding the wave of improved regulatory climate. Indeed, state regulatory boards, which are also responsible for, among other things, keeping the balance of power between providers and customers, have been far more business friendly in recent memory. This is extremely important given that these boards are required to review and rule on general rate case requests submitted by providers looking to recover costs incurred during distribution. As costs of doing business have swelled, so to has their importance to the livelihoods of many operating in this group.

Rising Costs of Doing Business

As time goes by many already aging water infrastructures grow older and need repair, or perhaps complete overhauls. These costs have soared into the hundreds of millions of dollars and are not likely to subside anytime soon, without repercussions. A more business-friendly regulatory environment is offsetting some of the burden, but expenses related to doing business are eating away at profit margins.

Meanwhile, most that operate in this are cash possess balance sheets that are highly leveraged, and cash on hand is typically light. External financing has become commonplace, but financial constraints still limit potential, particularly via acqusition.

Conclusion

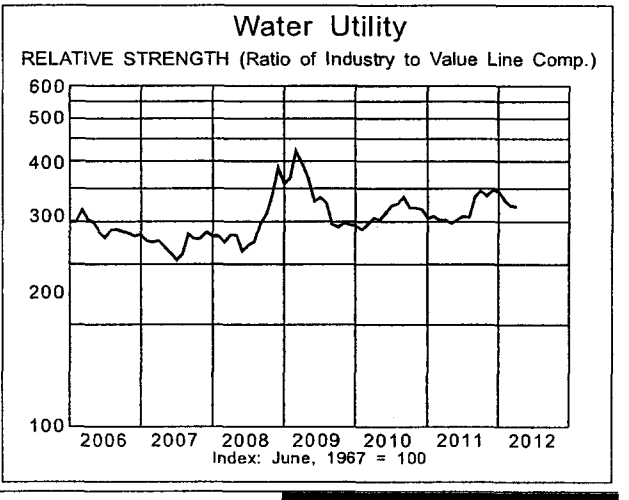
True, timely issues do not normally litter this group. Infrastructure and maintenance costs have historically hampered earnings growth rates. We do not envision much changing despite what appears to be a far better regulatory landscape. The costs of providing safe and timely water distribution is just too lofty, and is likely to only continue rising. Indeed, providers are now facing stricter EPA laws due to the increased threat of terrorism. That said, there are a couple of stocks that buck the trend and that are favorably ranked for Timeliness. *American States Water* and *American Water Works* both score above average rankings for appreciation potential for the coming six to 12 months. Each has been able to keep costs in check, while reaping the benefits of increased rate awards. This is not sustainable in our opinion, however, and we believe that growth potential will fall in line with the group looking further out.

Many investors may be enticed by the groups lofty dividend, as the stocks in this group offer above average yields. But, income-minded investors have far better alternatives, specifically in the Electric Utilities space. Plus, although not highly likely, we ponder whether the aforementioned capital constraints and weak balance sheets may force company's to temper current payout policies. If so, the industry's prospects would sink further.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2008	2009	2010	2011	2012	2013		15-17
4004.3	4228.9	4614.5	4640.2	*4980*	*5225*	Revenues ($mill)	*6125*
384.1	409.6	501.0	560.5	*620*	*675*	Net Profit ($mill)	*850*
38.0%	38.6%	40.0%	*39.0%*	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
1.5%	1.1%	1.0%	*1.0%*	*2.0%*	*5.0%*	AFUDC % to Net Profit	*10.0%*
52.0%	55.1%	55.5%	*54.5%*	*52.5%*	*51.0%*	Long-Term Debt Ratio	*49.0%*
48.0%	44.9%	54.5%	*45.5%*	*47.5%*	*49.0%*	Common Equity Ratio	*51.0%*
13063.6	14017.6	14724.2	14846.3	*15425*	*16375*	Total Capital ($mill)	*17575*
15977.3	16910.7	17868.5	18089.9	*18975*	*19925*	Net Plant ($mill)	*22200*
4.5%	4.4%	4.9%	*5.0%*	*5.5%*	*5.5%*	Return on Total Cap'l	*7.0%*
6.1%	6.5%	7.7%	*8.5%*	*8.5%*	*8.5%*	Return on Shr. Equity	*9.5%*
6.1%	6.5%	7.7%	*8.5%*	*8.5%*	*8.5%*	Return on Com Equity	*9.5%*
3.0%	2.1%	3.1%	*3.5%*	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
51%	68%	60%	*57%*	*55%*	*54%*	All Div'ds to Net Prof	*52%*
20.7	19.3	17.3		*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*21.0*
1.25	1.29	1.10				Relative P/E Ratio	*1.40*
2.5%	3.5%	3.4%				Avg Ann'l Div'd Yield	*2.8%*



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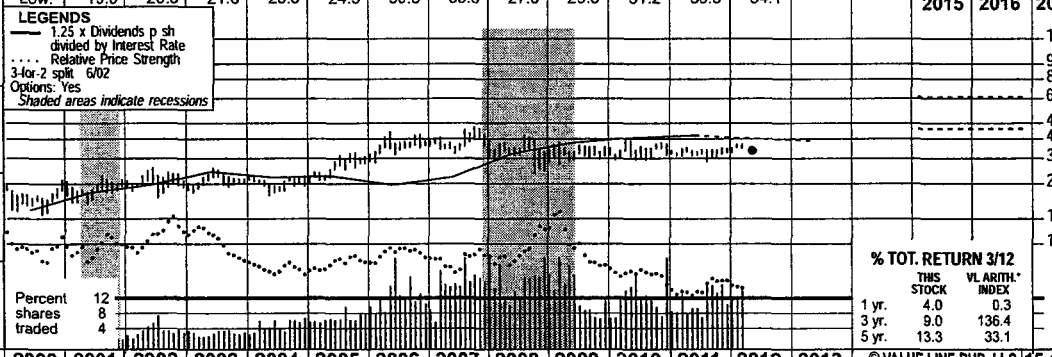
AMER. STATES WATER NYSE-AWR

RECENT PRICE 35.11 | P/E RATIO 16.3 (Trailing: 16.0 Median: 22.0) | RELATIVE P/E RATIO 1.09 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 2 Lowered 3/23/12
SAFETY 3 New 2/4/00
TECHNICAL 4 Lowered 4/6/12
BETA .70 (1.00 = Market)

High:	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	38.0
Low:	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5	34.1

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+85%)	19%
Low	45	(+30%)	6%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	3	2	0	5	2	0
to Sell	0	0	0	4	1	0	5	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	48	58	86
to Sell	55	54	40
Hld's(000)	11377	11349	11493

Percent shares traded 12 8 4

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.0	0.3
3 yr.	9.0	136.4
5 yr.	13.3	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.24	22.65	23.95	Revenues per sh	27.80
1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.26	4.30	4.60	"Cash Flow" per sh	5.15
1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.23	2.20	2.40	Earnings per sh A	2.80
.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	1.16	1.22	Div'd Decl'd per sh B■	1.34
2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.26	4.45	4.70	Cap'l Spending per sh	5.10
11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.68	22.50	23.45	Book Value per sh	25.70
13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.85	19.00	19.20	Common Shs Outst'g C	19.60
12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.7	Bold figures are		Avg Ann'l P/E Ratio	19.0
.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	1.01	Value Line		Relative P/E Ratio	1.25
5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.0%	estimates		Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $341.0 mill. **Due in 5 Yrs** $281.0 mill.
LT Debt $340.7 mill. **LT Interest** $24.0 mill.
(LT interest earned: 5.5x: total interest coverage: 5.2x) (45% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/11 $92.9 mill. **Oblig.** $146.1 mill.

Pfd Stock None.

Common Stock 18,848,158 shs. as of 3/08/12

MARKET CAP: $650 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	430	460	Revenues ($mill)	545
20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	42.0	46.0	Net Profit ($mill)	55.0
38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	42.5%	42.0%	Income Tax Rate	40.0%
--	--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	5.8%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	44.0%	42.0%	Long-Term Debt Ratio	37.0%
48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	56.0%	58.0%	Common Equity Ratio	63.0%
444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	755	770	Total Capital ($mill)	805
563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	940	985	Net Plant ($mill)	1080
6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	6.0%	7.0%	7.5%	Return on Total Cap'l	8.0%
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	9.5%	10.0%	Return on Shr. Equity	11.0%
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	9.5%	10.0%	Return on Com Equity	11.0%
3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.2%	4.5%	5.0%	Retained to Com Eq	5.5%
65%	113%	84%	67%	67%	58%	64%	61%	47%	49%	53%	51%	All Div'ds to Net Prof	48%

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	1.7	4.2	1.3
Other	94.3	200.8	164.3
Current Assets	96.0	205.0	165.6
Accts Payable	33.9	36.2	37.9
Debt Due	18.1	61.3	.3
Other	47.7	81.3	66.2
Current Liab.	99.7	178.8	104.4
Fix. Chg. Cov.	312%	428%	401%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	5.0%	7.5%	5.0%
"Cash Flow"	5.5%	9.5%	5.0%
Earnings	4.5%	11.5%	6.5%
Dividends	2.0%	2.5%	4.0%
Book Value	5.0%	5.0%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.4	109.8	119.9	95.2	419.3
2012	95.0	110	120	105	430
2013	105	120	130	105	460

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.22
2011	.37	.68	.83	.35	2.23
2012	.40	.65	.75	.40	2.20
2013	.45	.70	.80	.45	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012	.280				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/11 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water's bottom line advanced marginally in 2011, to $2.23 a share, a less than 1% increase from the previous year. As the company is wrapping up its last year with its current rate cycle, we anticipate earnings slipping a bit in 2012, before bouncing back in 2013, a result of rate increases and a more favorable regulatory environment.

The Golden State Water's 2013-2015 general rate case continues, with the Division of Ratepayer Advocate filing testimony in early February. The DRA recommended authorization of 34%, 54%, and 58% of all revenue requests for 2013, 2014, and 2015. Investors should note that this case is the company's first to cover all three water districts, as well as the corporate office. The subsidiary filed a request in June, 2011, for revenue increases of $31.3 million, $8.9 million, and $10.8 million for 2013, 2014, and 2015, respectively. Management has mentioned an increased rate base, as well as declining water sales (which leads to a gap in actual collections and those needed to cover costs) as the primary reasons for the filing. The ruling is anticipated by the end of October, and a favorable settlement would considerably boost the top and bottom lines until mid-decade.

The California cost of capital proceeding remains the company's main focus. It is likely that the utilities will receive a 9.99% allowed ROE, with Golden State Water's equity layer increasing to 55% (from 51%). The final decision is expected to come by the end of April, and, if unfavorable, American States Water and its peers will quite likely push for a fully litigated proceeding, extending the case to the end of 2012.

The company is expanding into several nonregulated areas, with military bases being the main focus. The 2012 National Defense Authorization Act (signed into law December, 2011) partially removes the complicated regulations surrounding the bidding process, which were the company's biggest obstacles. As a result, expansion into this area should begin by yearend.

There are better options in the industry, as the equity's appreciation potential and dividend yield are inferior to its peers.

Sahana Zutshi *April 20, 2012*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due early June. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	85

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CALIFORNIA WATER NYSE-CWT

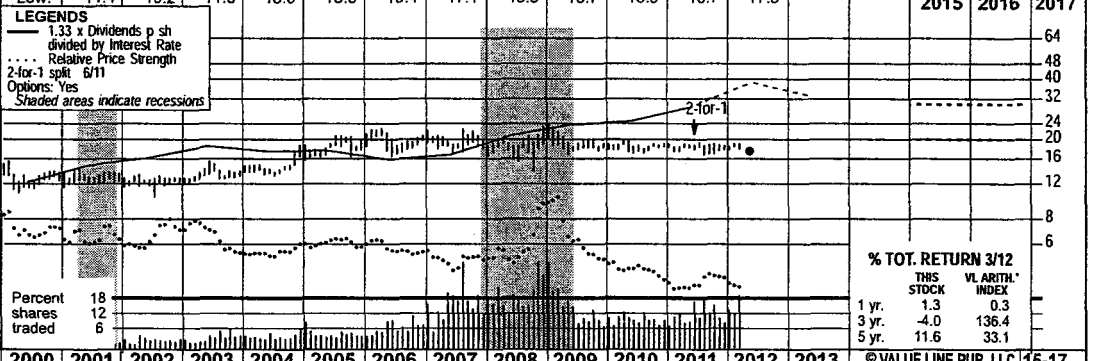
RECENT PRICE 17.55 | P/E RATIO 19.3 (Trailing: 20.4 Median: 21.0) | RELATIVE P/E RATIO 1.29 | DIV'D YLD 3.6% | VALUE LINE

TIMELINESS 4 Lowered 3/9/12
SAFETY 3 Lowered 7/27/07
TECHNICAL 4 Lowered 4/6/12
BETA .65 (1.00 = Market)

High:	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3
Low:	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	17.5

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 6/11
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+70%)	16%
Low	20	(+15%)	6%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	4	0	0	0	0	0
to Sell	0	0	0	4	0	0	1	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	60	49	52
to Sell	48	58	58
Hld's(000)	21479	21742	20424

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	1.3	0.3
3 yr.	-4.0	136.4
5 yr.	11.6	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
7.24	7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	*12.55*	*12.95*	Revenues per sh	*14.20*
1.25	1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	*2.20*	*2.30*	"Cash Flow" per sh	*2.65*
.75	.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	*1.00*	*1.10*	Earnings per sh A	*1.30*
.52	.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	*.64*	*.67*	Div'd Decl'd per sh B ■	*.75*
1.41	1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	*2.80*	*2.85*	Cap'l Spending per sh	*3.05*
6.11	6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	*11.65*	*11.80*	Book Value per sh C	*12.75*
25.24	25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	*43.00*	*44.00*	Common Shs Outst'g D	*47.50*
11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	*Value Line*		Relative P/E Ratio	*1.35*
5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	*estimates*		Avg Ann'l Div'd Yield	*3.0%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $535.3 mill. Due in 5 Yrs $46.5 mill.
LT Debt $481.6 mill. LT Interest $32.5 mill.
(LT interest earned: 3.4x; total int. cov.: 2.9x)
(52% of Cap'l)
Pension Assets-12/11 $155.7 mill.
Oblig. $346.3 mill.
Pfd Stock None

Common Stock 41,817,032 shs.
as of 2/22/12

MARKET CAP: $725 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	*540*	*570*	Revenues ($mill) E	*675*
19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	*43.0*	*47.0*	Net Profit ($mill)	*62.0*
39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	*40.0%*	*39.5%*	Income Tax Rate	*39.5%*
--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	5.0%	*10.0%*	*10.0%*	AFUDC % to Net Profit	*10.0%*
55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	*49.5%*	*50.0%*	Long-Term Debt Ratio	*50.0%*
44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	*50.5%*	*50.0%*	Common Equity Ratio	*50.0%*
453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	*985*	*1035*	Total Capital ($mill)	*1200*
697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	*1450*	*1515*	Net Plant ($mill)	*1725*
5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	*6.0%*	*6.0%*	Return on Total Cap'l	*7.0%*
9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	*8.5%*	*9.0%*	Return on Shr. Equity	*10.5%*
9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	*8.5%*	*9.0%*	Return on Com Equity	*10.5%*
1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	*3.0%*	*3.0%*	Retained to Com Eq	*4.5%*
90%	91%	77%	78%	86%	77%	61%	60%	66%	71%	*64%*	*64%*	All Div'ds to Net Prof	*57%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	9.9	42.3	27.2
Other	82.3	83.9	86.7
Current Assets	92.2	126.2	113.9
Accts Payable	43.7	39.5	48.9
Debt Due	25.0	26.1	53.7
Other	41.7	41.7	49.3
Current Liab.	110.4	107.3	151.9
Fix. Chg. Cov.	430%	390%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.5%	6.0%	*4.0%*
"Cash Flow"	4.5%	6.5%	*5.0%*
Earnings	4.0%	5.0%	*6.0%*
Dividends	1.0%	1.0%	*4.0%*
Book Value	5.0%	5.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	103.0	501.8
2012	*105*	*140*	*178*	*117*	*540*
2013	*110*	*150*	*185*	*125*	*570*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.03	.29	.50	.04	.86
2012	*.05*	*.30*	*.52*	*.13*	*1.00*
2013	*.07*	*.32*	*.55*	*.16*	*1.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575				

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '11: residential, 73%; business, 18%; public authorities, 5%; industrial, 4%. '11 reported depreciation rate: 2.7%. Has roughly 1,132 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Services Group has run into some trouble. The water utility saw its earnings cut by two-thirds in the fourth quarter. Lower usage rates caused the top line to fall more than 2%, despite the benefits of earlier rate increases awarded by the California Public Utilities Commission (CPUC). Operating costs, meanwhile, continued to soar, with expenses increasing across the board. As a result, the company posted a share gain of $0.04, less than a quarter of our estimate and a third of the year-before tally.

We look for improvements on the regulatory front to help get earnings growth back on track this year. The company recently announced that it and the California Public Utilities Commission's Division of Ratepayer Advocates have settled a cost-of-capital request for 2012-2014. It is just awaiting final approval from the CPUC. If signed off on, as we expect, CWT's authorized return on equity would be 9.99%, with the cost of debt being 6.24%.

There could be additional assistance on the horizon, too. The company is said to preparing its 2012 general rate case. A ruling would likely go into effect by 2014. The regulatory climate has been rather business-friendly in recent years, and there is no reason to suggest a change.

However, we worry that a fair share of the aforementioned gains could be erased by the rising costs of doing business. The water utility business is capital-intensive. Maintenance expenses are high, and likely to continue climbing as old waterways become antiquated and in need of repair or replacement. CWT has a dearth of cash on hand, and expected cash flow generation fails to cover the future investments that we envision. The additional financing needed to meet these demands will result in higher interest expense and greater share count.

This stock is not for most. Although its dividend yield is above that of the average issue in our *Survey*, those looking for a steady source of income have better options in the Electric Utility industry. Meanwhile, capital appreciation potential is limited based on the vast infrastructure costs likely to remain, and the company's need to tap capital markets.

Andre J. Costanza *April 20, 2012*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due early May.
(B) Dividends historically paid in late Jan., April, July, and Oct. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '11: $2.2 mill., $0.05/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	90

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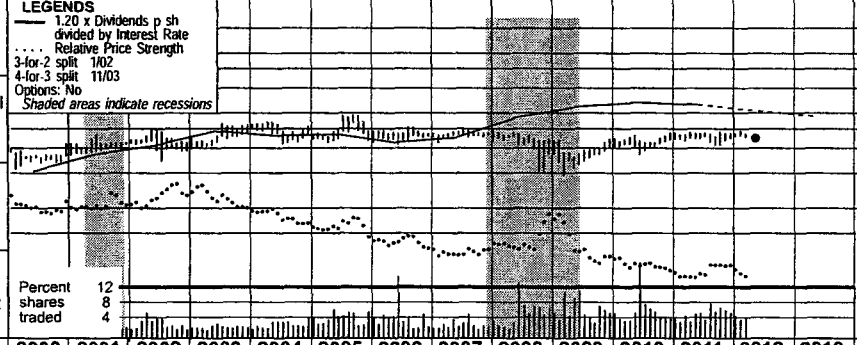
MIDDLESEX WATER NDQ-MSEX

RECENT PRICE 18.03 | P/E RATIO 20.5 (Trailing: 21.5 Median: 23.0) | RELATIVE P/E RATIO 1.37 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 4 Lowered 1/20/12
SAFETY 2 New 10/21/11
TECHNICAL 3 Raised 4/20/12
BETA .70 (1.00 = Market)

High:	18.7	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6
Low:	14.7	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	18.0

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/02
4-for-3 split 11/03
Options: No
Shaded areas indicate recessions



Target Price Range 2015 | 2016 | 2017

64 48 40 32 24 20 16 12 8 6

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	12%
Low	17	(-5%)	3%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	1	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	31	36	33
to Sell	24	25	27
Hld's(000)	6377	6334	6476

Percent shares traded 12 8 4

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	8.0	0.3
3 yr.	49.0	136.4
5 yr.	26.1	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
4.52	4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	*6.90*	*7.10*	Revenues per sh	*8.40*
.94	1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.52	*1.70*	*1.90*	"Cash Flow" per sh	*2.30*
.60	.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	*.95*	*1.05*	Earnings per sh A	*1.25*
.55	.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	*.74*	*.75*	Div'd Decl'd per sh B■	*.80*
.73	1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	*1.90*	*2.15*	Cap'l Spending per sh	*2.60*
5.85	6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	*11.25*	*11.35*	Book Value per sh	*11.40*
8.41	8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	*16.00*	*16.25*	Common Shs Outst'g C	*17.25*
14.4	13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.9	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.90	.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.32	*Value Line*		Relative P/E Ratio	*1.15*
6.4%	6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $136.7 mill. Due in 5 Yrs $25.0 mill.
LT Debt $132.1 mill. LT Interest $6.0 mill.
(LT interest coverage: 4.5x)
(43% of Cap'l)

Pension Assets-12/11 $32.2 mill.
Oblig. $56.2 mill.
Pfd Stock $3.4 mill. Pfd Div'd: $.2 mill.

Common Stock 15,703,480 shs.
as of 3/05/12

MARKET CAP: $275 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
61.9	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.0	*110*	*115*	Revenues ($mill)	*145*
7.8	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.5	*15.0*	*17.0*	Net Profit ($mill)	*21.5*
33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.5%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
--	--	--	--	--	--	--	--	6.8%	7.5%	*7.5%*	*7.5%*	AFUDC % to Net Profit	*7.0%*
52.1%	53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	43.0%	*42.0%*	*41.0%*	Long-Term Debt Ratio	*39.0%*
45.5%	44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	57.0%	*58.0%*	*59.0%*	Common Equity Ratio	*61.0%*
168.0	181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	309.1	*310.0*	*312.0*	Total Capital ($mill)	*320.0*
211.4	230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	*435*	*455*	Net Plant ($mill)	*495*
6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.3%	*6.0%*	*6.5%*	Return on Total Cap'l	*7.5%*
9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	*8.5%*	*9.0%*	Return on Shr. Equity	*11.0%*
9.8%	8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.6%	*8.5%*	*9.0%*	Return on Com Equity	*11.0%*
1.3%	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.1%	*2.0%*	*2.5%*	Retained to Com Eq	*4.0%*
87%	106%	90%	94%	84%	79%	78%	98%	75%	85%	*78%*	*71%*	All Div'ds to Net Prof	*64%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	4.3	2.5	3.1
Other	17.7	20.3	19.8
Current Assets	22.0	22.8	22.9
Accts Payable	4.3	6.4	5.7
Debt Due	3.7	4.4	4.6
Other	52.7	29.9	36.4
Current Liab.	60.7	40.7	46.7
Fix. Chg. Cov.	325%	400%	380%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.0%	1.5%	3.5%
"Cash Flow"	3.5%	3.5%	6.5%
Earnings	2.5%	4.5%	5.5%
Dividends	2.0%	1.5%	1.5%
Book Value	4.5%	5.5%	1.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	20.6	23.1	25.5	22.0	91.2
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	23.3	102.1
2012	*25.0*	*27.0*	*31.0*	*27.0*	*110*
2013	*28.0*	*28.0*	*32.0*	*27.0*	*115*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.10	.21	.29	.12	.72
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.12	.84
2012	*.17*	*.24*	*.35*	*.19*	*.95*
2013	*.20*	*.27*	*.37*	*.21*	*1.05*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185				

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. in 2011, the Middlesex System accounted for 64% of total revenues. At 12/31/11, the company had 289 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.39% of the common stock; BlackRock, 6.2%; The Vanguard Group, 5.4% (4/12 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water's bottom line weakened in 2011, with reported earnings of $0.84 a share, a decline of 12.5% from the previous year. Lower connection fees (due to the depressed housing market) along with a decline in water consumption were the main causes for the fall. Despite the fall, the utility should bounce back in 2012, supported by an improving economy and several favorable rate rulings.

Several rate cases should help the bottom line recover in 2012. The company is at the end of its current rate cycle for its two largest utilities, and has filed for rate hikes in both New Jersey and Delaware. Thus far, an interim 10.5% rate increase has been implemented, and the filings should bear fruit by the end of 2012 (though it is quite likely that the full impact will be felt from 2013 onward).

The company is investing heavily in its plants at this time. Management plans to spend a considerable amount to upgrade Middlesex's water distribution infrastructure. To this end, it has already invested over $3 million in upgrading systems in Edison, NJ (part of its annual RENEW program). The heavy investment should give the company considerable leverage for its next New Jersey general rate case, which is scheduled for 2014. Should the ruling be favorable, the top and bottom lines are likely to receive a considerable boost from mid-decade on.

Strong cost control should work to lift earnings, as well. Middlesex has been working on making its various segments leaner and more cost efficient in order to combat the decline in water consumption. To this end, operations and maintenance expenses have been most heavily targeted, and were down 3% year over year. That said, we remain concerned that going forward these efforts might not be enough to combat the rising costs from employee healthcare and post-retirement benefit plans, which show no sign of abating in the future.

Investors will find better options elsewhere, as this equity is currecently trading within our Target Price Range. However, the stock's above-average dividend yield, combined with the strong likelihood of rising payouts, should interest income investors.

Sahana Zutshi *April 20, 2012*

(A) Diluted earnings. Next earnings report due early June.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2011: $8.2 million, $0.55 a share.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	30
Earnings Predictability	85

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SJW CORP. NYSE-SJW

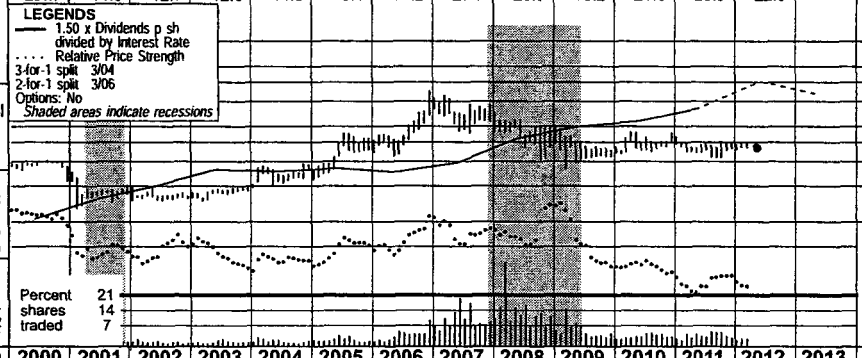
RECENT PRICE 23.52 | P/E RATIO 19.6 (Trailing: 21.2 Median: 23.0) | RELATIVE P/E RATIO 1.31 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Raised 8/12/11
SAFETY 3 New 4/22/11
TECHNICAL 4 Lowered 4/6/12
BETA .85 (1.00 = Market)

High:	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	25.0
Low:	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.8

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-1 split 3/04
2-for-1 split 3/06
Options: No
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+90%)	19%
Low	30	(+30%)	9%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	1	0	0	1	3	0	1	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	31	30	24
to Sell	28	26	32
Hld's(000)	8839	9018	8847

Percent shares traded 21 14 7

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.3	0.3
3 yr.	3.6	136.4
5 yr.	-32.1	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.86	*12.50*	*12.60*	Revenues per sh	*13.70*
1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	*2.75*	*2.85*	"Cash Flow" per sh	*3.10*
.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	*1.15*	*1.20*	Earnings per sh A	*1.40*
.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	*.74*	*.78*	Div'd Decl'd per sh B■	*.86*
1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	*4.00*	*4.75*	Cap'l Spending per sh	*3.70*
6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	*15.25*	*15.70*	Book Value per sh	*17.15*
19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	*20.00*	*21.00*	Common Shs Outst'g C	*23.00*
6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	*Bold figures are*		Avg Ann'l P/E Ratio	*25.5*
.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.34	*Value Line*		Relative P/E Ratio	*1.70*
5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	*estimates*		Avg Ann'l Div'd Yield	*2.3%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $344.6 mill. Due in 5 Yrs $8.8 mill.
LT Debt $343.8 mill. LT Interest $19.7 mill.
(LT interest earned: 3.0x: total interest coverage: 2.8x) (57% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.5 mill.

Pension Assets-12/11 $62.8 mill. Oblig. $123.9 mill.

Pfd Stock None.

Common Stock 18,618,265 shs. as of 2/8/12

MARKET CAP: $450 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	*250*	*265*	Revenues ($mill)	*315*
14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	*23.0*	*25.0*	Net Profit ($mill)	*32.0*
40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	*40.0%*	*39.0%*	Income Tax Rate	*39.0%*
4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	2.0%	3.0%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	*53.0%*	*53.0%*	Long-Term Debt Ratio	*52.0%*
58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	*47.0%*	*47.0%*	Common Equity Ratio	*48.0%*
263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.8	*650*	*705*	Total Capital ($mill)	*825*
390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	*810*	*875*	Net Plant ($mill)	*1050*
6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	5.0%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.5%*
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	*7.5%*	*7.5%*	Return on Shr. Equity	*8.0%*
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	*7.5%*	*7.5%*	Return on Com Equity	*8.0%*
3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	*2.5%*	*2.5%*	Retained to Com Eq	*3.0%*
59%	53%	58%	47%	46%	57%	59%	80%	80%	61%	*64%*	*66%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	1.4	1.7	26.7
Other	26.6	36.3	42.2
Current Assets	28.0	38.0	68.9
Accts Payable	6.6	5.5	7.4
Debt Due	6.9	5.1	.8
Other	18.5	18.6	20.1
Current Liab.	32.0	29.2	28.3
Fix. Chg. Cov.	352%	400%	250%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	6.0%	4.5%	2.0%
"Cash Flow"	6.0%	2.5%	4.0%
Earnings	2.0%	-3.0%	7.0%
Dividends	5.0%	5.0%	4.0%
Book Value	5.5%	4.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	62.4	239.0
2012	*46.0*	*63.0*	*78.0*	*63.0*	*250*
2013	*49.0*	*67.0*	*83.0*	*66.0*	*265*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	.29	.44	.35	1.11
2012	*.04*	*.32*	*.49*	*.30*	*1.15*
2013	*.05*	*.33*	*.50*	*.32*	*1.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.175				

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

SJW Corp. closed out 2011 in swimmingly good fashion. The water utility trounced both top- and bottom-line expectations, posting 23% revenues growth, while more than tripling earnings in the fourth quarter. Rate increases, coupled with retroactive rate relief, played a big role, but the company also did a great job of keeping costs in check.

That said, we look for momentum to slow considerably this year. Although top-line growth is expected to remain healthy, we believe that the pace set in the most recent quarter is unsustainable. SJW filed its general rate case for the 2013-2015 time frame a few months back, but a decision will probably not be made until the end of the year and not be accretive to earnings until early 2012. Meanwhile, we expect operating costs to begin ticking upward as does the need for maintenance.

In our opinion, the outlook does not get much better looking further out. Management is planning on dramatically increasing capital expenditures over the next couple of years, with infrastructure replacement taking center stage. The bill will be in the hundreds of millions of dollars. However, cash flow from operations does not come close to covering the costs, and the company's finances are far from adequate enough on their own. Outside funding will almost definitely be required, but the additional shares and/or debt offerings needed to foot the bill come at a cost, and will dilute gains for the foreseeable future. As a result, we see earnings growth further remaining tough to come by in 2013 and thereafter regardless of additional regulatory wins.

This stock holds little appeal at this time. True, its dividend is impressive at first blush. However, there are far better choices on the market for the income-minded. Plus, we worry that the aforementioned financial constraints could potentially cause income growth to slow, or perhaps be reconsidered if regulatory agencies reverses course and take on a more consumer-friendly approach in the future. Although the latter is not likely, it does add some speculation to this otherwise unimpressive selection. Indeed, the stock holds limited price appreciation potential, based on the earnings constraints.

Andre J. Costanza *April 20, 2012*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report around April 27th. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions.

Company's Financial Strength	B+
Stock's Price Stability	75
Price Growth Persistence	75
Earnings Predictability	85

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AQUA AMERICA NYSE-WTR

RECENT PRICE 21.72 | P/E RATIO 20.5 (Trailing: 21.5 Median: 25.0) | RELATIVE P/E RATIO 1.37 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Lowered 1/21/11
SAFETY 2 Raised 4/12/12
TECHNICAL 4 Lowered 3/30/12
BETA .65 (1.00 = Market)

High:	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	22.8
Low:	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3	21.1

Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

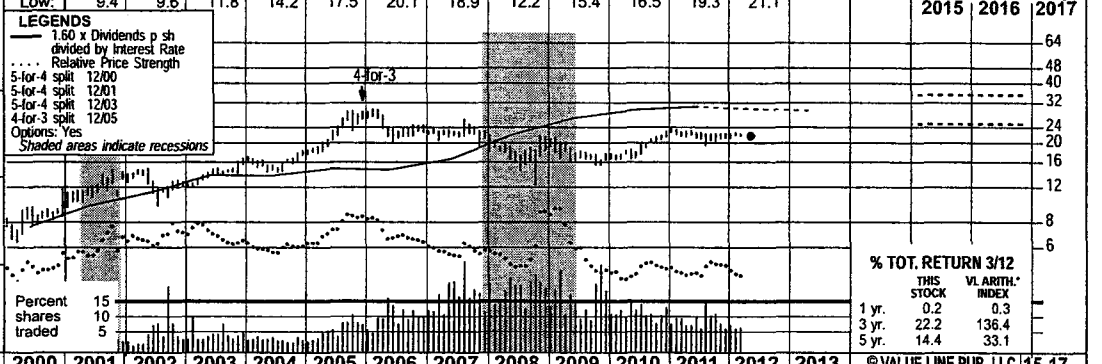
	Price	Gain	Ann'l Total Return
High	35	(+60%)	15%
Low	25	(+15%)	6%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	1	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	106	95	119
to Sell	104	113	92
Hld's(000)	55457	55356	55535



% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	0.2	0.3
3 yr.	22.2	136.4
5 yr.	14.4	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.13	5.70	5.95	Revenues per sh	6.65
.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.84	2.00	2.10	"Cash Flow" per sh	2.40
.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.03	1.10	1.20	Earnings per sh A	1.40
.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.62	.67	.71	Div'd Decl'd per sh B■	.79
.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.38	2.45	2.50	Cap'l Spending per sh	2.60
2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	9.01	9.45	9.95	Book Value per sh	11.05
65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.87	139.90	140.90	Common Shs Outst'g C	142.90
15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.1	Bold figures are		Avg Ann'l P/E Ratio	21.0
.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.36	Value Line		Relative P/E Ratio	1.40
4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	3.1%	estimates		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1475.9 mill. Due in 5 Yrs $300 mill.
LT Debt $1395.5 mill. LT Interest $65.0 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (53% of Cap'l)

Pension Assets-12/11 $148.9 mill. Oblig. $237.1 mill.

Pfd Stock None
Common Stock 138,876,626 shares as of 2/10/12
MARKET CAP: $3.0 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	711.9	795	840	Revenues ($mill)	950
62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	143.1	155	170	Net Profit ($mill)	200
38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	40.0%	40.0%	Income Tax Rate	40.0%
--	--	--	--	--	--	--	--	2.9%	3.1%	3.0%	3.0%	AFUDC % to Net Profit	2.0%
54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	53.0%	51.0%	49.0%	Long-Term Debt Ratio	45.0%
45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.0%	49.0%	51.0%	Common Equity Ratio	55.0%
1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2647.3	2695	2750	Total Capital ($mill)	2880
1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3780	3955	Net Plant ($mill)	4320
7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.8%	7.0%	7.5%	Return on Total Cap'l	8.0%
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	11.5%	12.0%	Return on Shr. Equity	12.5%
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	11.5%	12.0%	Return on Com Equity	12.5%
5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.5%	5.0%	Retained to Com Eq	5.5%
59%	59%	57%	56%	63%	67%	70%	72%	65%	60%	61%	59%	All Div'ds to Net Prof	57%

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	21.9	5.9	8.2
Receivables	78.7	85.9	81.1
Inventory (AvgCst)	9.5	9.2	11.2
Other	11.5	44.4	220.0
Current Assets	121.6	145.4	320.5
Accts Payable	57.9	45.3	68.3
Debt Due	87.0	28.5	80.4
Other	56.1	149.9	277.0
Current Liab.	201.0	223.7	425.7
Fix. Chg. Cov.	346%	290%	367%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.0%	7.5%	4.5%
"Cash Flow"	8.5%	8.0%	6.0%
Earnings	6.5%	4.5%	8.5%
Dividends	7.5%	8.0%	5.5%
Book Value	9.0%	7.0%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.5	207.8	179.3	726.1
2011	163.6	178.3	197.3	172.7	711.9
2012	179	198	219	199	795
2013	185	215	220	220	840

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.22	.27	.30	.24	1.03
2012	.20	.25	.37	.28	1.10
2013	.25	.30	.40	.25	1.20

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155	.165	.63
2012	.165				

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.5%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America's share earnings jumped more than 14% in 2011. An expanding consumer base along with increased existing customer demand were cited as the main factors behind the advance. Given the improving economy, we expect earnings growth to remain on an upward trend, albeit at a slower pace.

There are several rate cases in the mix for the company. Currently, Aqua America has 12 general rate requests in seven states, for over $65 million. Given the company's history with rate rulings, favorable outcomes are anticipated across the board. In addition to the rate cases mentioned, Aqua America is planning on filing seven more cases throughout 2012, for base rate relief as well as infrastructure surcharge filings. All in all, in the best-case scenario, these rulings are set to boost the top and bottom lines considerably from 2013 onward.

Aqua America remains on the prowl for mergers and acquisitions. The company has completed more than 250 deals over the last 15 years, and does not plan on slowing down its momentum in the near future. In fact, management has plans to expand Aqua America's presence in Pennsylvania, Ohio, and Texas. This should be aided via growing demand for environmentally responsible water (especially in the shale regions). Thus far, the company has three minor acquisitions in the Keystone state under its belt, and we expect the figure to be much higher by the end of the year, given the company's strong balance sheet and solid position in the industry.

The long term looks bright for now. In addition to the growing customer base, management is diversifying via its Marcellus Shale project (a joint venture with Penn Virginia Resource to construct and operate a $24 million private pipeline to supply fresh water to drilling operators), which is proceeding on schedule and within budget. The first segment was anticipated to be operational by the start of the second quarter.

The equity has limited long-term gains potential though, as it is currently trading close to our Target Price Range. However, income investors might be interested in the above average dividend yield.

Sahana Zutshi *April 20, 2012*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due late April.

(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	100

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ATTACHMENT B

Stocks in *Value Line's* Natural Gas Utility Industry did not, for the most part, participate in the recent stock market rally (fueled partially by upbeat consumer confidence data). But that's not surprising, since these equities are typically viewed as income vehicles. That quality can provide some much-needed stability during periods of market turbulence, as was the case during the last year.

INDUSTRY TIMELINESS: 61 (of 98)

The Economic Situation

During the final quarter of 2011, U.S. GDP growth was a not-too-spectacular 3%, aided by a rebuilding of inventories, increased commercial construction, plus decreased imports. Nevertheless, the economy is not out of the woods yet, given ongoing softness in the housing sector and the high unemployment rate (hovering around 8% at present). A rise in the price of gasoline does not help matters, either. At this juncture, we believe that GDP growth will stay moderate throughout the remainder of 2012. In this environment, customers have been focusing on energy conservation, which, of course, bodes ill for the revenues of the companies included in the Natural Gas Utility Industry.

A Key Merger

AGL Resources, serving more than 2.3 million customers across several states, including Georgia, Virginia, Tennessee, and Florida, recently completed its acquisition of Nicor Inc., with more than 2.2 million customers in Illinois. Under the terms of the transaction, valued at more than $2 billion, *AGL* paid $21.20 in cash or .8382 of a share of *AGL* stock for each Nicor share. This move created the largest natural gas distributor in the United States. Another plus is that the two companies' nonregulated units are somewhat complementary. Finally, decent cost savings are likely down the road.

Nonregulated Activities

A number of the companies here are investing in the nonregulated arena (which includes pipelines and energy marketing & trading) and it appears that trend will continue for years to come. Indeed, these businesses provide opportunities for utilities to broaden their income streams. The fact that nonregulated segments can provide upside to share net is noteworthy, given that the return on equity is set by the regulatory state commissions (usually in the 10%-12% range) on the regulated divisions. It should also be mentioned that results for companies with bigger nonregulated units could be more volatile than companies with a greater emphasis on the more stable utility segment.

Weather

Weather is a factor that affects the demand for natural gas, especially from small commercial businesses and consumers. Not surprisingly, earnings for utilities are susceptible to seasonal temperature patterns, with consumption normally at its peak during the winter heating months. Unseasonably warm or cold weather can cause substantial volatility in quarterly operating results. But some companies strive to counteract this exposure through temperature-adjusted rate mechanisms, which are available in many states. Therefore, investors interested in utilities with more-stable profits from year to year are advised to look for companies that hedge this risk.

Dividends

The main appeal of utility equities is their generous levels of dividend income. At the time of this writing, the average yield for the 11 companies in our group was about 3.6%, considerably higher than the *Value Line* median of 2.2%. Standouts include *AGL Resources*, *NiSource Inc.*, *Laclede Group*, and *Atmos Energy*. When the financial markets are turbulent, healthy dividend yields tend to act as an anchor, so to speak, in this category.

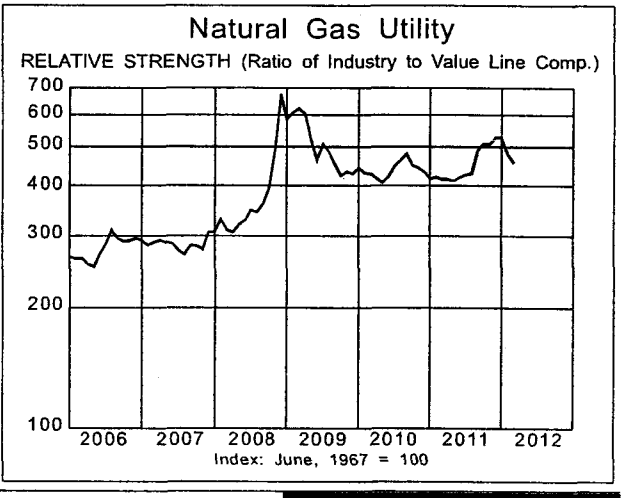
Conclusion

The Natural Gas Utility group is presently ranked in the bottom half of all industries tracked by *Value Line*, in terms of Timeliness. Nevertheless, these shares are most suitable for income-oriented investors with a conservative bent (given that a number of these issues are ranked favorably for Safety and earn high marks for Price Stability). All told, our readers are advised to consider the individual reports before making a commitment.

Frederick L. Harris, III

Composite Statistics: Natural Gas Utility

2008	2009	2010	2011	2012	2013		15-17
44207	34909	34089	*36250*	*42500*	*48000*	Revenues ($mill)	*63000*
1694.2	1677.6	1769.4	*2215*	*2375*	*2500*	Net Profit ($mill)	*3300*
35.7%	33.8%	34.0%	*35.0%*	*36.0%*	*36.0%*	Income Tax Rate	*37.0%*
3.8%	4.8%	5.2%	*6.1%*	*5.6%*	*5.2%*	Net Profit Margin	*5.2%*
50.6%	49.9%	46.7%	*52.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
49.4%	50.1%	53.3%	*48.0%*	*49.0%*	*49.0%*	Common Equity Ratio	*48.0%*
32729	33974	33144	*33250*	*35500*	*37300*	Total Capital ($mill)	*48000*
35342	37292	39294	*40250*	*42250*	*44600*	Net Plant ($mill)	*55000*
6.8%	6.5%	6.9%	*8.0%*	*8.0%*	*8.0%*	Return on Total Cap'l	*8.5%*
10.5%	10.0%	10.0%	*14.0%*	*13.5%*	*13.5%*	Return on Shr. Equity	*14.5%*
10.5%	10.0%	10.0%	*14.0%*	*13.5%*	*13.5%*	Return on Com Equity	*14.5%*
4.3%	3.8%	4.0%	*4.0%*	*4.5%*	*4.5%*	Retained to Com Eq	*5.0%*
59%	61%	61%	*61%*	*62%*	*62%*	All Div'ds to Net Prof	*65%*
13.9	12.8	14.0		*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.83	.85	.90		*Value Line*		Relative P/E Ratio	*1.00*
4.2%	4.8%	4.3%		*estimates*		Avg Ann'l Div'd Yield	*4.5%*
358%	381%	402%	*400%*	*390%*	*395%*	Fixed Charge Coverage	*405%*



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AGL RESOURCES NYSE-GAS

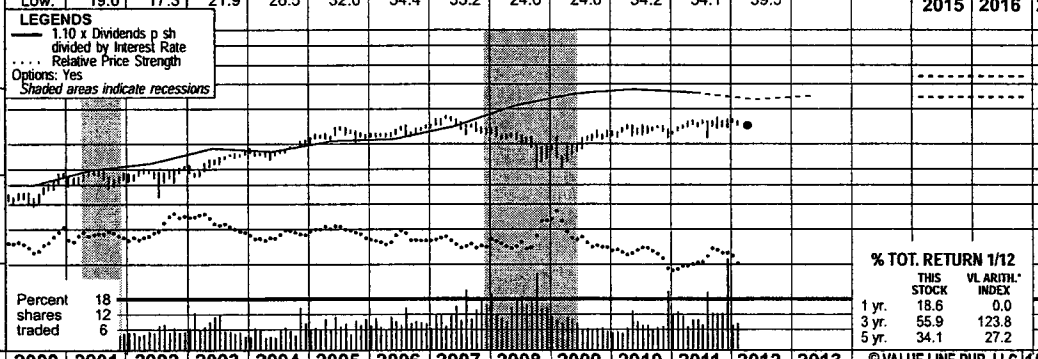
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
39.70	14.5	(Trailing: 15.0) (Median: 13.0)	0.94	4.6%	VALUE LINE

TIMELINESS 3 Raised 3/11/11
SAFETY 1 Raised 9/9/11
TECHNICAL 3 Lowered 10/28/11
BETA .75 (1.00 = Market)

High:	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	37.5	40.1	43.7	42.9
Low:	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0	34.2	34.1	39.5

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+75%)	18%
Low	55	(+40%)	10%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	1	1	0
to Sell	0	0	0	0	0	0	1	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	109	99	258
to Sell	104	118	63
Hld's(000)	50316	50506	71384

Percent shares traded 18 12 6

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	18.6	0.0
3 yr.	55.9	123.8
5 yr.	34.1	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.88	30.42	20.00	22.90	23.10	Revenues per sh A	27.25
2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.90	5.05	3.05	4.85	5.10	"Cash Flow" per sh	5.85
1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.88	3.00	2.12	3.25	3.45	Earnings per sh A B	4.10
1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	1.90	1.84	1.88	Div'ds Decl'd per sh C■	2.00
2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.14	6.54	3.42	3.90	4.10	Cap'l Spending per sh	4.95
10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	23.24	28.54	29.65	31.00	Book Value per sh D	34.25
55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.54	78.00	117.00	118.00	119.00	Common Shs Outst'g E	121.00
13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.2	12.5	12.6	Bold figures are		Avg Ann'l P/E Ratio	15.0
.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.75	.80	.82	Value Line		Relative P/E Ratio	1.00
5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	4.7%	4.8%	estimates		Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $4899.0 mill. **Due in 5 Yrs** $987.0 mill.
LT Debt $3561.0 mill. **LT Interest** $136.0 mill.
(Total interest coverage: 6.5x)

Leases, Uncapitalized Annual rentals $95.0 mill.
Pension Assets-12/11 $754.0 mill. **Oblig.** $968.0 mill.

Pfd Stock None

Common Stock 117,099,662 shs. as of 2/15/12

MARKET CAP: $4.6 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2317.0	2373.0	2338.0	2700	2750	Revenues ($mill) A	3300
103.0	132.4	153.0	193.0	212.0	211.0	207.6	222.0	234.0	172.0	385	410	Net Profit ($mill)	495
36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	40.5%	35.2%	35.9%	40.2%	40.0%	40.0%	Income Tax Rate	40.0%
11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	9.6%	9.9%	7.4%	14.2%	14.9%	Net Profit Margin	15.0%
58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	52.6%	48.0%	52.0%	50.0%	48.0%	Long-Term Debt Ratio	43.0%
41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	47.4%	52.0%	48.0%	50.0%	52.0%	Common Equity Ratio	57.0%
1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3754.0	3486.0	8238.0	8300	8385	Total Capital ($mill)	8545
2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4146.0	4405.0	7900.0	7990	8090	Net Plant ($mill)	8320
8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	6.9%	7.6%	3.0%	5.5%	6.0%	Return on Total Cap'l	6.5%
14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	5.2%	11.0%	11.0%	Return on Shr. Equity	12.0%
14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	5.2%	11.0%	11.0%	Return on Com Equity	12.0%
7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	5.1%	5.3%	5.6%	.7%	4.5%	5.0%	Retained to Com Eq	6.0%
52%	53%	49%	52%	52%	58%	60%	57%	57%	86%	57%	54%	All Div'ds to Net Prof	49%

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	26.0	24.0	69.0
Other	1974.0	2138.0	2677.0
Current Assets	2000.0	2162.0	2746.0
Accts Payable	237.0	184.0	294.0
Debt Due	602.0	1032.0	1338.0
Other	933.0	1212.0	1452.0
Current Liab.	1772.0	2428.0	3084.0
Fix. Chg. Cov.	515%	501%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	6.0%	5.5%	-2.5%
"Cash Flow"	6.5%	6.0%	2.5%
Earnings	9.0%	4.5%	5.5%
Dividends	5.0%	7.5%	2.0%
Book Value	7.0%	5.5%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	995.0	377.0	307.0	638.0	2317.0
2010	1003	359.0	346.0	665.0	2373.0
2011	878.0	375.0	295.0	790.0	2338.0
2012	1200	390	400	710	2700
2013	1250	410	420	670	2750

Cal-endar	EARNINGS PER SHARE AB Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.55	.26	.16	.91	2.88
2010	1.73	.17	.29	.81	3.00
2011	1.59	.23	d.04	.34	2.12
2012	1.65	.35	.40	.85	3.25
2013	1.70	.40	.50	.85	3.45

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44	.44	.44	.44	1.76
2011	.45	.45	.45	.55	1.90
2012	.36	.46			

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas, and Virginia Natural Gas. The utilities have more than 2.3 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in non-regulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. BlackRock Inc. owns 7.9% of common stock; off./dir., less than 1.0% (3/11 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources completed its merger with Nicor Inc., on December 9, 2011, making it the largest natural gas-only distribution company in the country. In accordance with the agreement, each share of Nicor stock was converted into a .8383 share of AGL Resources common stock (or $21.20 in cash). The merged entity, which changed its ticker symbol to GAS (Nicor's original symbol), now has a market value of about $4.6 billion, and serves about 4.5 million utility customers in seven states. AGL Resources also modified its segments post-merger, and now has five main businesses: Distribution Operations, Retail Operations, Wholesale Operations, Midstream Operations, and Other. The deal also combines the non regulated businesses of the two companies, and management has created a retail segment set to serve over one million.

Management announced a dividend increase. The board of directors approved a $0.01-per-share hike, resulting in an annual dividend rate of $1.84. Investors should note that in accordance with the pro forma dividends announced during the merger, shareholders received a pro rata dividend of $0.36, from December 9, to February 17. Previously, shareholders received a pro rata dividend of $0.0989 for the stub period. The dividend hike is keeping with the long-term underlying trend, and we do see this continuing.

The long term looks steady at this point. AGL Resources had several favorable rate rulings in the previous years, and expects a considerable boost to revenue going forward. In addition, the merger with Nicor has made it the largest natural gas distributor in the country, establishing a dominant presence in the Midwest. Our 2012 earnings estimate reflects a normalized rate of profitability, with modest growth set for 2013. The slow growth pattern should continue out to mid-decade, assuming demand for utility services rises in line with the rate of population increase in the company's service territories. Post merger corporate finances are in respectable shape.

This neutrally ranked equity will appeal most to income investors with its above industry-average dividend yield, and high likelihood of future hikes.

Sahana Zutshi *March 9, 2012*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late April.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2011: $1918 million, $16.40/share.
(E) In millions.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	95

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ATMOS ENERGY CORP. NYSE-ATO

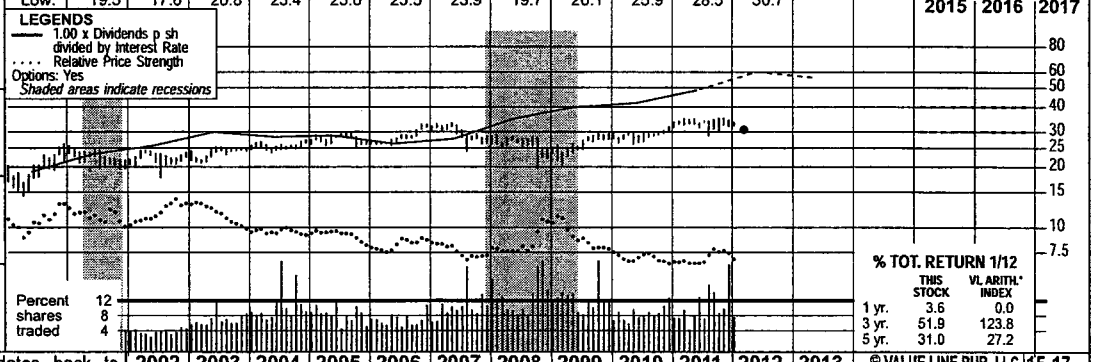
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
30.89	13.4	(Trailing: 15.0 Median: 14.0)	0.87	4.5%	VALUE LINE

TIMELINESS **4** Lowered 2/17/12
SAFETY **2** Raised 12/16/05
TECHNICAL **3** Lowered 2/24/12
BETA .70 (1.00 = Market)

High:	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	30.3	32.0	35.6	33.8
Low:	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.1	25.9	28.5	30.7

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	112	110	132
to Sell	105	116	103
Hld's(000)	50093	50338	48646

Percent shares traded 12 8 4

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	3.6	0.0
3 yr.	51.9	123.8
5 yr.	31.0	27.2

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
22.82	54.39	46.50	61.75	75.27	66.03	79.52	53.69	53.12	48.15	*48.35*	*50.10*	Revenues per sh A	*63.10*
3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.64	4.72	*4.95*	*5.15*	"Cash Flow" per sh	*5.65*
1.45	1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.16	2.26	*2.30*	*2.40*	Earnings per sh A B	*2.70*
1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	*1.38*	*1.40*	Div'ds Decl'd per sh C■	*1.48*
3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.51	6.02	6.90	*7.60*	*7.90*	Cap'l Spending per sh	*8.80*
13.75	16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.16	24.98	*27.55*	*29.95*	Book Value per sh	*34.65*
41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.55	90.16	90.30	*90.50*	*91.00*	Common Shs Outst'g D	*103.00*
15.2	13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.2	14.4	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.83	.76	.84	.86	.73	.84	.82	.83	.84	.90	*Value Line*		Relative P/E Ratio	*.85*
5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.7%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*
950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4789.7	4347.6	*4375*	*4560*	Revenues ($mill) A	*6500*
59.7	79.5	86.2	135.8	162.3	170.5	180.3	179.7	201.2	199.3	*210*	*220*	Net Profit ($mill)	*280*
37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	36.4%	*38.5%*	*38.5%*	Income Tax Rate	*38.5%*
6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.2%	4.6%	*4.8%*	*4.8%*	Net Profit Margin	*4.3%*
53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	45.4%	49.4%	*49.5%*	*49.5%*	Long-Term Debt Ratio	*49.0%*
46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	54.6%	50.6%	*50.5%*	*50.5%*	Common Equity Ratio	*51.0%*
1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	3987.9	4461.5	*4940*	*5400*	Total Capital ($mill)	*7000*
1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4793.1	5147.9	*5400*	*5700*	Net Plant ($mill)	*6700*
6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	5.9%	6.9%	6.1%	*6.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	*8.5%*	*8.0%*	Return on Shr. Equity	*8.0%*
10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	*8.5%*	*8.0%*	Return on Com Equity	*8.0%*
1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	3.3%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
82%	70%	77%	73%	63%	65%	65%	68%	62%	62%	*59%*	*58%*	All Div'ds to Net Prof	*54%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $2596.3 mill. **Due in 5 Yrs** $960.0 mill.
LT Debt $2206.2 mill. **LT Interest** $120.0 mill.
(LT interest earned: 3.1x; total interest coverage: 3.1x)
Leases, Uncapitalized Annual rentals $17.7 mill.
Pfd Stock None
Pension Assets-9/11 $280.2 mill. **Oblig.** $429.4 mill.
Common Stock 90,364,061 shs. as of 11/14/11
MARKET CAP: $2.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	132.0	131.4	85.2
Other	743.2	879.6	1176.0
Current Assets	875.2	1011.0	1261.2
Accts Payable	266.2	291.2	432.3
Debt Due	486.2	208.8	390.1
Other	413.7	367.6	357.4
Current Liab.	1166.1	867.6	1179.8
Fix. Chg. Cov.	440%	432%	435%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	6.5%	-3.5%	*3.5%*
"Cash Flow"	4.5%	4.5%	*3.5%*
Earnings	7.0%	4.0%	*4.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	6.5%	4.5%	*6.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1716.3	1821.4	780.8	650.6	4969.1
2010	1292.9	1940.3	770.2	786.3	4789.7
2011	1133.3	1581.5	843.6	789.2	4347.6
2012	1101.2	*1610*	*870*	*793.8*	*4375*
2013	*1205*	*1700*	*850*	*805*	*4560*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	.83	1.29	.02	d.17	1.97
2010	1.00	1.17	d.03	.02	2.16
2011	.81	1.40	.04	.01	2.26
2012	.72	*1.47*	*.09*	*.02*	*2.30*
2013	*.87*	*1.43*	*.07*	*.03*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33	.335	1.33
2010	.335	.335	.335	.34	1.35
2011	.34	.34	.34	.345	1.37
2012	.345				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2011 gas volumes: 281.5 MMcf. Breakdown: 57%, residential; 32%, commercial; 7%, industrial; and 4% other. 2011 depreciation rate 3.3%. Has around 4,750 employees. Officers and directors own 1.5% of common stock (12/11 Proxy). President and Chief Executive Officer: Kim R. Cocklin. Inc.: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy Corporation began fiscal 2012 (ends September 30th) on a sour note, compared to the first quarter of the previous year. The performance of the nonregulated segment was hurt by unfavorable pricing conditions in the natural gas market. To make matters worse, the natural gas distribution unit encountered a rise in operating expenses (including those pertaining to legal and depreciation & amortization).

But we expect better things for the Texas-based company as the year progresses. That should be attributable partially to ratemaking activity for the natural gas distribution segment. Moreover, the regulated transmission and storage unit should continue to shine, made possible by higher throughput. The nonregulated operation may lag a while longer, though.

All told, share net might well advance by several pennies, to $2.30, for the new fiscal year. Assuming additional expansion of operating margins, the bottom line stands to reach $2.40 a share in fiscal 2013.

Prospects over the 2015-2017 span do not appear exciting. The utility segment ranks as one of the nation's largest natural gas-only distributors. And we believe that the unregulated units have decent overall growth possibilities, present troubles aside. Too, the company will probably resume its successful strategy of purchasing less efficient utilities and shoring up their profitability through expense-reduction initiatives, rate relief, and aggressive marketing efforts. But given our exclusion of future acquisitions, annual share-net increases could only be in the mid-single-digit range over the next three to five years.

The main attraction here is the dividend yield, which is among the highest of all gas utility equities tracked by *Value Line*. Our long-term projections indicate that further (albeit, modest) increases in the well-covered distribution are likely. Other pluses for the stock include a 2 (Above Average) Safety rank and an excellent rating for Price Stability.

Meanwhile, Atmos Energy shares are a Below Average (4) selection for Timeliness.

Frederick L. Harris, III *March 9, 2012*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '03, d17¢; '06, d18¢; '07, d2¢; '09, 12¢; '10, 5¢; '11, (1¢). Excludes discontinued operations: '11, 10¢; '12, 3¢. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	90

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LACLEDE GROUP NYSE-LG

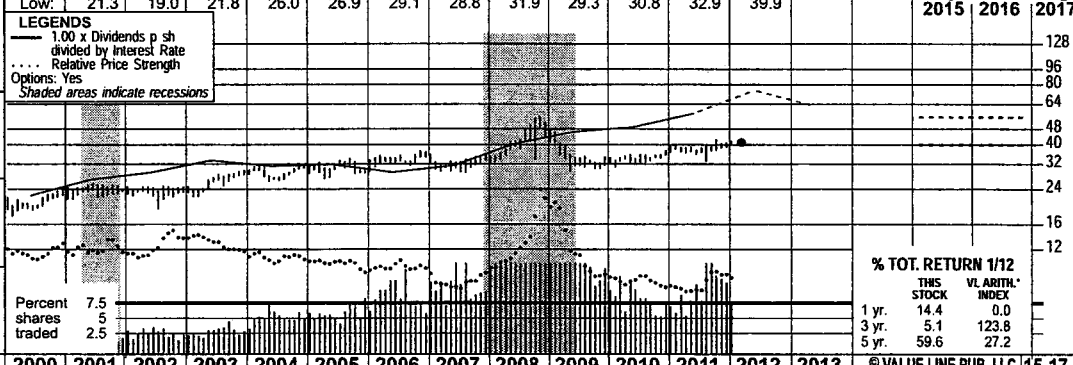
RECENT PRICE 41.25 | P/E RATIO 15.3 (Trailing: 14.1 Median: 14.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 3 Lowered 9/23/11
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Lowered 2/10/12
BETA .60 (1.00 = Market)

High:	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3	37.8	42.8	43.0
Low:	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9	29.3	30.8	32.9	39.9

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	11%
Low	40	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	2
to Sell	0	0	0	0	0	0	0	0	2

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	62	72	64
to Sell	57	55	58
Hld's(000)	10630	10983	10812

Percent shares traded 7.5 5 2.5

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.4	0.0
3 yr.	5.1	123.8
5 yr.	59.6	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	77.83	71.48	68.90	68.90	Revenues per sh	75.00
3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.11	4.62	4.60	4.75	"Cash Flow" per sh	5.20
1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.43	2.86	2.70	2.80	Earnings per sh A B	3.05
1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	1.61	1.65	1.69	Div'ds Decl'd per sh C■	1.80
2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.56	3.02	3.20	3.35	Cap'l Spending per sh	3.75
13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	24.02	25.56	27.30	27.80	Book Value per sh D	31.15
17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.29	22.43	22.50	23.00	Common Shs Outst'g E	26.00
11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.7	13.0	Bold figures are		Avg Ann'l P/E Ratio	15.5
.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.89	.87	.81	Value Line		Relative P/E Ratio	1.05
5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	4.7%	4.3%	estimates		Avg Ann'l Div'd Yield	3.8%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $452.4 mill. Due in 5 Yrs $70.0 mill.
LT Debt $339.4 mill. LT Interest $20.0 mill.
(Total interest coverage: 4.7x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/11 $248.0 mill. Oblig. $384.2 mill.

Pfd Stock None
Common Stock 22,486,439 shs. as of 1/26/12

MARKET CAP: $925 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	1895.2	1735.0	1603.3	1550	1585	Revenues ($mill) A	1950
22.4	34.6	36.1	40.1	50.5	49.8	57.6	64.3	54.0	63.8	61.0	64.5	Net Profit ($mill)	80.0
35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	33.6%	33.4%	31.4%	33.0%	34.0%	Income Tax Rate	35.0%
3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.4%	3.1%	4.0%	3.9%	4.1%	Net Profit Margin	4.1%
47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.9%	40.5%	38.9%	37.0%	37.0%	Long-Term Debt Ratio	40.0%
52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.1%	59.5%	61.1%	63.0%	63.0%	Common Equity Ratio	60.0%
546.6	605.0	737.4	707.9	798.9	784.5	876.1	906.3	899.9	937.7	975	1015	Total Capital ($mill)	1350
594.4	621.2	646.9	679.5	763.8	793.8	823.2	855.9	884.1	928.7	965	1005	Net Plant ($mill)	1300
6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	8.7%	7.4%	8.1%	7.5%	7.5%	Return on Total Cap'l	7.0%
7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	10.0%	10.0%	Return on Shr. Equity	10.0%
7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	10.0%	10.0%	Return on Com Equity	10.0%
NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	5.9%	3.6%	4.9%	4.0%	4.0%	Retained to Com Eq	4.0%
113%	74%	73%	72%	59%	63%	56%	53%	64%	56%	61%	60%	All Div'ds to Net Prof	58%

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	86.9	43.3	44.6
Other	327.3	325.8	370.9
Current Assets	414.2	369.1	415.5
Accts Payable	95.6	96.6	94.3
Debt Due	154.6	46.0	113.0
Other	83.7	89.3	115.9
Current Liab.	333.9	231.9	323.2
Fix. Chg. Cov.	391%	463%	430%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.0%	.5%	Nil
"Cash Flow"	5.0%	7.0%	3.0%
Earnings	6.5%	6.0%	2.0%
Dividends	1.5%	2.5%	2.5%
Book Value	5.0%	6.5%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	674.3	659.1	309.9	251.9	1895.2
2010	491.2	635.3	324.5	284.0	1735.0
2011	444.2	543.8	344.3	271.0	1603.3
2012	410.9	535	335	269.1	1550
2013	430	550	340	265	1585

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1.42	1.40	.31	d.22	2.92
2010	1.03	1.26	.21	d.07	2.43
2011	1.05	1.25	.69	d.13	2.86
2012	1.12	1.35	.35	d.12	2.70
2013	1.11	1.38	.40	d.09	2.80

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54
2010	.395	.395	.395	.395	1.58
2011	.405	.405	.405	.405	1.62
2012	.415				

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 625,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Utility therms sold and transported in fiscal 2011: 1.1 bill. Revenue mix for regulated operations: residential, 64; commercial and industrial, 22%; transportation, 2%; other, 12%. Has around 1,640 employees. Officers and directors own approximately 8% of common shares (1/12 proxy). Chairman: William E. Nasser; CEO: Suzanne Sitherwood. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

Laclede Group got off to a decent start in fiscal 2012, ends September 30th, as first-quarter share net was 6.7% higher than the year-ago tally. Laclede Energy Resources (LER) was the star performer, as it enjoyed a drop in transportation costs resulting from the renegotiation of contracts that were renewed during fiscal 2011. Profits for Laclede Gas were slightly better, thanks to higher infrastructure system replacement surcharge revenues and lower maintenance costs. But higher pension and benefit expenses provided somewhat of an offset here.

Still, we believe that earnings for the year, as a whole, will be down a bit. That's largely because of the challenging third-quarter comparison. In fact, Laclede Gas benefited from a substantial gain, last April, on the sale of 320,000 barrels of propane from inventory that was no longer required to serve utility customers. As a result, fiscal 2012 share net may well decrease around 5%, to $2.70. But we look for the bottom line to advance nearly 4%, to $2.80 a share, the following year, assuming that operating margins expand.

The company stands to have an unspectacular performance over the 2015-2017 period. Expansion of the customer base for the gas utility will likely remain sluggish, as the service territory has been in a mature phase for some time. We think LER has good long-term potential, but it tends to contribute just a small portion to total profits. Of course, an acquisition could brighten things. Even so, it seems that management has no such plans at this time. Thus, in the present configuration, annual share-net gains could only be in the low-to-mid-single-digit range over the next three to five years.

The good-quality stock's dividend yield ranks favorably among all gas utility equities tracked by *Value Line*. The payout should continue to be well covered by earnings, although future hikes may be moderate, at best. That's mainly because of the utility unit's lackluster long-term prospects.

Total return potential is not exciting. Indeed, these shares are already trading within our 3- to 5-year Target Price Range. The dividend will probably continue to grow at a slow rate, as well.

Frederick L. Harris, III *March 9, 2012*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '11: $429.9 mill., $19.17/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	80

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NEW JERSEY RES. NYSE-NJR

RECENT PRICE **46.91** | P/E RATIO **16.5** (Trailing: 15.8 Median: 15.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **3.2%** | VALUE LINE

TIMELINESS 3 Raised 2/17/12
SAFETY 1 Raised 9/15/06
TECHNICAL 4 Lowered 3/9/12
BETA .65 (1.00 = Market)

High:	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	44.1	50.5	50.3
Low:	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	30.0	33.5	39.6	46.6

Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

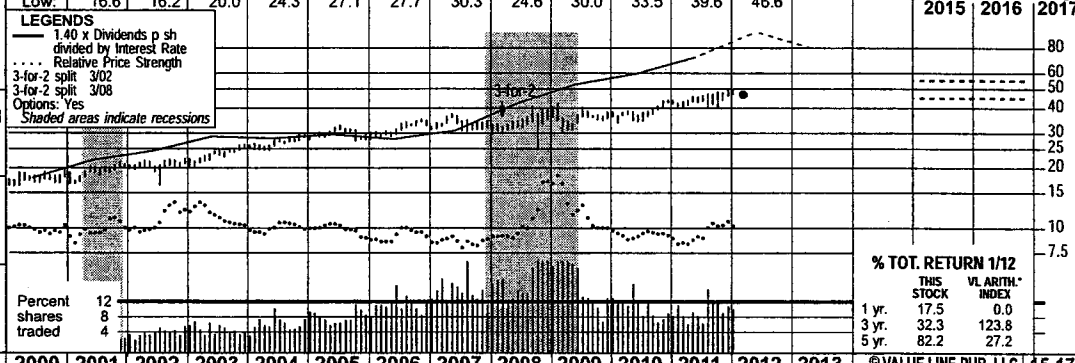
	Price	Gain	Ann'l Total Return
High	55	(+15%)	7%
Low	45	(-5%)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	0	0
to Sell	0	0	0	0	2	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	58	69	66
to Sell	67	58	65
Hld's(000)	23841	23955	24285



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.5	0.0
3 yr.	32.3	123.8
5 yr.	82.2	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	64.10	72.60	*77.50*	*80.00*	Revenues per sh A	*87.25*
1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.26	3.40	*3.85*	*4.10*	"Cash Flow" per sh	*4.50*
.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.46	2.58	*2.85*	*3.15*	Earnings per sh B	*3.45*
.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	1.44	*1.52*	*1.52*	Div'ds Decl'd per sh C■	*1.68*
1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	2.10	2.26	*2.00*	*2.00*	Cap'l Spending per sh	*2.00*
6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.62	18.73	*18.30*	*19.30*	Book Value per sh D	*24.60*
40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	41.17	41.45	*40.00*	*40.00*	Common Shs Outst'g E	*40.00*
13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	15.0	16.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.74	.99	.95	1.05	*Value Line*		Relative P/E Ratio	*.95*
5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%	3.7%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $756.3 mill. **Due in 5 Yrs** $129.1 mill.
LT Debt $431.6 mill. **LT Interest** $19.6 mill.
Incl. $69.9 mill. capitalized leases.
(LT interest earned: 7.5x; total interest coverage: 7.5x)
Pension Assets-9/11 $155.7 mill. **Oblig.** $270.2 mill.
Pfd Stock None

Common Stock 41,476,807 shs. as of 2/3/12
MARKET CAP: $1.9 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	2592.5	2639.3	3009.2	*3100*	*3200*	Revenues ($mill) A	*3490*
56.8	65.4	71.6	74.4	78.5	65.3	113.9	101.0	101.8	106.5	*115*	*125*	Net Profit ($mill)	*140*
38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	27.1%	41.4%	30.2%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.9%	3.9%	3.5%	*3.7%*	*3.9%*	Net Profit Margin	*4.0%*
50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	39.8%	37.2%	35.5%	*40.5%*	*39.5%*	Long-Term Debt Ratio	*33.5%*
49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	60.2%	62.8%	64.5%	*59.5%*	*60.5%*	Common Equity Ratio	*66.5%*
732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	1144.8	1154.4	1203.1	*1230*	*1275*	Total Capital ($mill)	*1480*
756.4	852.6	880.4	905.1	934.9	970.9	1017.3	1064.4	1135.7	1295.9	*1320*	*1350*	Net Plant ($mill)	*1430*
8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	9.7%	9.7%	9.7%	*10.5%*	*11.0%*	Return on Total Cap'l	*10.5%*
15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	*16.0%*	*16.5%*	Return on Shr. Equity	*14.0%*
15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	*16.0%*	*16.5%*	Return on Com Equity	*14.0%*
6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	7.2%	6.7%	6.2%	*7.5%*	*8.5%*	Retained to Com Eq	*7.5%*
56%	51%	49%	50%	50%	64%	40%	50%	52%	55%	*53%*	*49%*	All Div'ds to Net Prof	*48%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	.9	7.4	7.8
Other	784.1	725.0	863.0
Current Assets	785.0	732.4	870.8
Accts Payable	47.3	66.0	70.9
Debt Due	178.9	166.9	324.8
Other	479.6	470.5	445.8
Current Liab.	705.8	703.4	841.5
Fix. Chg. Cov.	700%	700%	700%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	7.0%	-1.5%	*4.5%*
"Cash Flow"	5.0%	4.5%	*5.5%*
Earnings	7.5%	7.0%	*5.5%*
Dividends	6.0%	8.0%	*4.0%*
Book Value	8.0%	7.5%	*5.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	801.3	937.5	441.1	412.6	2592.5
2010	609.6	918.4	479.8	631.5	2639.3
2011	713.2	977.0	648.1	670.9	3009.2
2012	642.4	*1030*	*700*	*727.6*	*3100*
2013	*685*	*1050*	*720*	*745*	*3200*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	.77	1.71	.03	d.12	2.40
2010	.66	1.55	.28	d.03	2.46
2011	.71	1.62	.23	.02	2.58
2012	1.09	*1.60*	*.20*	*d.04*	*2.85*
2013	*1.15*	*1.67*	*.28*	*.05*	*3.15*

Cal-endar	QUARTERLY DIVIDENDS PAID C E■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.267	.28	.28	.28	1.11
2009	.31	.31	.31	.31	1.24
2010	.34	.34	.34	.34	1.36
2011	.36	.36	.36	.36	1.44
2012	.38				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 494,964 customers at 9/30/11 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2011 volume: 178 bill. cu. ft. (5% interruptible, 35% residential and commercial and electric utility, 60% incentive programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2011 dep. rate: 2.2%. Has 891 empls. Off./dir. own about 1.1% of common (12/11 Proxy). Chrmn., CEO & Pres. : Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources is off to a great start in fiscal 2012. The December-period top line declined about 9.9%. However, this downturn stemmed from lower natural gas prices, which get passed through to the end-consumer. Meanwhile, thanks to projects placed into service at NJR Clean Energy Ventures, continued growth at New Jersey Natural Gas (NJNG), and improved results at NJR Energy Services, first-quarter earnings increased 53.5%, to $1.09 a share.

The company appears poised to log a double-digit earnings advance this year. The NJNG division added 2,001 new customers during the December period. At this point, management plans to add about 6,000-7,000 additional accounts for the full 12 months. Some of that figure will come from steady customer growth, while the remainder will come from customer conversions. At the same time, New Jersey Resources should benefit from its Clean Energy Ventures, which is anticipated to represent 15%-25% of its overall operations this year. Its Energy Services, Energy Holdings (midstream operations), and Home Services units should also chip in.

We have introduced our 2013 top- and bottom-line estimates at $3.2 billion and $3.15 a share, respectively. This ought to be supported by continued growth in customer accounts and capital projects. Management has set a healthy growth target of 12,000-14,000 new customer accounts through the end of 2013.

Multiple capital projects solidify the company's prospects. Last year, NJR completed its Accelerated Infrastructure Program I (AIP I). The second phase of that program, AIP II, has nine separate projects that are in the design or construction phase. All of those are expected to be completed by October of 2012, at a cost of about $60 million. These investments will help to boost the reliability of the company's distribution system.

These shares may appeal to investors seeking dividend growth. However, when compared with other utilities in *The Value Line Investment Survey*, they offer a below-average dividend yield. Meanwhile, our Timeliness Ranking System suggests the equity will mirror the broader market averages in the coming year.

Bryan J. Fong *March 9, 2012*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2011: $434.2 million, $10.49/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	50

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N.W. NAT'L GAS NYSE-NWN

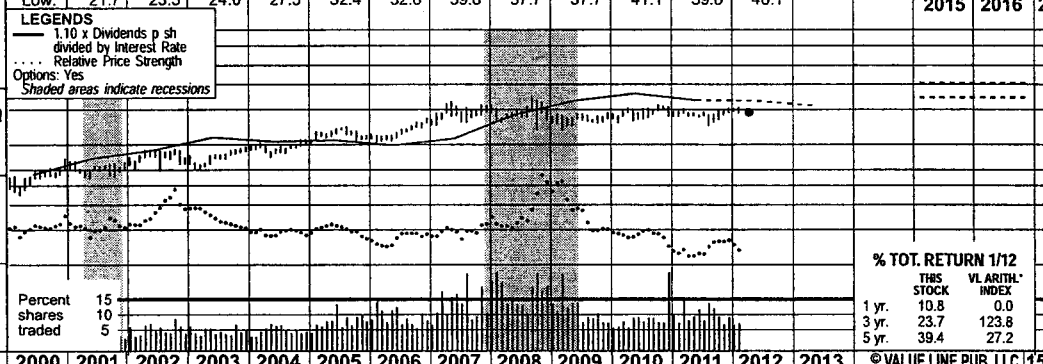
RECENT PRICE 46.52 | P/E RATIO 18.5 (Trailing: 19.5 Median: 17.0) | RELATIVE P/E RATIO 1.20 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 4 Lowered 5/13/11
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Lowered 12/16/11
BETA .60 (1.00 = Market)

High:	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.5	50.9	49.0	49.5
Low:	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7	41.1	39.6	46.1

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+40%)	9%
Low	55	(+20%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	2	0	0	1	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	54	54	72
to Sell	65	66	43
Hld's(000)	15895	16264	16071

Percent shares traded 15 10 5

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.8	0.0
3 yr.	23.7	123.8
5 yr.	39.4	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.56	31.77	*32.50*	*33.60*	Revenues per sh	*48.25*
3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.18	5.01	*5.65*	*6.15*	"Cash Flow" per sh	*7.15*
1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.39	*2.65*	*2.95*	Earnings per sh A	*3.60*
1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	1.75	*1.78*	*1.82*	Div'ds Decl'd per sh B■	*1.94*
3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.35	3.76	*4.50*	*5.20*	Cap'l Spending per sh	*8.15*
15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	26.08	26.74	*28.20*	*29.90*	Book Value per sh D	*33.95*
22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.58	26.72	*26.75*	*26.80*	Common Shs Outst'g C	*26.95*
11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.0	17.0	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.08	1.09	*Value Line*		Relative P/E Ratio	*1.15*
5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.6%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $823.3 mill. Due in 5 Yrs $250 mill.
LT Debt $641.7 mill. LT Interest $42.1 mill.

(Total interest coverage: 7.0x)

Pension Assets-12/10 $219 mill. Oblig. $337.3 mill.

Pfd Stock None

Common Stock 26,719,000 shares

MARKET CAP $1.2 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	848.8	*870*	*900*	Revenues ($mill)	*1300*
43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	63.9	*71.0*	*79.0*	Net Profit ($mill)	*97.0*
34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	40.5%	30.0%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	7.5%	*8.2%*	*8.8%*	Net Profit Margin	*7.5%*
47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.1%	47.0%	*45%*	*43%*	Long-Term Debt Ratio	*37%*
51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.9%	53.0%	*55%*	*57%*	Common Equity Ratio	*63%*
937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1284.8	1356.2	*1375*	*1400*	Total Capital ($mill)	*1455*
995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	1893.9	*1985*	*2090*	Net Plant ($mill)	*2390*
5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	7.0%	4.7%	*6.5%*	*7.0%*	Return on Total Cap'l	*8.0%*
8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.5%*
8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	*9.5%*	*10.0%*	Return on Com Equity	*10.5%*
1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	*2.4%*	*3.0%*	*4.0%*	Retained to Com Eq	*5.0%*
79%	72%	69%	63%	59%	52%	59%	56%	61%	73%	*67%*	*61%*	All Div'ds to Net Prof	*54%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	8.4	3.5	5.8
Other	319.8	326.8	342.9
Current Assets	328.2	330.3	348.7
Accts Payable	123.7	93.2	86.3
Debt Due	137.0	267.4	181.6
Other	131.9	107.6	146.6
Current Liab.	392.6	468.2	414.5
Fix. Chg. Cov.	381%	366%	334%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	7.0%	5.5%	*4.5%*
"Cash Flow"	4.0%	5.5%	*4.5%*
Earnings	6.0%	7.0%	*4.0%*
Dividends	2.5%	4.5%	*3.0%*
Book Value	4.0%	4.0%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	437.4	149.1	116.9	309.3	1012.7
2010	286.5	162.4	95.1	268.1	812.1
2011	323.1	161.2	93.3	271.2	848.8
2012	*315*	*165*	*145*	*245*	*870*
2013	*330*	*170*	*150*	*250*	*900*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.78	.12	d.25	1.18	2.83
2010	1.64	.26	d.28	1.11	2.73
2011	1.53	.08	d.31	1.09	2.39
2012	*1.74*	*.14*	*d.45*	*1.22*	*2.65*
2013	*1.80*	*.16*	*d.20*	*1.19*	*2.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435	.435	.435	.445	1.75
2012	.445				

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 57%; commercial, 26%; industrial, gas transportation, and other, 17%. Employs 1,061. BlackRock Inc. owns 7.9% of shares; officers and directors, 1.5% (4/11 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Gas' earnings dipped in 2011, by over 12%, to $2.39. The primary contributor to the decrease was a one-time charge (of about $4 million) from Senate Bill 967. Consequently, given the depressed state of natural gas prices and the unlikelihood of a rebound in the near future, we have reduced our 2012 estimate to $2.65, a decrease of a dime from our previous figure of $2.75.

The board of directors recently raised the dividend. The payout is now $0.445 a quarter, resulting in a $1.78 annual dividend. The hike went into effect at the end of the fourth quarter. Given the company's history of steady dividend increases, we do not see this trend abating in the future, which should attract income-oriented readers.

The Oregon rate case remains on the agenda. The case, the company's first in nine years, was filed at the end of 2011. Northwest is asking for a 6% rate increase, which would provide a moderate boost to the top and bottom lines going forward. We anticipate a ruling by end of the third quarter, and the proposed changes should by implemented by the end of 2012 or the beginning of 2013. Given the length of time since the last rate increase, we do not foresee any obstacles going forward, and a favorable rate ruling is quite likely.

Long-term projects should help the top and bottom lines. Several ventures are proceeding on schedule, with the joint venture with Encana set to benefit revenues and earnings by mid-decade. The expansion of the Gill Ranch storage facility should also help boost volume, in turn expanding the customer base. All in all, we anticipate seeing a steady increase in earnings from 2013 onward, as volume increases and benefits from several solar projects also kick in.

But the overall picture is uncertain at this point. The sudden depression in gas prices does not augur well for the company's future. Barring a sudden recovery, Northwest Natural is in for a turbulent time. Investors should note that any gains from its projects could be more than offset by the lower prices.

This untimely equity may be attractive to income investors that dislike risk (Safety: 1).

Sahana Zutshi *March 9, 2012*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢. Next earnings report due late April.
(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.
(D) Includes Intangibles. In 2011: $371.4 million. $13.90/share.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	90

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PIEDMONT NAT'L. GAS NYSE-PNY

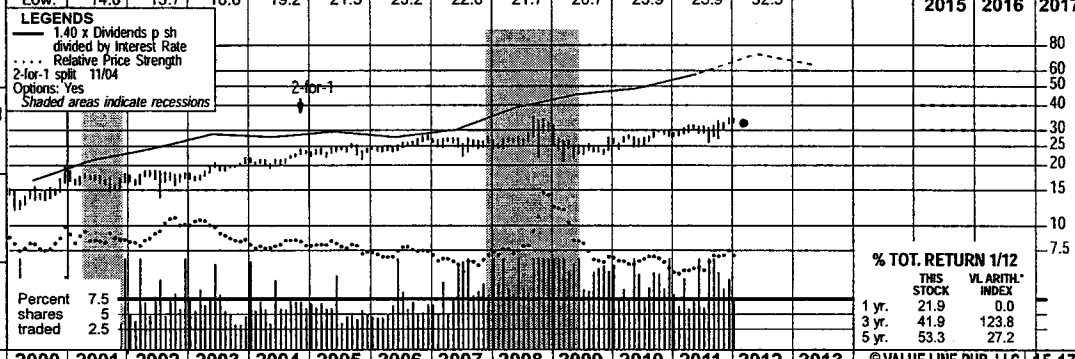
RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
32.57	19.7 (Trailing: 20.7 Median: 18.0)	1.28	3.6%	

TIMELINESS 3 Raised 5/20/11
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 2/17/12
BETA .70 (1.00 = Market)

High:	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	34.7	34.6
Low:	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	25.9	32.3

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 11/04
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+25%)	8%
Low	30	(-10%)	2%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	70	87	85
to Sell	82	80	85
Hld's(000)	31155	32138	32579

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.9	0.0
3 yr.	41.9	123.8
5 yr.	53.3	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	19.83	*21.85*	*23.05*	Revenues per sh A	*25.95*
1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	2.99	*3.10*	*3.20*	"Cash Flow" per sh	*3.50*
.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	1.57	*1.65*	*1.70*	Earnings per sh AB	*1.90*
.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	1.15	*1.19*	*1.23*	Div'ds Decl'd per sh C■	*1.35*
1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	3.37	*7.75*	*7.85*	Cap'l Spending per sh	*8.10*
6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	13.79	*13.95*	*14.05*	Book Value per sh D	*14.70*
59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	72.32	*71.00*	*70.00*	Common Shs Outst'g E	*68.00*
13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	18.9	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.09	1.19	*Value Line*		Relative P/E Ratio	*1.20*
4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*
						832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	1433.9	*1550*	*1615*	Revenues ($mill) A	*1765*
						62.2	74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	113.6	*117*	*120*	Net Profit ($mill)	*125*
						33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	24.6%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
						7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	7.9%	*7.6%*	*7.4%*	Net Profit Margin	*7.1%*
						43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	40.4%	*43.0%*	*46.5%*	Long-Term Debt Ratio	*50.0%*
						56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	59.6%	*57.0%*	*53.5%*	Common Equity Ratio	*50.0%*
						1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	1671.9	*1735*	*1835*	Total Capital ($mill)	*2000*
						1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	2627.3	*2700*	*2750*	Net Plant ($mill)	*2900*
						7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	8.2%	*8.5%*	*8.5%*	Return on Total Cap'l	*8.5%*
						10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Shr. Equity	*13.0%*
						10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Com Equity	*13.0%*
						1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	3.1%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
						83%	74%	66%	68%	74%	70%	69%	64%	72%	73%	*72%*	*72%*	All Div'ds to Net Prof	*72%*

CAPITAL STRUCTURE as of 10/31/11
Total Debt $1006.0 mill. **Due in 5 Yrs** $175.0 mill.
LT Debt $675.0 mill. **LT Interest** $46.1 mill.
(LT interest earned: 4.1x; total interest coverage: 3.4x)

Pension Assets-10/11 $259.5 mill. **Oblig.** $236.6 mill.

Pfd Stock None

Common Stock 72,338,303 shs. as of 12/16/11

MARKET CAP: $2.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	10/31/11
Cash Assets	7.6	5.6	6.8
Other	505.6	322.2	279.2
Current Assets	513.2	327.8	286.0
Accts Payable	115.4	115.7	129.7
Debt Due	366.0	302.0	331.0
Other	118.8	80.9	72.9
Current Liab.	600.2	498.6	534.1
Fix. Chg. Cov.	316%	323%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	4.5%	-1.5%	3.5%
"Cash Flow"	5.5%	4.0%	2.5%
Earnings	5.0%	4.5%	2.5%
Dividends	4.5%	4.0%	3.5%
Book Value	5.0%	3.0%	2.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	779.6	455.4	180.3	222.8	1638.1
2010	673.7	472.9	211.6	194.1	1552.3
2011	652.0	392.6	197.3	192.0	1433.9
2012	*680*	*415*	*225*	*230*	*1550*
2013	*695*	*430*	*240*	*250*	*1615*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	1.10	.73	d.10	d.06	1.67
2010	1.14	.65	d.13	d.13	1.55
2011	1.16	.66	d.12	d.13	1.57
2012	*1.17*	*.68*	*d.10*	*d.10*	*1.65*
2013	*1.18*	*.70*	*d.09*	*d.09*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28	.29	.29	.29	1.15
2012	.29				

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 968,188 customers in North Carolina, South Carolina, and Tennessee. 2011 revenue mix: residential (46%), commercial (27%), industrial (7%), other (20%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 60.0% of revenues. '11 deprec. rate: 3.2%. Estimated plant age: 10 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,782 employees. Off./dir. own about 1.2% of common stock, BlackRock; 7.6% (1/12 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted January-period earnings little changed from last year. *(Note: The company was expected to issue financial results shortly after this report went to press.)* We look for the natural gas distributor to continue to register growth in the number of new customer accounts, despite the stagnant housing markets in PNY's service area. Piedmont was successful in raising that metric by 10,500 during the course of 2011 (the last period of available financial information), and we think that trend will continue. Alternatively, the decline in natural gas pricing will probably weigh on revenues. That said, this is largely viewed as a technicality as gas prices are just passed through to the end-customer. Overall, system throughput is a better gauge of PNY's business volumes, and that measure increased 10.7% in 2011, to 280 million dekatherms. This steady momentum ought to translate into a decent showing for the fiscal first quarter.

However, things should pick up later this year, and we look for the company to log a 5% share-net advance in 2012. Last year's completion of two power generation projects at Duke's Buck facility and the Progress' Richmond facility should help contribute to this rise. Additional gains ought to stem from increased customer accounts. Finally, we are awaiting the decision for a possible rate increase by the Tennessee Regulatory Authority.

Meantime, the balance sheet is in good shape and improving. The company's cash reserves advanced 20% last year, to roughly $6.8 million. At the same time, the long-term debt load has remained relatively constant, at $675 million.

We have introduced our 2013 top- and bottom-line estimates at $1.615 billion and $1.70 a share, respectively. At the moment, PNY has two large capital undertakings in the works. The Progress' Wayne County and Sutton Projects have been completely designed, and construction is under way on the former, while Sutton should begin in May or June. Those ventures are slated for completion in June of 2012 and 2013, respectively.

These shares don't stand out at this time for their yield or total return potential among utilities.

Bryan J. Fong *March 9, 2012*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due mid Mar. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2011: $527.6 million, $7.29/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	95

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PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
32.57	19.7	(Trailing: 20.7 Median: 18.0)	1.28	3.6%	VALUE LINE

TIMELINESS **3** Raised 5/20/11

SAFETY **2** New 7/27/90

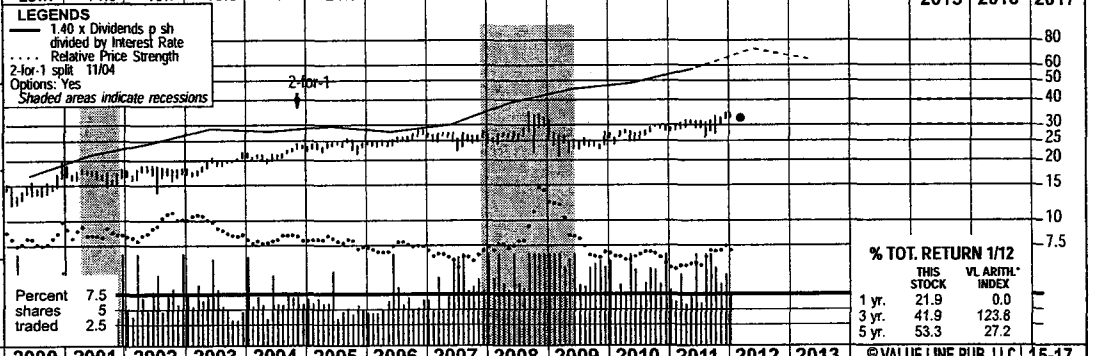
TECHNICAL **3** Lowered 2/17/12

BETA .70 (1.00 = Market)

High:	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	34.7	34.6
Low:	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	25.9	32.3

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.40 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 11/04
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+25%)	8%
Low	30	(-10%)	2%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	70	87	85
to Sell	82	80	85
Hld's(000)	31155	32138	32579

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.9	0.0
3 yr.	41.9	123.8
5 yr.	53.3	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	19.83	*21.85*	*23.05*	Revenues per sh A	*25.95*
1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	2.99	*3.10*	*3.20*	"Cash Flow" per sh	*3.50*
.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	1.57	*1.65*	*1.70*	Earnings per sh AB	*1.90*
.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	1.15	*1.19*	*1.23*	Div'ds Decl'd per sh C■	*1.35*
1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	3.37	*7.75*	*7.85*	Cap'l Spending per sh	*8.10*
6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	13.79	*13.95*	*14.05*	Book Value per sh D	*14.70*
59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	72.32	*71.00*	*70.00*	Common Shs Outst'g E	*68.00*
13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	18.9	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.09	1.19	*Value Line*		Relative P/E Ratio	*1.20*
4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*

CAPITAL STRUCTURE as of 10/31/11
Total Debt $1006.0 mill. Due in 5 Yrs $175.0 mill.
LT Debt $675.0 mill. LT Interest $46.1 mill.
(LT interest earned: 4.1x; total interest coverage: 3.4x)

Pension Assets-10/11 $259.5 mill. Oblig. $236.6 mill.

Pfd Stock None

Common Stock 72,338,303 shs. as of 12/16/11

MARKET CAP: $2.4 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	1433.9	*1550*	*1615*	Revenues ($mill) A	*1765*
62.2	74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	113.6	*117*	*120*	Net Profit ($mill)	*125*
33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	24.6%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	7.9%	*7.6%*	*7.4%*	Net Profit Margin	*7.1%*
43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	40.4%	*43.0%*	*46.5%*	Long-Term Debt Ratio	*50.0%*
56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	59.6%	*57.0%*	*53.5%*	Common Equity Ratio	*50.0%*
1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	1671.9	*1735*	*1835*	Total Capital ($mill)	*2000*
1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	2627.3	*2700*	*2750*	Net Plant ($mill)	*2900*
7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	8.2%	*8.5%*	*8.5%*	Return on Total Cap'l	*8.5%*
10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Shr. Equity	*13.0%*
10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Com Equity	*13.0%*
1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	3.1%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
83%	74%	66%	68%	74%	70%	69%	64%	72%	73%	*72%*	*72%*	All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL.)	2009	2010	10/31/11
Cash Assets	7.6	5.6	6.8
Other	505.6	322.2	279.2
Current Assets	513.2	327.8	286.0
Accts Payable	115.4	115.7	129.7
Debt Due	366.0	302.0	331.0
Other	118.8	80.9	72.9
Current Liab.	600.2	498.6	534.1
Fix. Chg. Cov.	316%	323%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	4.5%	-1.5%	3.5%
"Cash Flow"	5.5%	4.0%	2.5%
Earnings	5.0%	4.5%	2.5%
Dividends	4.5%	4.0%	3.5%
Book Value	5.0%	3.0%	2.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	779.6	455.4	180.3	222.8	1638.1
2010	673.7	472.9	211.6	194.1	1552.3
2011	652.0	392.6	197.3	192.0	1433.9
2012	*680*	*415*	*225*	*230*	*1550*
2013	*695*	*430*	*240*	*250*	*1615*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	1.10	.73	d.10	d.06	1.67
2010	1.14	.65	d.13	d.13	1.55
2011	1.16	.66	d.12	d.13	1.57
2012	*1.17*	*.68*	*d.10*	*d.10*	*1.65*
2013	*1.18*	*.70*	*d.09*	*d.09*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28	.29	.29	.29	1.15
2012	.29				

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 968,188 customers in North Carolina, South Carolina, and Tennessee. 2011 revenue mix: residential (46%), commercial (27%), industrial (7%), other (20%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 60.0% of revenues. '11 deprec. rate: 3.2%. Estimated plant age: 10 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,782 employees. Off./dir. own about 1.2% of common stock, BlackRock; 7.6% (1/12 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted January-period earnings little changed from last year. *(Note: The company was expected to issue financial results shortly after this report went to press.)* We look for the natural gas distributor to continue to register growth in the number of new customer accounts, despite the stagnant housing markets in PNY's service area. Piedmont was successful in raising that metric by 10,500 during the course of 2011 (the last period of available financial information), and we think that trend will continue. Alternatively, the decline in natural gas pricing will probably weigh on revenues. That said, this is largely viewed as a technicality as gas prices are just passed through to the end-customer. Overall, system throughput is a better gauge of PNY's business volumes, and that measure increased 10.7% in 2011, to 280 million dekatherms. This steady momentum ought to translate into a decent showing for the fiscal first quarter.

However, things should pick up later this year, and we look for the company to log a 5% share-net advance in 2012. Last year's completion of two power generation projects at Duke's Buck facility and the Progress' Richmond facility should help contribute to this rise. Additional gains ought to stem from increased customer accounts. Finally, we are awaiting the decision for a possible rate increase by the Tennessee Regulatory Authority.

Meantime, the balance sheet is in good shape and improving. The company's cash reserves advanced 20% last year, to roughly $6.8 million. At the same time, the long-term debt load has remained relatively constant, at $675 million.

We have introduced our 2013 top- and bottom-line estimates at $1.615 billion and $1.70 a share, respectively. At the moment, PNY has two large capital undertakings in the works. The Progress' Wayne County and Sutton Projects have been completely designed, and construction is under way on the former, while Sutton should begin in May or June. Those ventures are slated for completion in June of 2012 and 2013, respectively.

These shares don't stand out at this time for their yield or total return potential among utilities.

Bryan J. Fong *March 9, 2012*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due mid Mar. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2011: $527.6 million, $7.29/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	95

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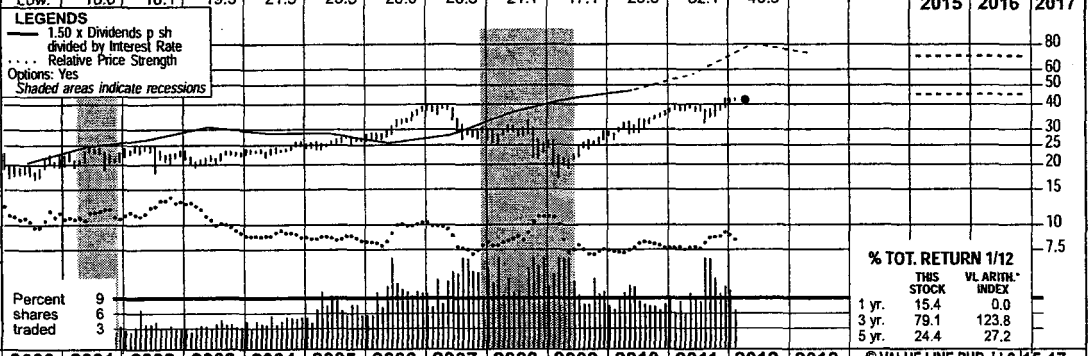
SOUTHWEST GAS NYSE-SWX

RECENT PRICE 42.31 | P/E RATIO 15.4 (Trailing: 17.4 Median: 18.0) | RELATIVE P/E RATIO 1.00 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 2 Raised 3/9/12
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Raised 5/27/11
BETA .75 (1.00 = Market)

High:	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	43.2	43.2
Low:	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	32.1	40.5

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+65%)	16%
Low	45	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	1	0	0	2	0
Options	1	2	0	0	0	0	0	1	2
to Sell	2	2	2	0	1	0	0	2	2

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	76	70	56
to Sell	80	76	95
Hld's(000)	33317	33998	34237

Percent shares traded 9 6 3

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	15.4	0.0
3 yr.	79.1	123.8
5 yr.	24.4	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	*40.95*	*40.85*	Revenues per sh	*51.00*
3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.46	*6.81*	*7.15*	*7.60*	"Cash Flow" per sh	*9.40*
.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	*2.65*	*2.90*	Earnings per sh A	*3.80*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	1.06	*1.18*	*1.30*	Div'ds Decl'd per sh B■†	*1.60*
8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	*8.70*	*8.95*	Cap'l Spending per sh	*9.40*
14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.68	*27.65*	*29.15*	Book Value per sh	*33.35*
26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	*47.00*	*48.00*	Common Shs Outst'g C	*51.00*
69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89	.98	*Value Line*		Relative P/E Ratio	*1.00*
4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1253.5 mill. **Due in 5 Yrs** $343.0 mill.
LT Debt $930.9 mill. **LT Interest** $60.0 mill.
(Total interest coverage: 3.5x) (43% of Cap'l)
Leases, Uncapitalized Annual rentals $6.0 mill.
Pension Assets-12/11 $551.8 mill. **Oblig.** $832.8 mill.
Pfd Stock None

Common Stock 46,093,472 shs. as of 2/15/12

MARKET CAP: $2.0 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	1887.2	*1925*	*1960*	Revenues ($mill)	*2600*
38.6	38.5	58.9	48.1	80.5	83.2	61.0	87.5	103.9	112.3	*125*	*140*	Net Profit ($mill)	*200*
32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	*36.0%*	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	6.0%	*6.5%*	*7.1%*	Net Profit Margin	*7.7%*
62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	43.2%	*44.5%*	*46.0%*	Long-Term Debt Ratio	*47.0%*
34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	56.8%	*55.5%*	*54.0%*	Common Equity Ratio	*53.0%*
1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2291.7	2156.9	*2350*	*2600*	Total Capital ($mill)	*3200*
1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	3218.9	*3300*	*3400*	Net Plant ($mill)	*3750*
4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.1%	*6.5%*	*7.0%*	*7.0%*	Return on Total Cap'l	*8.0%*
5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.5%*	*10.0%*	Return on Shr. Equity	*12.0%*
6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.5%*	*10.0%*	Return on Com Equity	*12.0%*
1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.1%	5.2%	*5.5%*	*5.5%*	Retained to Com Eq	*7.0%*
70%	72%	49%	65%	42%	44%	63%	48%	43%	43%	*44%*	*45%*	All Div'ds to Net Prof	*41%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	65.3	116.1	21.9
Other	352.3	329.8	439.7
Current Assets	417.6	445.9	461.6
Accts Payable	158.9	165.5	186.8
Debt Due	1.3	75.1	322.6
Other	314.0	356.4	338.2
Current Liab.	474.2	597.0	847.6
Fix. Chg. Cov.	251%	299%	359%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.5%	2.0%	*3.5%*
"Cash Flow"	3.0%	3.0%	*6.5%*
Earnings	3.0%	6.5%	*9.5%*
Dividends	1.5%	3.0%	*8.0%*
Book Value	4.0%	5.5%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	689.9	387.6	317.5	498.8	1893.8
2010	668.8	385.8	307.7	468.1	1830.4
2011	628.4	388.5	352.6	517.7	1887.2
2012	*650*	*410*	*365*	*500*	*1925*
2013	*660*	*420*	*375*	*505*	*1960*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.12	d.01	d.18	1.01	1.94
2010	1.42	d.02	d.11	.98	2.27
2011	1.48	.09	d.34	1.19	2.43
2012	*1.55*	*.15*	*d.15*	*1.10*	*2.65*
2013	*1.65*	*.20*	*d.10*	*1.15*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265	.265	.265	1.05
2012	.265	.295			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.9 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2011 margin mix: residential and small commercial, 86%; large commercial and industrial, 4%; transportation, 10%. Total throughput: 2.1 billion therms. Sold PriMerit Bank, 7/96. Has 5,754 employees. Off. & Dir. own 1.7% of common stock; BlackRock Inc., 8.6%; T. Rowe Price Associates, Inc., 7.2%; GAMCO Investors, Inc., 7.0% (3/11 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have traded higher over the past three months. The company finished 2011 on an impressive note, and we look for solid results going forward. Pipeline construction-services subsidiary NPL should continue to experience healthy growth. This business ought to further benefit from the replacement of aging infrastructure. Meanwhile, the utility business should benefit from recent rate relief (discussed below), though it remains to be seen whether this unit's operating environment will continue to improve. Overall, we anticipate higher revenues and share earnings for the current year. Growth may well continue in 2013. That said, our estimates may prove somewhat optimistic, should material economic weakness emerge.

The Arizona Corporation Commission has approved a rate increase for the company, which took effect on January 1st. Southwest was allowed to increase its revenues by $52.8 million, with a return on equity of 9.5%. The approval also includes a revenue decoupling mechanism to allow Southwest to recover fixed costs regardless of fluctuations in customer usage, and enables it to promote improvements in energy efficiency. Efforts to procure rate relief will remain important going forward, as Southwest depends on such approved increases to help it cope with rising expenses and to provide compensation for infrastructure investment.

The board of directors has increased the dividend by roughly 11%. Starting with the June payout, the quarterly dividend is now $0.295 per share. The company has increased the payout every year since 2007, and we expect this pattern will continue going forward.

This stock is favorably ranked for year-ahead performance. Looking further out, we anticipate healthy growth in revenues and share earnings for the company over the pull to 2015-2017. However, appreciation potential for the coming years appears somewhat limited, as the shares are trading near our Target Price Range. Healthy dividend growth notwithstanding, the stock's yield remains below average for a utility. As a result, most investors can probably find more-attractive opportunities elsewhere.

Michael Napoli, CFA *March 9, 2012*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Next egs. report due early May. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	75

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WGL HOLDINGS NYSE-WGL

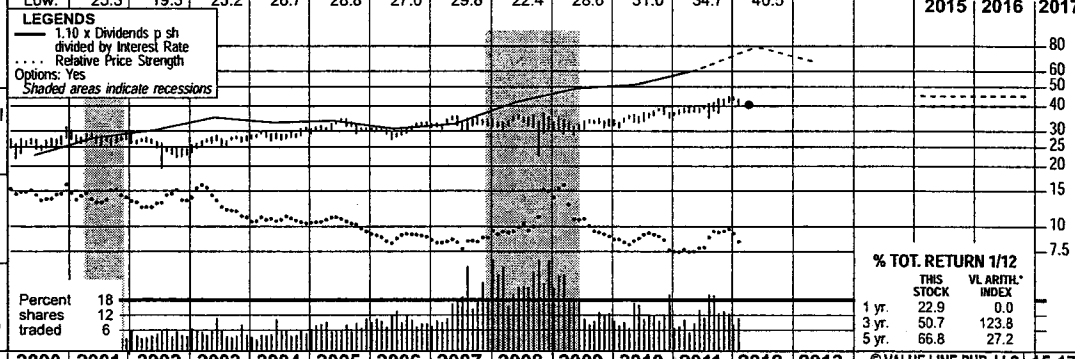
RECENT PRICE 40.68 | P/E RATIO 16.3 (Trailing: 17.2 Median: 15.0) | RELATIVE P/E RATIO 1.06 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 3 Raised 9/9/11
SAFETY 1 Raised 4/2/93
TECHNICAL 3 Raised 1/6/12
BETA .65 (1.00 = Market)

High:	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	40.0	45.0	45.0
Low:	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	31.0	34.7	40.5

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+10%)	6%
Low	40	(Nil)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	0	0	1	0	0	1	0
to Sell	1	2	0	0	1	0	0	1	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	86	85	88
to Sell	72	84	80
Hld's(000)	29975	31165	31882

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	22.9	0.0
3 yr.	50.7	123.8
5 yr.	66.8	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.60	53.75	*54.35*	*55.05*	Revenues per sh A	*59.90*
2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.11	4.01	*4.40*	*4.45*	"Cash Flow" per sh	*4.70*
1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.27	2.25	*2.50*	*2.55*	Earnings per sh B	*2.80*
1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.50	1.55	*1.59*	*1.63*	Div'ds Decl'd per sh C■	*1.75*
2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	2.57	3.94	*5.85*	*4.85*	Cap'l Spending per sh	*4.80*
12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.82	23.49	*24.60*	*25.60*	Book Value per sh D	*28.65*
43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.54	51.20	*51.50*	*51.75*	Common Shs Outst'g E	*52.00*
11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	15.1	17.0	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.84	.96	1.07	*Value Line*		Relative P/E Ratio	*1.00*
5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.6%	4.4%	4.1%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $862.1 mill. Due in 5 Yrs $189.2 mill.
LT Debt $584.0 mill. LT Interest $40.0 mill.
(LT interest earned: 6.2x; total interest coverage: 5.7x)
Pension Assets-9/11 $1,289.0 mill. Oblig. $896.5 mill.
Preferred Stock $28.2 mill. Pfd. Div'd $1.3 mill.

Common Stock 51,497,582 shs. as of 1/31/12

MARKET CAP: $2.1 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2706.9	2708.9	2751.5	*2800*	*2850*	Revenues ($mill) A	*3115*
55.7	112.3	98.0	104.8	96.0	102.9	122.9	128.7	115.0	115.5	*129*	*132*	Net Profit ($mill)	*145*
34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	38.7%	42.4%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.8%	4.2%	4.2%	*4.6%*	*4.6%*	Net Profit Margin	*4.7%*
45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	33.3%	33.4%	32.3%	*31.0%*	*30.5%*	Long-Term Debt Ratio	*28.5%*
52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	65.0%	66.2%	*67.5%*	*68.5%*	Common Equity Ratio	*70.5%*
1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1687.7	1774.4	1818.1	*1875*	*1935*	Total Capital ($mill)	*2115*
1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2269.1	2346.2	2489.9	*2640*	*2805*	Net Plant ($mill)	*3350*
5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.8%	7.6%	7.5%	*8.0%*	*8.0%*	Return on Total Cap'l	*8.0%*
7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	9.7%	9.4%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	11.6%	9.9%	9.5%	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	5.0%	3.3%	3.4%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
112%	56%	65%	62%	69%	66%	57%	57%	67%	64%	*64%*	*64%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	8.9	4.3	5.5
Other	708.4	720.4	1012.8
Current Assets	717.3	724.7	1018.3
Accts Payable	225.4	279.4	299.4
Debt Due	130.5	116.5	278.1
Other	188.2	180.8	274.5
Current Liab.	544.1	576.7	852.0
Fix. Chg. Cov.	536%	535%	535%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.5%	2.5%	*2.0%*
"Cash Flow"	3.0%	1.5%	*2.0%*
Earnings	3.0%	3.0%	*3.0%*
Dividends	2.0%	2.5%	*2.5%*
Book Value	4.0%	5.0%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	826.2	1040.9	427.0	412.8	2706.9
2010	727.4	1056.6	459.7	465.2	2708.9
2011	795.9	1017.2	490.3	448.1	2751.5
2012	727.8	*1050*	*525*	*497.2*	*2800*
2013	*740*	*1060*	*535*	*515*	*2850*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1.03	1.65	.11	d.25	2.53
2010	1.01	1.64	d.07	d.29	2.27
2011	1.02	1.53	d.03	d.26	2.25
2012	1.13	*1.59*	*.01*	*d.23*	*2.50*
2013	*1.15*	*1.60*	*Nil*	*d.20*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37	.37	1.47
2010	.37	.378	.378	.378	1.50
2011	.378	.39	.39	.39	1.55
2012	.39				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,082,983 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. Black Rock Inc. owns 7.4% of common stock; Off./dir. less than 1% (1/12 proxy). Chrmn. & CEO: Terry D. McCallister. Inc.: D.C. and VA. Addr.: 101 Const. Ave., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings logged a mixed bag of financial results for its December interim. Indeed, the top line declined approximately 9% on a year-over-year basis, to $727.8 million. However, we view this largely as a technicality stemming from the decrease in natural gas prices over that time frame. Alternatively, the Regulated Utility unit added 9,300 active customer meters. On the margin front, the utility cost of gas declined 8.27% as a function of revenues. This was partially offset by a 7.3% rise in the non-utility cost of energy-related sales. Elsewhere, the Retail Energy-Marketing segment saw the total number of electric accounts grow by 33,800, to 194,400. Finally, the Commercial Energy Systems division inched back into positive territory as some previously delayed government projects came on line. On balance, the bottom line increased 11%, to $1.13 a share.

We look for the natural gas distributor to post a double-digit earnings advance this year. This should be supported by steady growth at the regulated utility segment, solid gains at the retail energy marketing unit, and positive contributions from the commercial energy services division. Too, warmer weather and lower natural gas prices should have a favorable effect on the wholesale energy solutions business, although this does not augur well for WGL's other operations.

The company's balance sheet is improving. So far this year, cash reserves increased 27%, to $5.5 million. At the same time, the long-term debt load remains constant at about $585 million.

We have introduced our 2013 top- and bottom-line estimates at $2.85 billion and $2.55 a share, respectively. Aside from steady growth in customer accounts, WGL is awaiting the decision for a rate increase in Virginia. And, the company plans to file for a hike in rates for the District of Columbia, as well. Finally, alternative energy projects may also be a boon.

These shares offer a slightly above-average dividend yield, when compared to all other utilities in the *Value Line* universe. However, they are currently trading inside our Target Price Range, thus, their appreciation potential is limited through 2015-2017.

Bryan J. Fong *March 9, 2012*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late Apr. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '11: $594.4 million, $11.56/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	95

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ATTACHMENT C

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

AMERICAN STS WTR CO (NYSE)

ZACKS RANK: 3 - HOLD

AWR 35.76 ▲0.44 (1.25%) Vol. 14,168 13:08 ET

American States is a public utility company engaged principally in thepurchase, production, distribution and sale of water. The company alsodistributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

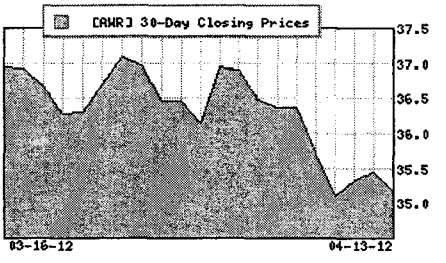
General Information

AMER STATES WTR
630 E FOOTHILL BLVD
SAN DIMAS, CA 91773-9016
Phone: 9093943600
Fax: 909-394-0711
Web: http://www.aswater.com
Email: nvestorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/03/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	35.32
52 Week High	38.00
52 Week Low	30.53
Beta	0.34
20 Day Moving Average	102,399.45
Target Price Consensus	40.75



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.36	4 Week	-1.55
12 Week	-0.81	12 Week	-4.69
YTD	1.20	YTD	-7.54

Share Information		Dividend Information	
Shares Outstanding (millions)	18.85	Dividend Yield	3.17%
		Annual Dividend	$1.12
Market Capitalization (millions)	665.71	Payout Ratio	0.00
Short Ratio	5.32	Change in Payout Ratio	0.00
Last Split Date	06/10/2002	Last Dividend Payout / Amount	02/10/2012 / $0.28

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.40	Current (1=Strong Buy, 5=Strong Sell)	2.14
Current Year EPS Consensus Estimate	2.23	30 Days Ago	2.14
Estimated Long-Term EPS Growth Rate	12.00	60 Days Ago	2.14
Next EPS Report Date	05/03/2012	90 Days Ago	2.14

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.86	vs. Previous Year	-5.41%	vs. Previous Year	-8.16%
Trailing 12 Months:	15.84	vs. Previous Quarter	-57.83%	vs. Previous Quarter:	-20.56%
PEG Ratio	1.32				

Price Ratios	ROE	ROA
Price/Book	03/31/12	03/31/12

	1.62		-		-
Price/Cash Flow	8.24	12/31/11	10.59	12/31/11	3.47
Price / Sales	-	09/30/11	10.86	09/30/11	3.53
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	1.59	12/31/11	1.56	12/31/11	10.02
09/30/11	1.38	09/30/11	1.35	09/30/11	9.88
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	17.19	12/31/11	17.19	12/31/11	21.81
09/30/11	17.27	09/30/11	17.27	09/30/11	21.68
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	37.26	12/31/11	0.83	12/31/11	45.44
09/30/11	40.72	09/30/11	0.84	09/30/11	45.66

Zacks.com Quotes and Research

CALIFORNIA WTR SVC GROUP (NYSE)

ZACKS RANK: 5 - STRONG SELL

CWT	17.82	▲0.18	(1.02%)	Vol. 93,158	13:20 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

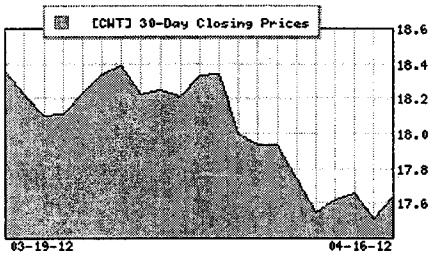
General Information

CALIF WATER SVC
1720 N FIRST ST C/O CALIFORNIA WATER
SERVICE CO
SAN JOSE, CA 95112
Phone: 4083678200
Fax: 831-427-9185
Web: http://www.calwatergroup.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/02/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	17.64
52 Week High	19.37
52 Week Low	16.65
Beta	0.28
20 Day Moving Average	227,346.55
Target Price Consensus	20.6



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.92	4 Week	-1.10
12 Week	-3.29	12 Week	-7.07
YTD	-3.40	YTD	-11.99

Share Information		Dividend Information	
Shares Outstanding (millions)	41.82	Dividend Yield	3.57%
		Annual Dividend	$0.63
Market Capitalization (millions)	737.65	Payout Ratio	0.00
Short Ratio	2.89	Change in Payout Ratio	0.00
Last Split Date	06/13/2011	Last Dividend Payout / Amount	02/02/2012 / $0.16

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.04	Current (1=Strong Buy, 5=Strong Sell)	2.38
Current Year EPS Consensus Estimate	1.06	30 Days Ago	2.38
Estimated Long-Term EPS Growth Rate	10.00	60 Days Ago	2.00
Next EPS Report Date	05/02/2012	90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.60	vs. Previous Year	-65.22%	vs. Previous Year	-2.32%
Trailing 12 Months:	20.63	vs. Previous Quarter	-92.00%	vs. Previous Quarter:	-39.14%
PEG Ratio	1.66				

Price Ratios		ROE		ROA	
Price/Book	1.64	03/31/12	-	03/31/12	-
Price/Cash Flow	8.44	12/31/11	8.13	12/31/11	2.03
Price / Sales	-	09/30/11	8.88	09/30/11	2.25
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.75	12/31/11	0.71	12/31/11	7.18
09/30/11	0.97	09/30/11	0.93	09/30/11	7.74
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	12.13	12/31/11	12.13	12/31/11	10.76
09/30/11	13.44	09/30/11	13.44	09/30/11	10.88
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	34.01	12/31/11	1.07	12/31/11	51.71
09/30/11	33.41	09/30/11	1.05	09/30/11	51.26

Zacks.com Quotes and Research

MIDDLESEX WATER CO (NASD)

ZACKS RANK: 3 - HOLD

MSEX	18.25	▲0.08	(0.44%)	Vol. 3,073	13:19 ET

Middlesex Water Company treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes.

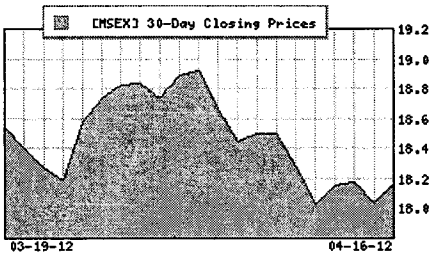
General Information

MIDDLESEX WATER
1500 RONSON RD P O BOX 1500
ISELIN, NJ 08830
Phone: 7326341500
Fax: 732-638-7515
Web: http://www.middlesexwater.com
Email: bsohler@middlesexwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/11/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	18.17
52 Week High	19.60
52 Week Low	16.51
Beta	0.46
20 Day Moving Average	27,818.00
Target Price Consensus	20



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.00	4 Week	0.88
12 Week	-2.15	12 Week	-5.98
YTD	-2.63	YTD	-11.27

Share Information		Dividend Information	
Shares Outstanding (millions)	15.70	Dividend Yield	4.07%
		Annual Dividend	$0.74
Market Capitalization (millions)	285.32	Payout Ratio	0.00
Short Ratio	13.51	Change in Payout Ratio	0.00
Last Split Date	11/17/2003	Last Dividend Payout / Amount	02/13/2012 / $0.19

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.16	Current (1=Strong Buy, 5=Strong Sell)	2.33
Current Year EPS Consensus Estimate	0.97	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.33
Next EPS Report Date	05/11/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.67	vs. Previous Year	-25.00%	vs. Previous Year	-6.68%
Trailing 12 Months:	21.63	vs. Previous Quarter	-62.50%	vs. Previous Quarter:	-18.73%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.61	03/31/12	-	03/31/12	-

Price/Cash Flow	11.90	12/31/11	7.65	12/31/11	2.64
Price / Sales	-	09/30/11	8.02	09/30/11	2.82
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.49	12/31/11	0.45	12/31/11	13.17
09/30/11	0.57	09/30/11	0.53	09/30/11	13.50
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	19.57	12/31/11	19.57	12/31/11	11.32
09/30/11	20.10	09/30/11	20.10	09/30/11	11.36
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	30.28	12/31/11	0.75	12/31/11	42.29
09/30/11	29.83	09/30/11	0.75	09/30/11	42.31

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SJW CORP (NYSE)

ZACKS RANK: 3 - HOLD

SJW	23.92	▲ 0.18	(0.76%)	Vol. 17,060	13:19 ET

SJW CORP. is a holding company which operates through its wholly-ownedsubsidiaries, San Jose Water Co., SJW Land Co., and Western Precision, Inc.San Jose Water Co., is a public utility in the business of providing waterservice to a population of approximately 928,000 people. Their servicearea encompasses about 134 sq. miles in the metropolitan San Juan area.SJW Land Co. operates parking facilities located adjacent to the theirheadquarters and the San Jose area.

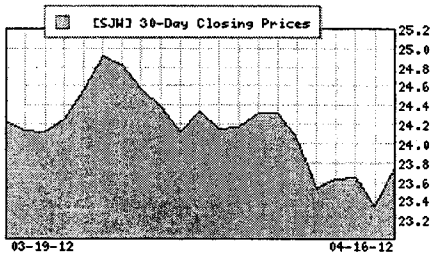
General Information

SJW CORP
110 W. TAYLOR STREET
SAN JOSE, CA 95110
Phone: 4082797800
Fax: 408-279-7917
Web: http://www.sjwater.com/
Email: boardofdirectors@sjwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	04/25/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	23.74
52 Week High	25.32
52 Week Low	20.87
Beta	0.57
20 Day Moving Average	24,341.00
Target Price Consensus	27.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.06	4 Week	0.81
12 Week	3.40	12 Week	-0.65
YTD	0.42	YTD	-9.39

Share Information		Dividend Information	
Shares Outstanding (millions)	18.62	Dividend Yield	2.99%
		Annual Dividend	$0.71
Market Capitalization (millions)	442.02	Payout Ratio	0.00
Short Ratio	12.75	Change in Payout Ratio	0.00
Last Split Date	03/17/2006	Last Dividend Payout / Amount	02/02/2012 / $0.18

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.02	Current (1=Strong Buy, 5=Strong Sell)	1.67
Current Year EPS Consensus Estimate	0.94	30 Days Ago	1.67
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.33
Next EPS Report Date	04/25/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	25.34	vs. Previous Year	70.00%	vs. Previous Year	22.83%
Trailing 12 Months:	25.53	vs. Previous Quarter	-61.36%	vs. Previous Quarter:	-15.66%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.67	03/31/12	-	03/31/12	-
Price/Cash Flow	8.79	12/31/11	6.79	12/31/11	1.75
Price / Sales	-	09/30/11	6.34	09/30/11	1.66
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	2.44	12/31/11	2.40	12/31/11	7.34
09/30/11	2.31	09/30/11	2.28	09/30/11	7.13
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	14.83	12/31/11	14.83	12/31/11	14.20
09/30/11	16.55	09/30/11	16.55	09/30/11	14.01
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	106.64	12/31/11	1.30	12/31/11	56.57
09/30/11	105.35	09/30/11	1.32	09/30/11	56.96

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AQUA AMERICA INC (NYSE)

ZACKS RANK: 3 - HOLD

WTR	22.03	▲0.33	(1.52%)	Vol. 238,226	13:22 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

General Information

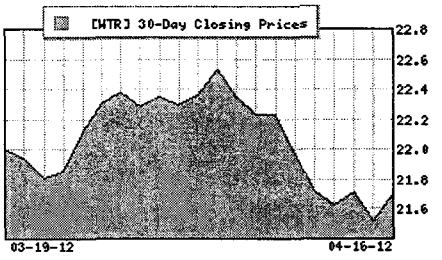
AQUA AMER INC
762 W. LANCASTER AVE
BRYN MAWR, PA 19010-3489
Phone: 610-527-8000
Fax: 610-645-1061
Web: http://www.aquaamerica.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/03/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	21.70
52 Week High	23.28
52 Week Low	19.28
Beta	0.21
20 Day Moving Average	387,155.69
Target Price Consensus	24.71



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.36	4 Week	1.53
12 Week	-0.32	12 Week	-4.22
YTD	-1.59	YTD	-10.43

Share Information		Dividend Information	
Shares Outstanding (millions)	138.88	Dividend Yield	3.04%
		Annual Dividend	$0.66
Market Capitalization (millions)	3,013.63	Payout Ratio	0.00
Short Ratio	7.96	Change in Payout Ratio	0.00
Last Split Date	12/02/2005	Last Dividend Payout / Amount	02/15/2012 / $0.17

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.21	Current (1=Strong Buy, 5=Strong Sell)	2.15
Current Year EPS Consensus Estimate	1.08	30 Days Ago	2.15
Estimated Long-Term EPS Growth Rate	8.30	60 Days Ago	1.92
Next EPS Report Date	05/03/2012	90 Days Ago	1.92

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	20.08	vs. Previous Year	-4.76%	vs. Previous Year	-3.69%
Trailing 12 Months:	23.08	vs. Previous Quarter	-33.33%	vs. Previous Quarter:	-12.48%
PEG Ratio	2.43				

Price Ratios	ROE	ROA

Price/Book	2.40	03/31/12	-	03/31/12	-
Price/Cash Flow	12.43	12/31/11	10.73	12/31/11	3.10
Price / Sales	-	09/30/11	10.94	09/30/11	3.16
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.75	12/31/11	0.73	12/31/11	17.91
09/30/11	0.78	09/30/11	0.76	09/30/11	17.81
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	30.32	12/31/11	30.32	12/31/11	9.03
09/30/11	29.01	09/30/11	29.01	09/30/11	8.76
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	23.76	12/31/11	1.11	12/31/11	52.71
09/30/11	24.09	09/30/11	1.16	09/30/11	53.63

Zacks.com Quotes and Research

AGL RESOURCES INC (NYSE)

ZACKS RANK: 5 - STRONG SELL

GAS 38.34 ▲0.18 (0.47%) Vol. 217,983 13:24 ET

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

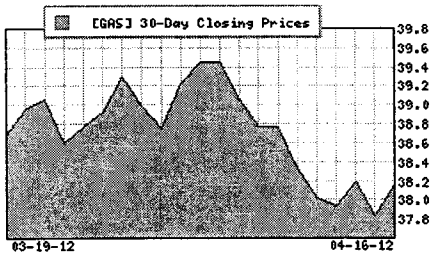
General Information

AGL RESOURCES
TEN PEACHTREE PLACE
ATLANTA, GA 30309
Phone: 4045844000
Fax: 404-584-3945
Web: http://www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/03/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	38.16
52 Week High	43.69
52 Week Low	34.08
Beta	0.41
20 Day Moving Average	496,616.19
Target Price Consensus	41.8



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.37	4 Week	1.52
12 Week	-8.97	12 Week	-12.53
YTD	-9.70	YTD	-17.82

Share Information		Dividend Information	
Shares Outstanding (millions)	117.23	Dividend Yield	4.72%
		Annual Dividend	$1.80
Market Capitalization (millions)	4,473.54	Payout Ratio	0.00
Short Ratio	2.18	Change in Payout Ratio	0.00
Last Split Date	12/04/1995	Last Dividend Payout / Amount	02/15/2012 / $0.35

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.37	Current (1=Strong Buy, 5=Strong Sell)	2.57
Current Year EPS Consensus Estimate	2.83	30 Days Ago	2.57
Estimated Long-Term EPS Growth Rate	4.10	60 Days Ago	2.57
Next EPS Report Date	05/03/2012	90 Days Ago	2.57

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.50	vs. Previous Year	1.16%	vs. Previous Year	18.80%
Trailing 12 Months:	13.39	vs. Previous Quarter	4,250.00%	vs. Previous Quarter:	167.80%
PEG Ratio	3.33				

Price Ratios		ROE		ROA	
Price/Book	0.90	03/31/12	-	03/31/12	-

Price/Cash Flow	7.18	12/31/11	10.23	12/31/11	2.60
Price / Sales	-	09/30/11	11.78	09/30/11	3.05
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.89	12/31/11	0.65	12/31/11	9.90
09/30/11	1.58	09/30/11	1.02	09/30/11	10.05
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	13.30	12/31/11	13.30	12/31/11	42.51
09/30/11	15.41	09/30/11	15.41	09/30/11	23.97
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	2.77	12/31/11	1.07	12/31/11	51.61
09/30/11	2.82	09/30/11	1.43	09/30/11	58.82

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ATMOS ENERGY CORP (NYSE)

ZACKS RANK: 4 - SELL

ATO	31.64	▲0.19	(0.60%)	Vol. 257,972	13:24 ET

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

General Information

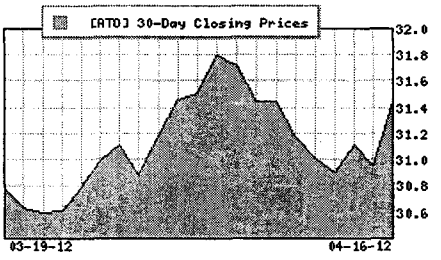
ATMOS ENERGY CP
1800 THREE LINCOLN CTR 5430 LBJ
FREEWAY
DALLAS, TX 75240
Phone: 9729349227
Fax: 972-855-3040
Web: http://www.atmosenergy.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Completed Quarter	12/31/11
Next EPS Date	05/02/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.45
52 Week High	35.55
52 Week Low	28.51
Beta	0.48
20 Day Moving Average	433,119.59
Target Price Consensus	34.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	2.18	4 Week	5.17
12 Week	-3.44	12 Week	-7.22
YTD	-5.70	YTD	-14.83

Share Information		Dividend Information	
Shares Outstanding (millions)	90.22	Dividend Yield	4.39%
		Annual Dividend	$1.38
Market Capitalization (millions)	2,837.39	Payout Ratio	0.00
Short Ratio	1.02	Change in Payout Ratio	0.00
Last Split Date	05/17/1994	Last Dividend Payout / Amount	02/23/2012 / $0.34

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.43	Current (1=Strong Buy, 5=Strong Sell)	2.86
Current Year EPS Consensus Estimate	2.32	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	4.70	60 Days Ago	2.86
Next EPS Report Date	05/02/2012	90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.54	vs. Previous Year	-24.69%	vs. Previous Year	-2.83%
Trailing 12 Months:	15.34	vs. Previous Quarter	916.67%	vs. Previous Quarter:	46.14%
PEG Ratio	2.90				

Price Ratios		ROE		ROA	
Price/Book	1.25	03/31/12	-	03/31/12	-
Price/Cash Flow	6.63	12/31/11	8.09	12/31/11	2.59
Price / Sales	-	09/30/11	8.88	09/30/11	2.88
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	1.07	12/31/11	0.79	12/31/11	4.33
09/30/11	1.17	09/30/11	0.83	09/30/11	4.72
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	7.04	12/31/11	7.04	12/31/11	25.10
09/30/11	7.19	09/30/11	7.19	09/30/11	24.98
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	12.51	12/31/11	0.97	12/31/11	49.31
09/30/11	12.46	09/30/11	0.98	09/30/11	49.45

Proven Ratings, Research & Recommendations

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LACLEDE GROUP INC (NYSE)

ZACKS RANK: 3 - HOLD

LG	39.39	▲0.29	(0.74%)	Vol. 19,955	13:23 ET

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

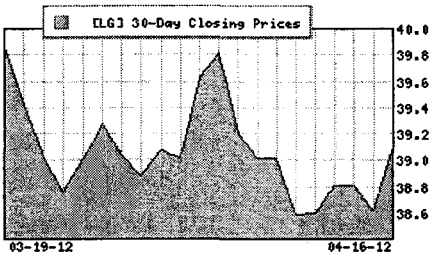
General Information

LACLEDE GRP INC
720 OLIVE ST
ST LOUIS, MO 63101
Phone: 3143420500
Fax: 314-421-1979
Web: http://www.thelacledegroup.com
Email: kullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	12/31/11
Next EPS Date	04/27/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	39.10
52 Week High	43.00
52 Week Low	32.90
Beta	0.06
20 Day Moving Average	88,466.25
Target Price Consensus	42



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.91	4 Week	0.97
12 Week	-3.53	12 Week	-7.30
YTD	-3.39	YTD	-12.44

Share Information		Dividend Information	
Shares Outstanding (millions)	22.49	Dividend Yield	4.25%
		Annual Dividend	$1.66
Market Capitalization (millions)	879.20	Payout Ratio	0.00
Short Ratio	9.54	Change in Payout Ratio	0.00
Last Split Date	03/08/1994	Last Dividend Payout / Amount	03/08/2012 / $0.41

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.36	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.68	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	3.00
Next EPS Report Date	04/27/2012	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.60	vs. Previous Year	5.71%	vs. Previous Year	-7.49%
Trailing 12 Months:	13.72	vs. Previous Quarter	892.86%	vs. Previous Quarter:	51.60%
PEG Ratio	4.87				

Price Ratios		ROE		ROA	
Price/Book	1.49	03/31/12	-	03/31/12	-

Price/Cash Flow	8.58	12/31/11	11.03	12/31/11	3.58
Price / Sales	-	09/30/11	10.96	09/30/11	3.50
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	1.29	12/31/11	0.89	12/31/11	4.06
09/30/11	1.59	09/30/11	1.04	09/30/11	3.88
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	6.10	12/31/11	6.10	12/31/11	26.25
09/30/11	5.80	09/30/11	5.80	09/30/11	25.56
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	12.27	12/31/11	0.58	12/31/11	36.53
09/30/11	12.58	09/30/11	0.64	09/30/11	38.86

Zacks.com Quotes and Research

NEW JERSEY RES (NYSE)

ZACKS RANK: 4 - SELL

NJR 43.04 +0.34 (0.80%) Vol. 92,937 13:24 ET

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

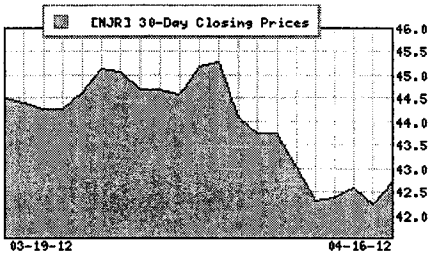
General Information

NJ RESOURCES
1415 WYCKOFF RD PO BOX 1468
WALL, NJ 07719
Phone: 9089381494
Fax: 732-938-2134
Web: http://www.njresources.com
Email: dpuma@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	12/31/11
Next EPS Date	05/02/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	42.70
52 Week High	50.48
52 Week Low	39.60
Beta	0.24
20 Day Moving Average	222,499.25
Target Price Consensus	47.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.09	4 Week	-1.27
12 Week	-10.71	12 Week	-14.20
YTD	-13.21	YTD	-21.26

Share Information		Dividend Information	
Shares Outstanding (millions)	41.48	Dividend Yield	3.56%
		Annual Dividend	$1.52
Market Capitalization (millions)	1,771.07	Payout Ratio	0.00
Short Ratio	10.41	Change in Payout Ratio	0.00
Last Split Date	03/04/2008	Last Dividend Payout / Amount	03/13/2012 / $0.38

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.59	Current (1=Strong Buy, 5=Strong Sell)	3.29
Current Year EPS Consensus Estimate	2.74	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	4.50	60 Days Ago	3.00
Next EPS Report Date	05/02/2012	90 Days Ago	2.88

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.60	vs. Previous Year	55.71%	vs. Previous Year	-9.92%
Trailing 12 Months:	14.48	vs. Previous Quarter	5,350.00%	vs. Previous Quarter:	-4.25%
PEG Ratio	3.47				

Price Ratios		ROE		ROA	
Price/Book	2.16	03/31/12	-	03/31/12	-
Price/Cash Flow	12.48	12/31/11	15.44	12/31/11	4.64
Price / Sales	-	09/30/11	13.77	09/30/11	4.08
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	1.03	12/31/11	0.68	12/31/11	4.18
09/30/11	1.04	09/30/11	0.61	09/30/11	3.54
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	5.53	12/31/11	5.53	12/31/11	19.81
09/30/11	4.22	09/30/11	4.22	09/30/11	18.73
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	9.90	12/31/11	0.53	12/31/11	34.47
09/30/11	9.61	09/30/11	0.55	09/30/11	35.48

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NORTHWEST NAT GAS CO (NYSE)

ZACKS RANK: 3 - HOLD

NWN	45.07	▲0.52	(1.17%)	Vol. 18,398	13:25 ET

NW Natural is principally engaged in the distribution of natural gas.The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

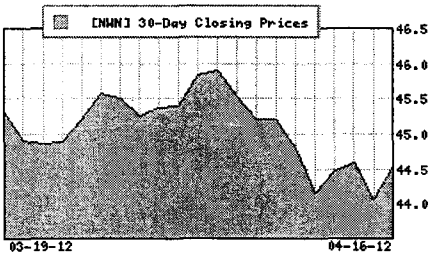
General Information

NORTHWEST NAT G
ONE PACIFIC SQUARE 220 NW SECOND AVE
PORTLAND, OR -
Phone: 5032264211
Fax: 503-273-4824
Web: http://www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/04/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	44.55
52 Week High	49.49
52 Week Low	39.63
Beta	0.31
20 Day Moving Average	97,379.20
Target Price Consensus	48.13



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.70	4 Week	1.18
12 Week	-5.77	12 Week	-9.46
YTD	-7.05	YTD	-15.63

Share Information		Dividend Information	
Shares Outstanding (millions)	26.79	Dividend Yield	4.00%
		Annual Dividend	$1.78
Market Capitalization (millions)	1,193.58	Payout Ratio	0.00
Short Ratio	17.26	Change in Payout Ratio	0.00
Last Split Date	09/09/1996	Last Dividend Payout / Amount	01/27/2012 / $0.44

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.51	Current (1=Strong Buy, 5=Strong Sell)	2.40
Current Year EPS Consensus Estimate	2.50	30 Days Ago	2.40
Estimated Long-Term EPS Growth Rate	4.30	60 Days Ago	2.20
Next EPS Report Date	05/04/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.82	vs. Previous Year	-1.80%	vs. Previous Year	1.14%
Trailing 12 Months:	17.40	vs. Previous Quarter	451.61%	vs. Previous Quarter:	190.63%
PEG Ratio	4.14				

Price Ratios	ROE	ROA

Price/Book	1.66	03/31/12	-	03/31/12	-
Price/Cash Flow	8.60	12/31/11	9.59	12/31/11	2.62
Price / Sales	-	09/30/11	9.71	09/30/11	2.67
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.84	12/31/11	0.66	12/31/11	8.05
09/30/11	0.62	09/30/11	0.41	09/30/11	8.12
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	12.64	12/31/11	12.64	12/31/11	26.76
09/30/11	12.77	09/30/11	12.77	09/30/11	26.11
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	8.27	12/31/11	0.90	12/31/11	47.32
09/30/11	8.07	09/30/11	0.86	09/30/11	46.35

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PIEDMONT NAT GAS INC (NYSE)

ZACKS RANK: 3 - HOLD

PNY	29.83	▲0.27	(0.91%)	Vol. 199,795	13:28 ET

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

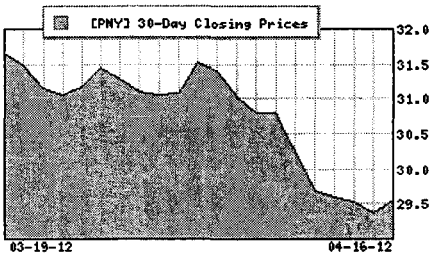
General Information

PIEDMONT NAT GA
4720 PIEDMONT ROW DR
CHARLOTTE, NC 28233
Phone: 7043643120
Fax: 704-365-3849
Web: http://www.piedmontng.com
Email: nvestorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	October
Last Completed Quarter	01/31/12
Next EPS Date	06/06/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	29.56
52 Week High	34.74
52 Week Low	25.86
Beta	0.29
20 Day Moving Average	355,084.91
Target Price Consensus	31.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	-6.60	4 Week	-3.86
12 Week	-9.74	12 Week	-13.27
YTD	-13.01	YTD	-20.70

Share Information		Dividend Information	
Shares Outstanding (millions)	71.69	Dividend Yield	4.06%
		Annual Dividend	$1.20
Market Capitalization (millions)	2,119.04	Payout Ratio	0.79
Short Ratio	9.96	Change in Payout Ratio	0.09
Last Split Date	11/01/2004	Last Dividend Payout / Amount	03/21/2012 / $0.30

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.71	Current (1=Strong Buy, 5=Strong Sell)	3.50
Current Year EPS Consensus Estimate	1.59	30 Days Ago	3.50
Estimated Long-Term EPS Growth Rate	4.70	60 Days Ago	3.50
Next EPS Report Date	06/06/2012	*90 Days Ago*	3.38

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.54	vs. Previous Year	-9.48%	vs. Previous Year	-27.64%
Trailing 12 Months:	20.25	vs. Previous Quarter	907.69%	vs. Previous Quarter:	145.74%
PEG Ratio	3.97				

Price Ratios		ROE		ROA	
Price/Book	2.08	01/31/12	10.29	01/31/12	3.25
Price/Cash Flow	9.68	10/31/11	11.13	10/31/11	3.55
Price / Sales	1.69	07/31/11	11.26	07/31/11	3.62
Current Ratio		**Quick Ratio**		**Operating Margin**	
01/31/12	0.62	01/31/12	0.47	01/31/12	8.40
10/31/11	0.54	10/31/11	0.36	10/31/11	7.92
07/31/11	0.73	07/31/11	0.54	07/31/11	7.94
Net Margin		**Pre-Tax Margin**		**Book Value**	
01/31/12	13.74	01/31/12	13.74	01/31/12	14.24
10/31/11	12.96	10/31/11	12.96	10/31/11	13.81
07/31/11	13.03	07/31/11	13.03	07/31/11	14.20
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
01/31/12	9.81	01/31/12	0.66	01/31/12	39.59
10/31/11	11.66	10/31/11	0.68	10/31/11	40.37
07/31/11	11.25	07/31/11	0.66	07/31/11	39.77

Zacks.com Quotes and Research

SOUTH JERSEY INDS INC (NYSE)

ZACKS RANK: 4 - SELL

SJI 48.63 ▲0.61 (1.27%) Vol. 50,246 13:10 ET

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

General Information

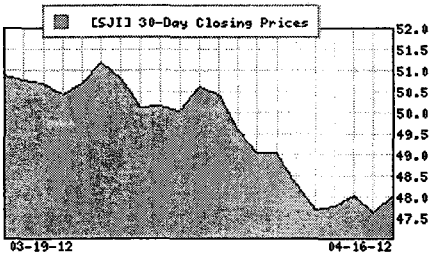
SOUTH JERSEY IN
1 SOUTH JERSEY PLAZA. ROUTE 54
FOLSOM, NJ 08037
Phone: 609-561-9000
Fax: 609-561-8225
Web: http://www.sjindustries.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	48.02
52 Week High	57.99
52 Week Low	42.85
Beta	0.33
20 Day Moving Average	123,359.95
Target Price Consensus	53.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-5.60	4 Week	-2.83
12 Week	-12.85	12 Week	-16.26
YTD	-15.47	YTD	-23.07

Share Information		Dividend Information	
Shares Outstanding (millions)	30.25	Dividend Yield	3.35%
		Annual Dividend	$1.61
Market Capitalization (millions)	1,452.60	Payout Ratio	0.00
Short Ratio	5.07	Change in Payout Ratio	0.00
Last Split Date	07/01/2005	Last Dividend Payout / Amount	03/07/2012 / $0.40

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.71	Current (1=Strong Buy, 5=Strong Sell)	1.40
Current Year EPS Consensus Estimate	3.12	30 Days Ago	1.40
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	1.33
Next EPS Report Date	05/09/2012	90 Days Ago	1.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.41	vs. Previous Year	20.69%	vs. Previous Year	-29.96%
Trailing 12 Months:	16.62	*vs. Previous Quarter*	10,400.00%	*vs. Previous Quarter:*	44.27%
PEG Ratio	2.57				

Price Ratios	ROE	ROA

Price/Book	2.32	03/31/12	-	03/31/12	-
Price/Cash Flow	10.74	12/31/11	14.28	12/31/11	4.14
Price / Sales	-	09/30/11	13.66	09/30/11	3.95
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.58	12/31/11	0.46	12/31/11	10.50
09/30/11	0.65	09/30/11	0.50	09/30/11	8.91
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	13.66	12/31/11	13.66	12/31/11	20.71
09/30/11	12.28	09/30/11	12.28	09/30/11	19.83
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	11.36	12/31/11	0.68	12/31/11	40.47
09/30/11	12.75	09/30/11	0.71	09/30/11	41.60

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SOUTHWEST GAS CORP (NYSE)

ZACKS RANK: 1 - STRONG BUY

SWX	42.03	▲0.71	(1.72%)	Vol. 93,451	13:42 ET

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing,transporting, and distributing natural gas in portions of Arizona, Nevada,and California. The Company also engaged in financial services activities,through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

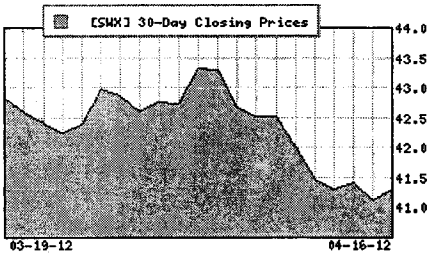
General Information

SOUTHWEST GAS
5241 SPRING MOUNTAIN . PO BOX 98510RD
LAS VEGAS, NV 89193-8510
Phone: 7028767237
Fax: 702-876-7037
Web: http://www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	41.32
52 Week High	43.64
52 Week Low	32.12
Beta	0.70
20 Day Moving Average	153,189.50
Target Price Consensus	41.75



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.57	4 Week	-0.74
12 Week	-1.27	12 Week	-5.13
YTD	-2.75	YTD	-11.18

Share Information		Dividend Information	
Shares Outstanding (millions)	46.09	Dividend Yield	2.57%
		Annual Dividend	$1.06
Market Capitalization (millions)	1,904.56	Payout Ratio	0.00
Short Ratio	7.81	Change in Payout Ratio	0.00
Last Split Date	N/A	Last Dividend Payout / Amount	02/13/2012 / $0.26

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.57	Current (1=Strong Buy, 5=Strong Sell)	2.86
Current Year EPS Consensus Estimate	2.60	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.86
Next EPS Report Date	05/09/2012	90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.91	vs. Previous Year	21.43%	vs. Previous Year	10.58%
Trailing 12 Months:	16.53	vs. Previous Quarter	695.00%	vs. Previous Quarter:	46.81%
PEG Ratio	3.03				

Price Ratios		ROE		ROA	
Price/Book	1.55	03/31/12	-	03/31/12	-

Price/Cash Flow	6.70	12/31/11	9.57	12/31/11	2.89
Price / Sales	-	09/30/11	8.82	09/30/11	2.69
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	0.54	12/31/11	0.54	12/31/11	6.17
09/30/11	0.42	09/30/11	0.42	09/30/11	5.77
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	9.28	12/31/11	9.28	12/31/11	26.68
09/30/11	8.62	09/30/11	8.62	09/30/11	25.88
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	-	12/31/11	0.76	12/31/11	43.18
09/30/11	-	09/30/11	0.79	09/30/11	44.10

Zacks.com Quotes and Research

WGL HLDGS INC (NYSE)

ZACKS RANK: 2 - BUY

WGL 39.69 ▲0.52 (1.33%) Vol. 107,875 13:45 ET

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

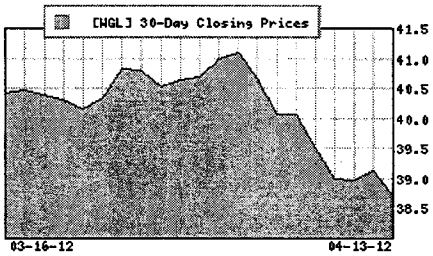
General Information

WGL HLDGS INC
101 CONSTITUTION AVE N.W.
WASHINGTON, DC 20080
Phone: 7037504440
Fax: 703-750-4828
Web: http://www.wglholdings.com
Email: robertdennis@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	12/31/11
Next EPS Date	05/02/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	39.17
52 Week High	44.99
52 Week Low	34.71
Beta	0.26
20 Day Moving Average	278,869.81
Target Price Consensus	43.86



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.21	4 Week	-0.37
12 Week	-9.18	12 Week	-12.73
YTD	-11.42	YTD	-19.66

Share Information		Dividend Information	
Shares Outstanding (millions)	51.50	Dividend Yield	4.08%
		Annual Dividend	$1.60
Market Capitalization (millions)	2,017.18	Payout Ratio	0.00
Short Ratio	6.65	Change in Payout Ratio	0.00
Last Split Date	05/02/1995	Last Dividend Payout / Amount	04/05/2012 / $0.40

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.66	Current (1=Strong Buy, 5=Strong Sell)	2.63
Current Year EPS Consensus Estimate	2.50	30 Days Ago	2.63
Estimated Long-Term EPS Growth Rate	5.20	60 Days Ago	2.63
Next EPS Report Date	05/02/2012	90 Days Ago	2.75

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.67	vs. Previous Year	10.78%	vs. Previous Year	-8.56%
Trailing 12 Months:	16.53	vs. Previous Quarter	534.62%	vs. Previous Quarter:	62.40%
PEG Ratio	3.03				

Price Ratios **ROE** **ROA**

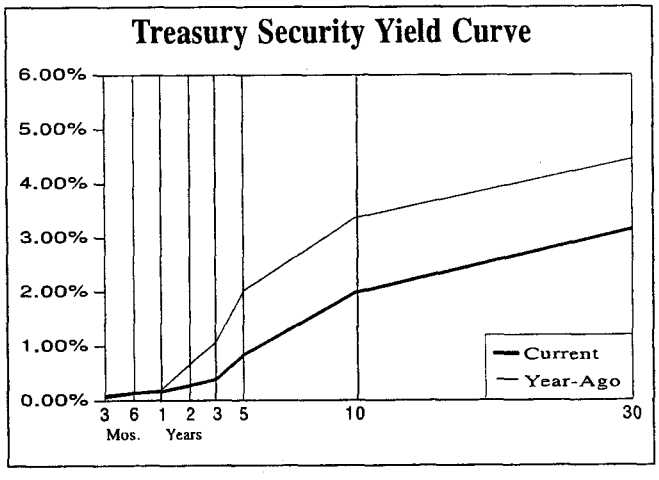
Price/Book	1.63	03/31/12	-	03/31/12	-
Price/Cash Flow	9.27	12/31/11	9.85	12/31/11	3.12
Price / Sales	-	09/30/11	9.41	09/30/11	2.99
Current Ratio		**Quick Ratio**		**Operating Margin**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	1.20	12/31/11	0.79	12/31/11	4.55
09/30/11	1.26	09/30/11	0.71	09/30/11	4.21
Net Margin		**Pre-Tax Margin**		**Book Value**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	6.78	12/31/11	6.78	12/31/11	24.03
09/30/11	7.47	09/30/11	7.47	09/30/11	23.44
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03/31/12	-	03/31/12	-	03/31/12	-
12/31/11	8.87	12/31/11	0.47	12/31/11	31.60
09/30/11	10.19	09/30/11	0.49	09/30/11	32.30

ATTACHMENT D

Selected Yields

	Recent (4/25/12)	3 Months Ago (1/25/12)	Year Ago (4/27/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.36	0.32	0.24
3-month LIBOR	0.47	0.56	0.27
Bank CDs			
6-month	0.22	0.22	0.28
1-year	0.33	0.34	0.46
5-year	1.13	1.15	1.71
U.S. Treasury Securities			
3-month	0.09	0.04	0.05
6-month	0.14	0.06	0.11
1-year	0.17	0.10	0.20
5-year	0.84	0.79	2.02
10-year	1.98	2.00	3.36
10-year (inflation-protected)	-0.28	-0.25	0.77
30-year	3.15	3.15	4.45
30-year Zero	3.39	3.35	4.79

	Recent (4/25/12)	3 Months Ago (1/25/12)	Year Ago (4/27/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.12	1.22	2.72
FHLMC 5.5% (Gold)	2.10	2.11	2.94
FNMA 5.5%	1.89	2.01	2.87
FNMA ARM	2.36	2.35	2.62
Corporate Bonds			
Financial (10-year) A	3.52	4.15	4.68
Industrial (25/30-year) A	4.27	4.42	5.40
Utility (25/30-year) A	4.17	4.47	5.53
Utility (25/30-year) Baa/BBB	4.65	5.14	5.95
Foreign Bonds (10-Year)			
Canada	2.11	2.04	3.27
Germany	1.74	1.95	3.29
Japan	0.92	1.01	1.22
United Kingdom	2.14	2.16	3.57
Preferred Stocks			
Utility A	5.67	5.39	5.65
Financial A	6.14	6.09	6.46
Financial Adjustable A	5.50	5.50	5.50



	Recent (4/25/12)	3 Months Ago (1/25/12)	Year Ago (4/27/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.90	3.60	4.98
25-Bond Index (Revs)	4.81	4.77	5.54
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.18	0.27
1-year A	1.02	1.13	1.13
5-year Aaa	0.87	0.87	1.66
5-year A	1.86	2.01	2.75
10-year Aaa	2.02	2.00	3.28
10-year A	3.17	2.98	4.41
25/30-year Aaa	3.63	3.59	4.75
25/30-year A	5.08	5.02	6.07
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.40	4.43	5.15
Electric AA	4.64	4.50	5.28
Housing AA	4.82	4.93	5.97
Hospital AA	4.60	4.64	5.60
Toll Road Aaa	4.44	4.48	5.29

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/18/12	4/4/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1510010	1488952	21058	1525383	1520180	1536985
Borrowed Reserves	7009	7074	-65	7673	8912	11082
Net Free/Borrowed Reserves	1503001	1481878	21123	1517710	1511268	1525902

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/9/12	4/2/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2226.1	2221.8	4.3	8.1%	8.9%	17.3%
M2 (M1+savings+small time deposits)	9828.4	9834.6	-6.2	4.0%	6.8%	9.9%

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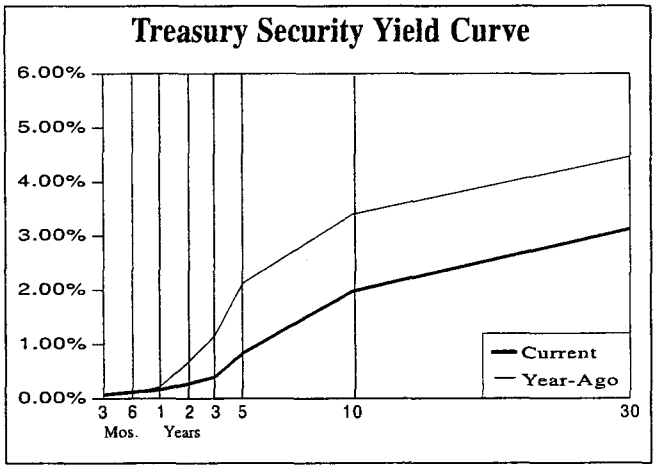
Selected Yields

	Recent (4/18/12)	3 Months Ago (1/18/12)	Year Ago (4/20/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.32	0.17
3-month LIBOR	0.47	0.56	0.27
Bank CDs			
6-month	0.22	0.22	0.29
1-year	0.33	0.34	0.47
5-year	1.14	1.16	1.71
U.S. Treasury Securities			
3-month	0.07	0.02	0.06
6-month	0.12	0.06	0.11
1-year	0.16	0.10	0.21
5-year	0.84	0.80	2.12
10-year	1.98	1.90	3.41
10-year (inflation-protected)	-0.29	-0.21	0.78
30-year	3.13	2.96	4.47
30-year Zero	3.36	3.14	4.79

	Recent (4/18/12)	3 Months Ago (1/18/12)	Year Ago (4/20/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.08	1.07	2.85
FHLMC 5.5% (Gold)	2.14	1.94	3.07
FNMA 5.5%	1.94	1.72	2.99
FNMA ARM	2.36	2.35	2.62
Corporate Bonds			
Financial (10-year) A	3.48	4.00	4.71
Industrial (25/30-year) A	4.21	4.25	5.45
Utility (25/30-year) A	4.15	4.33	5.57
Utility (25/30-year) Baa/BBB	4.62	4.94	6.03
Foreign Bonds (10-Year)			
Canada	2.04	1.96	3.33
Germany	1.72	1.79	3.31
Japan	0.94	0.97	1.24
United Kingdom	2.13	1.96	3.58
Preferred Stocks			
Utility A	5.34	4.95	5.59
Financial A	6.44	6.18	6.45
Financial Adjustable A	5.49	5.49	5.49



	Recent (4/18/12)	3 Months Ago (1/18/12)	Year Ago (4/20/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.97	3.62	5.06
25-Bond Index (Revs)	4.85	4.74	5.58
General Obligation Bonds (GOs)			
1-year Aaa	0.21	0.17	0.33
1-year A	1.01	1.02	1.18
5-year Aaa	0.93	0.85	1.74
5-year A	1.91	1.93	2.81
10-year Aaa	2.11	1.93	3.37
10-year A	3.23	2.91	4.49
25/30-year Aaa	3.66	3.56	4.80
25/30-year A	5.10	4.96	6.12
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.45	4.40	5.19
Electric AA	4.67	4.54	5.32
Housing AA	4.87	5.01	6.01
Hospital AA	4.60	4.61	5.65
Toll Road Aaa	4.44	4.48	5.33

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/4/12	3/21/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1488951	1505886	-16935	1527351	1522439	1534075
Borrowed Reserves	7074	7401	-327	7955	9228	11534
Net Free/Borrowed Reserves	1481877	1498485	-16608	1519396	1513212	1522541

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/2/12	3/26/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2222.0	2214.3	7.6	9.5%	9.1%	17.3%
M2 (M1+savings+small time deposits)	9857.6	9835.7	21.9	5.0%	6.9%	9.9%

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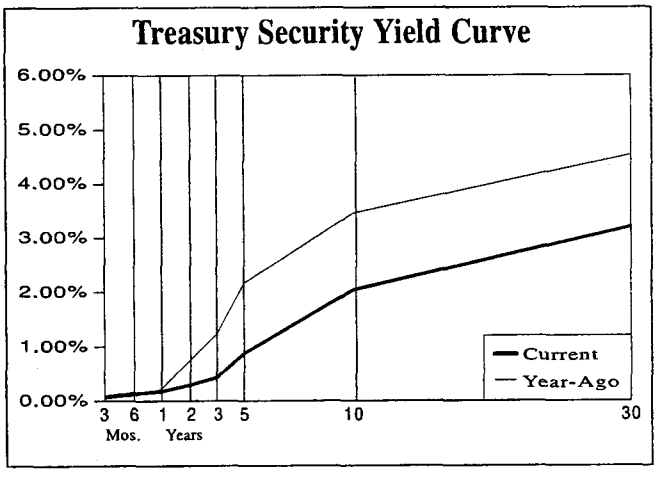
Selected Yields

	Recent (4/11/12)	3 Months Ago (1/11/12)	Year Ago (4/13/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.30	0.25	0.23
3-month LIBOR	0.47	0.58	0.28
Bank CDs			
6-month	0.22	0.22	0.29
1-year	0.33	0.34	0.47
5-year	1.14	1.17	1.71
U.S. Treasury Securities			
3-month	0.08	0.02	0.05
6-month	0.14	0.05	0.10
1-year	0.18	0.10	0.22
5-year	0.88	0.82	2.17
10-year	2.04	1.90	3.46
10-year (inflation-protected)	-0.28	-0.16	0.84
30-year	3.20	2.96	4.54
30-year Zero	3.43	3.15	4.88

	Recent (4/11/12)	3 Months Ago (1/11/12)	Year Ago (4/13/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.02	0.91	2.97
FHLMC 5.5% (Gold)	2.10	1.91	3.32
FNMA 5.5%	1.93	1.74	3.22
FNMA ARM	2.36	2.35	2.62
Corporate Bonds			
Financial (10-year) A	3.57	4.12	4.72
Industrial (25/30-year) A	4.27	4.22	5.52
Utility (25/30-year) A	4.23	4.17	5.66
Utility (25/30-year) Baa/BBB	4.69	4.90	6.05
Foreign Bonds (10-Year)			
Canada	2.01	1.94	3.37
Germany	1.78	1.81	3.44
Japan	0.95	0.97	1.32
United Kingdom	2.05	2.01	3.71
Preferred Stocks			
Utility A	5.47	4.94	5.83
Financial A	6.50	6.27	6.44
Financial Adjustable A	5.49	5.49	5.49



	Recent (4/11/12)	3 Months Ago (1/11/12)	Year Ago (4/13/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.08	3.83	5.04
25-Bond Index (Revs)	4.88	4.93	5.61
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.17	0.34
1-year A	1.02	1.00	1.20
5-year Aaa	0.94	0.89	1.83
5-year A	2.02	1.98	2.89
10-year Aaa	2.14	1.99	3.46
10-year A	3.27	3.03	4.62
25/30-year Aaa	3.66	3.70	4.86
25/30-year A	5.14	5.12	6.13
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.43	4.49	5.19
Electric AA	4.65	4.63	5.34
Housing AA	4.85	5.10	6.16
Hospital AA	4.60	4.72	5.65
Toll Road Aaa	4.43	4.53	5.33

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/4/12	3/21/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1488974	1505909	-16935	1527360	1522444	1534077
Borrowed Reserves	7074	7401	-327	7955	9228	11534
Net Free/Borrowed Reserves	1481900	1498508	-16608	1519405	1513216	1522543

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	3/26/12	3/19/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2219.5	2218.3	1.2	8.9%	9.8%	17.4%
M2 (M1+savings+small time deposits)	9825.0	9787.4	37.6	8.1%	6.4%	9.5%

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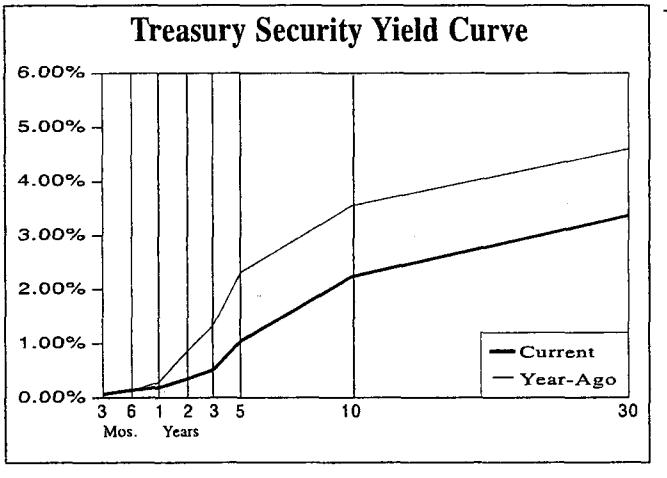
Selected Yields

	Recent (4/04/12)	3 Months Ago (1/04/12)	Year Ago (4/06/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.25	0.27
3-month LIBOR	0.47	0.58	0.29
Bank CDs			
6-month	0.22	0.22	0.29
1-year	0.33	0.34	0.47
5-year	1.14	1.16	1.71
U.S. Treasury Securities			
3-month	0.07	0.01	0.06
6-month	0.14	0.05	0.13
1-year	0.19	0.10	0.28
5-year	1.04	0.88	2.31
10-year	2.23	1.98	3.55
10-year (inflation-protected)	-0.09	-0.14	0.96
30-year	3.36	3.03	4.60
30-year Zero	3.59	3.13	4.92

	Recent (4/04/12)	3 Months Ago (1/04/12)	Year Ago (4/06/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.52	0.99	2.84
FHLMC 5.5% (Gold)	2.33	2.03	3.46
FNMA 5.5%	2.18	1.86	3.40
FNMA ARM	2.36	2.35	2.62
Corporate Bonds			
Financial (10-year) A	3.66	4.25	4.85
Industrial (25/30-year) A	4.40	4.33	5.59
Utility (25/30-year) A	4.35	4.22	5.66
Utility (25/30-year) Baa/BBB	4.75	4.95	6.16
Foreign Bonds (10-Year)			
Canada	2.13	1.99	3.42
Germany	1.79	1.92	3.43
Japan	1.03	0.99	1.30
United Kingdom	2.21	2.05	3.76
Preferred Stocks			
Utility A	5.29	5.11	5.89
Financial A	6.46	6.38	5.84
Financial Adjustable A	5.48	5.48	5.48



	Recent (4/04/12)	3 Months Ago (1/04/12)	Year Ago (4/06/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.02	3.88	5.00
25-Bond Index (Revs)	4.85	4.97	5.56
General Obligation Bonds (GOs)			
1-year Aaa	0.20	0.22	0.37
1-year A	1.05	1.07	1.21
5-year Aaa	1.04	0.92	1.85
5-year A	2.07	2.06	2.84
10-year Aaa	2.26	2.07	3.41
10-year A	3.39	3.12	4.48
25/30-year Aaa	3.72	3.80	4.84
25/30-year A	5.21	5.20	6.13
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.54	4.53	5.19
Electric AA	4.72	4.70	5.30
Housing AA	4.97	5.26	6.19
Hospital AA	4.60	4.72	5.65
Toll Road Aaa	4.48	4.53	5.34

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/21/12	3/7/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	505910	1546953	-41043	1524859	1526682	1529539
Borrowed Reserves	7401	7554	-153	8277	9552	12010
Net Free/Borrowed Reserves	1498509	1539399	-40890	1516581	1517130	1517529

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	3/19/12	3/12/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2218.2	2221.8	-3.6	8.5%	9.7%	17.3%
M2 (M1+savings+small time deposits)	9787.7	9810.3	-22.6	7.1%	6.5%	9.3%

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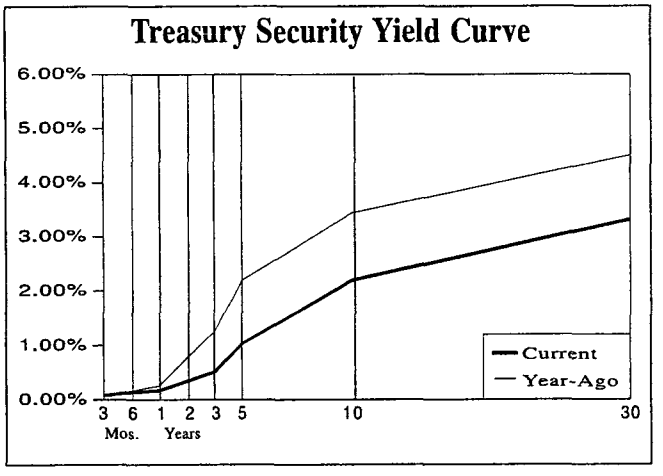
Selected Yields

	Recent (3/28/12)	3 Months Ago (12/28/11)	Year Ago (3/30/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.19	0.22
3-month LIBOR	0.47	0.58	0.30
Bank CDs			
6-month	0.22	0.22	0.29
1-year	0.34	0.34	0.47
5-year	1.15	1.15	1.71
U.S. Treasury Securities			
3-month	0.08	0.01	0.09
6-month	0.14	0.05	0.17
1-year	0.17	0.10	0.26
5-year	1.03	0.91	2.20
10-year	2.20	1.92	3.44
10-year (inflation-protected)	-0.13	-0.11	0.98
30-year	3.31	2.92	4.50
30-year Zero	3.53	3.02	4.79

	Recent (3/28/12)	3 Months Ago (12/28/11)	Year Ago (3/30/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.37	1.12	2.68
FHLMC 5.5% (Gold)	2.08	2.12	3.28
FNMA 5.5%	2.07	1.99	3.17
FNMA ARM	2.38	2.37	2.63
Corporate Bonds			
Financial (10-year) A	3.65	4.17	4.70
Industrial (25/30-year) A	4.39	4.26	5.50
Utility (25/30-year) A	4.28	4.14	5.56
Utility (25/30-year) Baa/BBB	4.67	4.78	6.06
Foreign Bonds (10-Year)			
Canada	2.12	1.96	3.29
Germany	1.83	1.89	3.34
Japan	1.00	1.00	1.25
United Kingdom	2.21	2.01	3.67
Preferred Stocks			
Utility A	4.57	5.37	5.70
Financial A	6.44	6.71	6.02
Financial Adjustable A	5.48	5.48	5.48



	Recent (3/28/12)	3 Months Ago (12/28/11)	Year Ago (3/30/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.01	3.92	4.91
25-Bond Index (Revs)	4.88	5.01	5.52
General Obligation Bonds (GOs)			
1-year Aaa	0.19	0.22	0.33
1-year A	1.04	1.06	1.15
5-year Aaa	1.07	0.97	1.76
5-year A	2.10	2.07	2.75
10-year Aaa	2.29	2.12	3.29
10-year A	3.35	3.23	4.37
25/30-year Aaa	3.72	3.86	4.80
25/30-year A	5.21	5.24	6.08
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.54	4.56	5.15
Electric AA	4.68	4.73	5.28
Housing AA	4.99	5.29	6.13
Hospital AA	4.60	4.87	5.61
Toll Road Aaa	4.48	4.54	5.32

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/21/12	3/7/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1505910	1546953	-41043	1524859	1526682	1529539
Borrowed Reserves	7401	7554	-153	8277	9552	12010
Net Free/Borrowed Reserves	1498509	1539399	-40890	1516581	1517130	1517529

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	3/12/12	3/5/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2221.6	2222.0	-0.4	8.8%	9.8%	17.6%
M2 (M1+savings+small time deposits)	9812.7	9800.7	12.0	8.2%	7.0%	9.8%

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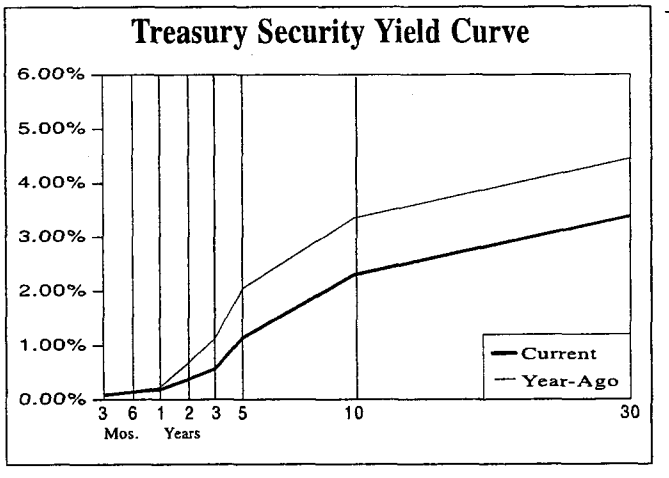
Selected Yields

	Recent (3/21/12)	3 Months Ago (12/21/11)	Year Ago (3/23/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.29	0.28
3-month LIBOR	0.47	0.57	0.31
Bank CDs			
6-month	0.22	0.22	0.30
1-year	0.34	0.34	0.48
5-year	1.14	1.15	1.71
U.S. Treasury Securities			
3-month	0.09	0.01	0.08
6-month	0.14	0.03	0.15
1-year	0.19	0.11	0.23
5-year	1.14	0.92	2.05
10-year	2.30	1.97	3.35
10-year (inflation-protected)	-0.10	-0.12	0.95
30-year	3.38	3.00	4.45
30-year Zero	3.60	3.10	4.79

	Recent (3/21/12)	3 Months Ago (12/21/11)	Year Ago (3/23/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.50	1.05	2.60
FHLMC 5.5% (Gold)	2.12	2.12	3.18
FNMA 5.5%	2.18	1.95	3.06
FNMA ARM	2.38	2.37	2.63
Corporate Bonds			
Financial (10-year) A	3.75	4.11	4.63
Industrial (25/30-year) A	4.47	4.21	5.46
Utility (25/30-year) A	4.38	4.12	5.50
Utility (25/30-year) Baa/BBB	4.75	4.77	5.98
Foreign Bonds (10-Year)			
Canada	2.24	1.96	3.21
Germany	1.98	1.93	3.24
Japan	1.02	0.98	1.23
United Kingdom	2.37	2.07	3.55
Preferred Stocks			
Utility A	4.55	5.36	6.00
Financial A	6.10	6.55	6.10
Financial Adjustable A	5.47	5.47	5.47



	Recent (3/21/12)	3 Months Ago (12/21/11)	Year Ago (3/23/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.95	3.92	4.86
25-Bond Index (Revs)	4.83	5.01	5.50
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.21	0.33
1-year A	1.09	1.03	1.19
5-year Aaa	1.03	0.97	1.72
5-year A	2.15	2.07	2.67
10-year Aaa	2.42	2.15	3.16
10-year A	3.32	3.25	4.29
25/30-year Aaa	3.77	3.86	4.75
25/30-year A	5.26	5.24	6.08
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.58	4.56	5.15
Electric AA	4.70	4.74	5.28
Housing AA	5.03	5.34	6.10
Hospital AA	4.66	4.87	5.61
Toll Road Aaa	4.48	4.54	5.30

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/7/12	2/22/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1546954	1580867	-33913	1528097	1531157	1521755
Borrowed Reserves	7554	7992	-438	8626	9858	12492
Net Free/Borrowed Reserves	1539400	1572875	-33475	1519471	1521299	1509262

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	3/5/12	2/27/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2222.1	2223.9	-1.8	10.0%	10.3%	18.0%
M2 (M1+savings+small time deposits)	9800.7	9785.4	15.3	8.7%	6.6%	9.8%

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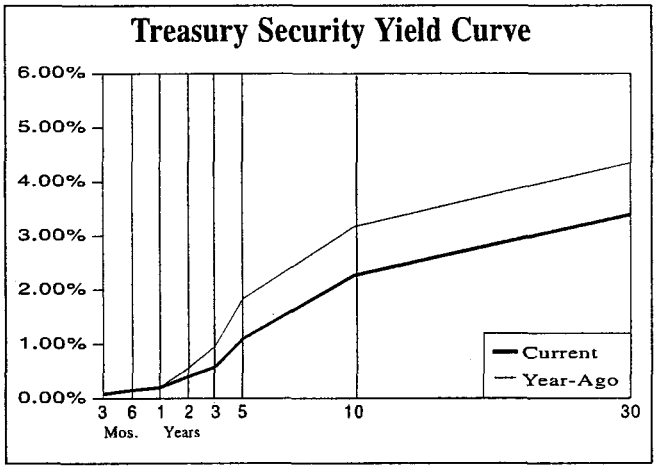
Selected Yields

	Recent (3/14/12)	3 Months Ago (12/14/11)	Year Ago (3/16/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.29	0.28	0.24
3-month LIBOR	0.47	0.56	0.31
Bank CDs			
6-month	0.22	0.22	0.21
1-year	0.34	0.35	0.29
5-year	1.14	1.17	1.76
U.S. Treasury Securities			
3-month	0.08	0.01	0.08
6-month	0.15	0.05	0.13
1-year	0.20	0.11	0.20
5-year	1.10	0.85	1.84
10-year	2.27	1.90	3.17
10-year (inflation-protected)	-0.11	-0.08	0.82
30-year	3.40	2.90	4.36
30-year Zero	3.63	3.00	4.75

	Recent (3/14/12)	3 Months Ago (12/14/11)	Year Ago (3/16/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.66	1.03	2.54
FHLMC 5.5% (Gold)	2.09	2.16	2.92
FNMA 5.5%	2.13	2.05	2.84
FNMA ARM	2.38	2.37	2.63
Corporate Bonds			
Financial (10-year) A	3.73	4.23	4.45
Industrial (25/30-year) A	4.54	4.37	5.39
Utility (25/30-year) A	4.38	4.23	5.44
Utility (25/30-year) Baa/BBB	4.83	4.87	5.86
Foreign Bonds (10-Year)			
Canada	2.15	1.96	3.13
Germany	1.95	1.92	3.09
Japan	1.01	1.00	1.23
United Kingdom	2.34	2.09	3.48
Preferred Stocks			
Utility A	5.05	5.23	5.79
Financial A	6.10	6.87	6.10
Financial Adjustable A	5.46	5.46	5.47



	Recent (3/14/12)	3 Months Ago (12/14/11)	Year Ago (3/16/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.84	3.93	4.91
25-Bond Index (Revs)	4.76	5.03	5.52
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.20	0.37
1-year A	1.12	1.11	1.23
5-year Aaa	0.80	1.00	1.76
5-year A	2.10	2.04	2.73
10-year Aaa	2.18	2.20	3.16
10-year A	3.17	3.34	4.31
25/30-year Aaa	3.63	3.89	4.78
25/30-year A	5.11	5.26	6.11
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.49	4.58	5.15
Electric AA	4.56	4.80	5.28
Housing AA	4.89	5.43	6.14
Hospital AA	4.61	4.88	5.59
Toll Road Aaa	4.42	4.54	5.32

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/7/12	2/22/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1546954	1580866	-33912	1528096	1531157	1521755
Borrowed Reserves	7554	7992	-438	8626	9858	12492
Net Free/Borrowed Reserves	1539400	1572874	-33474	1519471	1521299	1509262

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	2/27/12	2/20/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2218.4	2225.9	-7.5	12.0%	10.8%	18.1%
M2 (M1+savings+small time deposits)	9785.4	9789.1	-3.7	8.0%	5.9%	9.7%

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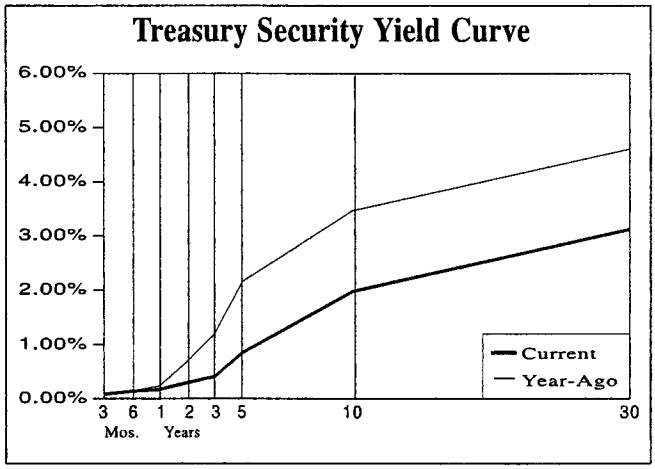
Selected Yields

	Recent (3/07/12)	3 Months Ago (12/07/11)	Year Ago (3/9/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.31	0.52	0.28
3-month LIBOR	0.47	0.54	0.31
Bank CDs			
6-month	0.22	0.22	0.21
1-year	0.34	0.35	0.29
5-year	1.15	1.17	1.76
U.S. Treasury Securities			
3-month	0.08	0.01	0.09
6-month	0.14	0.04	0.15
1-year	0.17	0.09	0.24
5-year	0.85	0.89	2.15
10-year	1.98	2.03	3.47
10-year (inflation-protected)	-0.24	-0.05	0.95
30-year	3.12	3.06	4.61
30-year Zero	3.35	3.16	4.97

	Recent (3/07/12)	3 Months Ago (12/07/11)	Year Ago (3/9/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.72	1.21	2.73
FHLMC 5.5% (Gold)	2.10	2.30	3.24
FNMA 5.5%	2.06	2.01	3.14
FNMA ARM	2.38	2.37	2.63
Corporate Bonds			
Financial (10-year) A	3.42	4.32	4.72
Industrial (25/30-year) A	4.28	4.39	5.59
Utility (25/30-year) A	4.10	4.25	5.65
Utility (25/30-year) Baa/BBB	4.54	4.92	6.05
Foreign Bonds (10-Year)			
Canada	1.97	2.06	3.34
Germany	1.77	2.10	3.29
Japan	0.98	1.05	1.31
United Kingdom	2.14	2.24	3.66
Preferred Stocks			
Utility A	5.17	5.07	5.79
Financial A	6.09	6.78	6.47
Financial Adjustable A	5.53	5.53	5.54



	Recent (3/07/12)	3 Months Ago (12/07/11)	Year Ago (3/9/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.72	4.12	4.90
25-Bond Index (Revs)	4.73	5.09	5.56
General Obligation Bonds (GOs)			
1-year Aaa	0.19	0.21	0.38
1-year A	1.15	1.10	1.21
5-year Aaa	0.75	1.12	1.81
5-year A	2.07	2.20	2.75
10-year Aaa	2.07	2.37	3.17
10-year A	3.10	3.37	4.35
25/30-year Aaa	3.60	3.93	4.78
25/30-year A	5.04	5.28	6.25
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.46	4.61	5.18
Electric AA	4.55	4.83	5.30
Housing AA	4.88	5.53	6.18
Hospital AA	4.62	4.90	5.59
Toll Road Aaa	4.42	4.56	5.34

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/22/12	2/8/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1580859	1535749	45110	1515792	1533360	1509554
Borrowed Reserves	7992	8163	-171	8978	10163	13027
Net Free/Borrowed Reserves	1572867	1527586	45281	1506814	1523197	1496527

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	2/20/12	2/13/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2225.9	2228.1	-2.2	14.7%	13.2%	18.7%
M2 (M1+savings+small time deposits)	9789.1	9799.6	-10.5	8.4%	6.1%	9.8%

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PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 et al.
TABLE OF CONTENTS TO SURREBUTTAL SCHEDULES WAR

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PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
COST OF CAPITAL SUMMARY

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	Long-Term Debt	$ 8,370,000	$ -	$ 8,370,000	35.36%	4.25%	1.50%
2	Common Equity	15,301,736	-	15,301,736	64.64%	9.40%	6.08%
3	Total Capitalization	$ 23,671,736	$ -	$ 23,671,736	100.00%		
4	**WEIGHTED AVERAGE COST OF CAPITAL**						**7.58%**

REFERENCES:
COLUMN (A): SURREBUTTAL TESTIMONY, WAR
COLUMN (B): LINE 1; SCHEDULE WAR-1, PAGE 2, LINE 2; SURREBUTTAL TESTIMONY WAR
COLUMN (C): COLUMN (A) x COLUMN (B), LINE 4; LINE 1 + LINE 2
COLUMN (D): COLUMN (C) LINES 1, 2 AND 3 / LINE 4
COLUMN (E): LINE 1; SCHEDULE WAR-1, PAGE 2, LINES 2 AND 3; SURREBUTTAL TESTIMONY WAR
COLUMN (F): COLUMN (D) x COLUMN (E)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
COST OF CAPITAL SUMMARY

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 1

COST OF LONG-TERM DEBT

LINE NO.	LONG-TERM DEBT ISSUANCES	(A) AMOUNT OUTSTANDING	(B) ANNUAL COST	(C) INTEREST RATE
1	IDA BONDS - MARICOPA COUNTY	$ -	$ -	0.000%
2	PROPOSED LONG-TERM DEBT	8,370,000	355,728	4.250%
3	TOTALS	$ 8,370,000	$ 355,728	4.250%

REFERENCES:
COLUMN (A): COMPANY REBUTTAL SCHEDULE D-2, PAGE 1
COLUMN (B): COMPANY REBUTTAL SCHEDULE D-2, PAGE 1
COLUMN (C): COLUMN (B) / COLUMN (A)

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	8.53%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.47%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	**AVERAGE OF DCF ESTIMATES**	**9.00%**	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	3.90%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	3.73%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	5.25%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	5.01%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	**AVERAGE OF CAPM ESTIMATES**	**4.47%**	(SUM OF LINES 6 THRU 9) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**6.74%**	(SUM OF LINES 4 AND 10) ÷ 2
12	**FINAL COST OF COMMON EQUITY ESTIMATE**	**9.40%**	SURREBUTTAL TESTIMONY WAR

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.08%	+	6.06%	=	9.14%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.49%	+	5.21%	=	8.70%
3	MSEX	MIDDLESEX WATER COMPANY	4.02%	+	4.60%	=	8.62%
4	SJW	SJW CORPORATION	2.96%	+	4.33%	=	7.29%
5	WTR	AQUA AMERICA, INC.	2.99%	+	5.90%	=	8.89%
6	**WATER COMPANY AVERAGE**						**8.53%**
7	GAS	AGL RESOURCES, INC.	4.73%	+	6.00%	=	10.74%
8	ATO	ATMOS ENERGY CORP.	4.42%	+	3.67%	=	8.09%
9	LG	LACLEDE GROUP, INC.	4.20%	+	4.57%	=	8.77%
10	NJR	NEW JERSEY RESOURCES CORPORATION	3.45%	+	6.96%	=	10.41%
11	NWN	NORTHWEST NATURAL GAS CO.	3.98%	+	4.76%	=	8.73%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.77%	+	3.61%	=	7.37%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	2.93%	+	10.21%	=	13.14%
14	SWX	SOUTHWEST GAS CORPORATION	2.79%	+	7.43%	=	10.22%
15	WGL	WGL HOLDINGS, INC.	3.91%	+	3.84%	=	7.75%
16	**NATURAL GAS LDC AVERAGE**						**9.47%**

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND YIELD CALCULATION

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	/	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	$1.12	/	$36.36	=	3.08%
2	CWT	CALIFORNIA WATER SERVICE GROUP	$0.63	/	$18.05	=	3.49%
3	MSEX	MIDDLESEX WATER COMPANY	$0.74	/	$18.41	=	4.02%
4	SJW	SJW CORPORATION	$0.71	/	$24.01		2.96%
5	WTR	AQUA AMERICA, INC.	$0.66	/	$22.08	=	2.99%
6	**WATER COMPANY AVERAGE**						**3.31%**
7	GAS	AGL RESOURCES, INC.	$1.84	/	$38.86	=	4.73%
8	ATO	ATMOS ENERGY CORP.	$1.38	/	$31.23	=	4.42%
9	LG	LACLEDE GROUP, INC.	$1.66	/	$39.49	=	4.20%
10	NJR	NEW JERSEY RESOURCES CORPORATION	$1.52	/	$44.04	=	3.45%
11	NWN	NORTHWEST NATURAL GAS CO.	$1.78	/	$44.78	=	3.98%
12	PNY	PIEDMONT NATURAL GAS COMPANY	$1.16	/	$30.81	=	3.77%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	$1.46	/	$49.84	=	2.93%
14	SWX	SOUTHWEST GAS CORPORATION	$1.18	/	$42.35	=	2.79%
15	WGL	WGL HOLDINGS, INC.	$1.56	/	$39.89	=	3.91%
16	**NATURAL GAS LDC AVERAGE**						**3.80%**

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF ADJUSTED CLOSING PRICES FROM 03/05/2012 TO 04/27/2012 STOCK QUOTES OBTAINED THROUGH YAHOO! FINANCE WEB SITE - HISTORICAL QUOTES (http://finance.yahoo.com).
COLUMN (C): COLUMN (A) DIVIDED BY COLUMN (B)

NOTE:
CLOSING STOCK PRICES ARE ADJUSTED FOR DIVIDENDS AND STOCK SPLITS.

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 4
PAGE 1 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	5.75%	+	0.31%	=	6.06%
2	CWT	CALIFORNIA WATER SERVICE GROUP	4.50%	+	0.71%	=	5.21%
3	MSEX	MIDDLESEX WATER COMPANY	4.00%	+	0.60%	=	4.60%
4	SJW	SJW CORPORATION	3.10%	+	1.23%	=	4.33%
5	WTR	AQUA AMERICA, INC.	5.50%	+	0.40%	=	5.90%
6	**WATER COMPANY AVERAGE**						**5.22%**
7	GAS	AGL RESOURCES, INC.	5.90%	+	0.10%	=	6.00%
8	ATO	ATMOS ENERGY CORP.	3.50%	+	0.17%	=	3.67%
9	LG	LACLEDE GROUP, INC.	3.90%	+	0.67%	=	4.57%
10	NJR	NEW JERSEY RESOURCES CORPORATION	6.95%	+	0.01%	=	6.96%
11	NWN	NORTHWEST NATURAL GAS CO.	4.70%	+	0.06%	=	4.76%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.60%	+	0.01%	=	3.61%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	8.20%	+	2.01%	=	10.21%
14	SWX	SOUTHWEST GAS CORPORATION	6.85%	+	0.58%	=	7.43%
15	WGL	WGL HOLDINGS, INC.	3.65%	+	0.19%	=	3.84%
16	**NATURAL GAS LDC AVERAGE**						**5.67%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	x	(B) { [((M÷B) + 1) / 2] - 1 }	=	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	1.00%	x	{ [((1.62) + 1) / 2] - 1 }	=	0.31%
2	CWT	CALIFORNIA WATER SERVICE GROUP	2.60%	x	{ [((1.55) + 1) / 2] - 1 }	=	0.71%
3	MSEX	MIDDLESEX WATER COMPANY	1.90%	x	{ [((1.64) + 1) / 2] - 1 }	=	0.60%
4	SJW	SJW CORPORATION	4.30%	x	{ [((1.57) + 1) / 2] - 1 }	=	1.23%
5	WTR	AQUA AMERICA, INC.	0.60%	x	{ [((2.34) + 1) / 2] - 1 }	=	0.40%
6	**WATER COMPANY AVERAGE**						**0.65%**
7	GAS	AGL RESOURCES, INC.	0.65%	x	{ [((1.31) + 1) / 2] - 1 }	=	0.10%
8	ATO	ATMOS ENERGY CORP.	2.60%	x	{ [((1.13) + 1) / 2] - 1 }	=	0.17%
9	LG	LACLEDE GROUP, INC.	3.00%	x	{ [((1.45) + 1) / 2] - 1 }	=	0.67%
10	NJR	NEW JERSEY RESOURCES CORPORATION	0.01%	x	{ [((2.41) + 1) / 2] - 1 }	=	0.01%
11	NWN	NORTHWEST NATURAL GAS CO.	0.20%	x	{ [((1.59) + 1) / 2] - 1 }	=	0.06%
12	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((2.21) + 1) / 2] - 1 }	=	0.01%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	3.00%	x	{ [((2.34) + 1) / 2] - 1 }	=	2.01%
14	SWX	SOUTHWEST GAS CORPORATION	2.20%	x	{ [((1.53) + 1) / 2] - 1 }	=	0.58%
15	WGL	WGL HOLDINGS, INC.	0.60%	x	{ [((1.62) + 1) / 2] - 1 }	=	0.19%
16	**NATURAL GAS LDC AVERAGE**						**0.42%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2007	0.4074		9.30%		3.79%	17.53	17.23	
2			2008	0.3548		8.60%		3.05%	17.95	17.30	
3			2009	0.3765		8.20%		3.09%	19.39	18.53	
4			2010	0.5315		11.00%		5.85%	20.26	18.63	
5			2011	0.5067		10.30%		5.22%	21.68	18.85	
6			GROWTH 2007 - 2011					4.20%	5.00%		2.27%
7			2012	0.4727		9.50%		4.49%		19.00	0.80%
8			2013	0.4917		10.00%		4.92%		19.20	0.92%
9			2015-17	0.5214		11.00%		5.74%	4.50%	19.60	0.78%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2007	0.2267		8.10%		1.84%	9.25	41.33	
12			2008	0.3789		9.90%		3.75%	9.72	41.45	
13			2009	0.3980		9.60%		3.82%	10.13	41.53	
14			2010	0.3407		8.60%		2.93%	10.45	41.67	
15			2011	0.2791		8.00%		2.23%	10.76	41.82	
16			GROWTH 2007 - 2011					2.91%	5.00%		0.30%
17			2012	0.3600		8.50%		3.06%		43.00	2.82%
18			2013	0.3909		9.00%		3.52%		44.00	2.57%
19			2015-17	0.4231		10.50%		4.44%	3.50%	47.50	2.58%
20											
21	MSEX	MIDDLESEX WATER COMPANY	2007	0.2069		8.70%		1.80%	10.05	13.25	
22			2008	0.2135		8.90%		1.90%	10.03	13.40	
23			2009	0.0139		7.00%		0.10%	10.33	13.52	
24			2010	0.2500		8.20%		2.05%	11.13	15.57	
25			2011	0.1310		7.60%		1.00%	11.27	15.70	
26			GROWTH 2007 - 2011					1.37%	5.50%		4.33%
27			2012	0.2211		8.50%		1.88%		16.00	1.91%
28			2013	0.2857		9.00%		2.57%		16.25	1.74%
29			2015-17	0.3600		11.00%		3.96%	1.00%	17.25	1.90%
30											
31	SJW	SJW CORPORATION	2007	0.4135		8.20%		3.39%	12.90	18.36	
32			2008	0.3981		8.00%		3.19%	13.99	18.18	
33			2009	0.1852		6.00%		1.11%	13.66	18.50	
34			2010	0.1905		6.20%		1.18%	13.75	18.55	
35			2011	0.3784		7.90%		2.99%	14.20	18.59	
36			GROWTH 2007 - 2011					2.37%	4.50%		0.31%
37			2012	0.3565		7.50%		2.67%		20.00	7.58%
38			2013	0.3500		7.50%		2.63%		21.00	6.28%
39			2015-17	0.3857		8.00%		3.09%	3.50%	23.00	4.35%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/20/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WTR	AQUA AMERICA, INC.	2007	0.3239		9.70%		3.14%	7.32	133.40	
2			2008	0.3014		9.70%		2.92%	7.82	135.37	
3			2009	0.2857		9.40%		2.69%	8.12	136.49	
4			2010	0.3444		10.60%		3.65%	8.51	137.97	
5			2011	0.3981		11.40%		4.54%	9.01	138.87	
6			GROWTH 2007 - 2011					3.39%	7.00%		1.01%
7			2012	0.3909		11.50%		4.50%		139.90	0.74%
8			2013	0.4083		12.00%		4.90%		140.90	0.73%
9			2015-17	0.4357		12.50%		5.45%	4.50%	142.90	0.57%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/20/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	AGL RESOURCES, INC.	2007	0.3971		12.70%		5.04%	21.74	76.40	
2			2008	0.3801		12.60%		4.79%	21.48	76.90	
3			2009	0.4028		12.50%		5.03%	22.95	77.54	
4			2010	0.4133		12.90%		5.33%	23.24	78.00	
5			2011	0.1038		5.20%		0.54%	28.54	117.00	
6			GROWTH 2007 - 2011					4.15%	5.50%		11.24%
7			2012	0.4338		11.00%		4.77%		118.00	0.85%
8			2013	0.4551		11.00%		5.01%		119.00	0.85%
9			2015-17	0.5122		12.00%		6.15%	6.00%	121.00	0.67%
10											
11	ATO	ATMOS ENERGY CORP.	2007	0.3402		8.70%		2.96%	22.01	89.33	
12			2008	0.3500		8.80%		3.08%	22.60	90.81	
13			2009	0.3299		8.30%		2.74%	23.52	92.55	
14			2010	0.3796		9.20%		3.49%	24.16	90.16	
15			2011	0.3982		8.80%		3.50%	24.98	90.30	
16			GROWTH 2007 - 2011					3.16%	4.50%		0.27%
17			2012	0.4000		8.50%		3.40%		90.50	0.22%
18			2013	0.4167		8.00%		3.33%		91.00	0.39%
19			2015-17	0.4519		8.00%		3.61%	6.00%	103.00	2.67%
20											
21	LG	LACLEDE GROUP, INC.	2007	0.3723		11.60%		4.32%	19.79	21.65	
22			2008	0.4356		11.80%		5.14%	22.12	21.99	
23			2009	0.4760		12.40%		5.90%	23.32	22.17	
24			2010	0.3539		10.10%		3.57%	24.02	22.29	
25			2011	0.4371		11.10%		4.85%	25.56	22.43	
26			GROWTH 2007 - 2011					4.76%	6.50%		0.89%
27			2012	0.3889		10.00%		3.89%		22.50	0.31%
28			2013	0.3964		10.00%		3.96%		23.00	1.26%
29			2015-17	0.4098		10.00%		4.10%	4.50%	26.00	3.00%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2007	0.3484		10.10%		3.52%	15.50	41.61	
32			2008	0.5889		15.70%		9.25%	17.28	42.06	
33			2009	0.4833		14.60%		7.06%	16.59	41.59	
34			2010	0.4472		14.00%		6.26%	17.62	41.17	
35			2011	0.4419		13.70%		6.05%	18.73	41.45	
36			GROWTH 2007 - 2011					6.43%	7.50%		-0.10%
37			2012	0.4667		16.00%		7.47%		40.00	-3.50%
38			2013	0.5175		16.50%		8.54%		40.00	-1.76%
39			2015-17	0.5130		14.00%		7.18%	5.50%	40.00	-0.71%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	NWN	NORTHWEST NATURAL GAS CO.	2007	0.4783		12.50%		5.98%	22.52	26.41	
2			2008	0.4086		10.90%		4.45%	23.71	26.50	
3			2009	0.4346		11.40%		4.95%	24.88	26.53	
4			2010	0.3846		10.50%		4.04%	26.08	26.58	
5			2011	0.2678		8.90%		2.38%	26.74	26.72	
6			GROWTH 2007 - 2011					4.36%	4.00%		0.29%
7			2012	0.3283		9.50%		3.12%		26.75	0.11%
8			2013	0.3831		10.00%		3.83%		26.80	0.15%
9			2015-17	0.4611		10.50%		4.84%	4.50%	26.95	0.17%
10											
11	PNY	PIEDMONT NATURAL GAS COMPANY	2007	0.2929		11.90%		3.49%	11.99	73.23	
12			2008	0.3087		12.40%		3.83%	12.11	73.26	
13			2009	0.3593		13.20%		4.74%	12.67	73.27	
14			2010	0.2839		11.60%		3.29%	13.35	72.28	
15			2011	0.2675		11.40%		3.05%	13.79	72.32	
16			GROWTH 2007 - 2011					3.68%	3.00%		-0.31%
17			2012	0.2788		12.00%		3.35%		71.00	-1.83%
18			2013	0.2765		12.00%		3.32%		70.00	-1.62%
19			2015-17	0.2895		13.00%		3.76%	2.00%	68.00	-1.22%
20											
21	SJI	SOUTH JERSEY INDUSTRIES, INC.	2007	0.5167		12.80%		6.61%	16.25	29.61	
22			2008	0.5110		13.10%		6.69%	17.33	29.73	
23			2009	0.4874		13.10%		6.38%	18.24	29.80	
24			2010	0.4963		14.20%		7.05%	19.08	29.87	
25			2011	0.4810		14.30%		6.88%	20.66	30.21	
26			GROWTH 2007 - 2011					6.72%	8.00%		0.50%
27			2012	0.4875		15.00%		7.31%		31.00	2.62%
28			2013	0.4857		15.50%		7.53%		32.00	2.92%
29			2015-17	0.5000		17.00%		8.50%	5.00%	35.00	2.99%
30											
31	SWX	SOUTHWEST GAS CORPORATION	2007	0.5590		8.50%		4.75%	22.98	42.81	
32			2008	0.3525		5.90%		2.08%	23.49	44.19	
33			2009	0.5103		7.90%		4.03%	24.44	45.09	
34			2010	0.5595		8.90%		4.98%	25.62	45.56	
35			2011	0.5638		9.20%		5.19%	26.68	45.96	
36			GROWTH 2007 - 2011					4.21%	5.50%		1.79%
37			2012	0.5547		9.50%		5.27%		47.00	2.26%
38			2013	0.5517		10.00%		5.52%		48.00	2.20%
39			2015-17	0.5789		12.00%		6.95%	4.50%	51.00	2.10%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WGL	WGL HOLDINGS, INC.	2007	0.3445		10.40%		3.58%	19.83	49.45	
2			2008	0.4221		10.40%		4.39%	20.99	49.92	
3			2009	0.4190		11.60%		4.86%	21.89	50.14	
4			2010	0.3392		9.90%		3.36%	22.82	50.54	
5			2011	0.3111		9.50%		2.96%	23.49	51.20	
6			GROWTH 2007 - 2011					3.83%	5.00%		0.87%
7			2012	0.3640		10.00%		3.64%		51.50	0.59%
8			2013	0.3608		10.00%		3.61%		51.75	0.54%
9			2015-17	0.3750		10.00%		3.75%	4.00%	52.00	0.31%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
GROWTH RATE COMPARISON

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AWR	6.06%	12.00%	6.50%	4.00%	4.50%	11.50%	2.50%	5.00%	6.57%	8.32%	3.46%	5.46%
2	CWT	5.21%	10.00%	6.00%	4.00%	3.50%	5.00%	1.00%	5.00%	4.93%	3.48%	1.68%	3.85%
3	MSEX	4.60%	-	5.50%	1.50%	1.00%	4.50%	1.50%	5.50%	3.25%	-0.87%	1.42%	2.91%
4	SJW	4.33%	-	7.00%	4.00%	3.50%	-3.00%	5.00%	4.50%	3.50%	1.64%	3.13%	2.43%
5	WTR	5.90%	8.30%	8.50%	5.50%	4.50%	4.50%	8.00%	7.00%	6.61%	9.75%	6.61%	5.33%
6				6.70%	3.80%	3.40%	4.50%	3.60%	5.40%		4.46%	3.26%	3.99%
7	AVERAGES	5.22%	10.10%		4.63%			4.50%		4.97%		3.91%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	GAS	6.00%	4.30%	5.50%	2.00%	6.00%	4.50%	7.50%	5.50%	5.04%	-6.04%	3.75%	7.04%
2	ATO	3.67%	4.30%	4.00%	1.50%	6.00%	4.00%	1.50%	4.50%	3.69%	3.89%	1.53%	3.22%
3	LG	4.57%	3.00%	2.00%	2.50%	4.50%	6.00%	2.50%	6.50%	3.86%	5.48%	2.65%	6.61%
4	NJR	6.96%	4.50%	5.50%	4.00%	5.50%	7.00%	8.00%	7.50%	6.00%	13.59%	9.27%	4.85%
5	NWN	4.76%	4.30%	4.00%	3.00%	4.50%	7.00%	4.50%	4.00%	4.47%	-3.53%	5.00%	4.39%
6	PNY	3.61%	4.70%	2.50%	3.00%	2.00%	4.50%	4.00%	3.00%	3.39%	2.91%	3.82%	3.56%
7	SJI	10.21%	6.00%	9.00%	9.00%	5.00%	9.50%	8.50%	8.00%	7.86%	8.44%	10.39%	6.19%
8	SWX	7.43%	5.30%	9.50%	8.00%	4.50%	6.50%	3.00%	5.50%	6.04%	5.66%	5.37%	3.80%
9	WGL	3.84%	5.20%	3.00%	2.50%	4.00%	3.00%	2.50%	5.00%	3.60%	1.86%	3.13%	4.33%
10				5.00%	3.94%	4.67%	5.78%	4.67%	5.50%		3.58%	4.99%	4.89%
11	AVERAGES	5.67%	4.62%		4.54%			5.31%		4.88%		4.49%	

REFERENCES:
COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 9 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
CAPM COST OF EQUITY CAPITAL

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 7
PAGE 1 OF 2

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	0.78%	+ [	0.70	x	(	9.80%	-	5.40%	)]	=	3.86%
2	CWT	k	=	0.78%	+ [	0.65	x	(	9.80%	-	5.40%	)]	=	3.64%
3	MSEX	k	=	0.78%	+ [	0.70	x	(	9.80%	-	5.40%	)]	=	3.86%
4	SJW	k	=	0.78%	+ [	0.85	x	(	9.80%	-	5.40%	)]	=	4.52%
5	WTR	k	=	0.78%	+ [	0.65	x	(	9.80%	-	5.40%	)]	=	3.64%
6	**WATER COMPANY AVERAGE**					0.71								3.90%
7	GAS	k	=	0.78%	+ [	0.75	x	(	9.80%	-	5.40%	)]	=	4.08%
8	ATO	k	=	0.78%	+ [	0.70	x	(	9.80%	-	5.40%	)]	=	3.86%
9	LG	k	=	0.78%	+ [	0.60	x	(	9.80%	-	5.40%	)]	=	3.42%
10	NJR	k	=	0.78%	+ [	0.65	x	(	9.80%	-	5.40%	)]	=	3.64%
11	NWN	k	=	0.78%	+ [	0.60	x	(	9.80%	-	5.40%	)]	=	3.42%
12	PNY	k	=	0.78%	+ [	0.70	x	(	9.80%	-	5.40%	)]	=	3.86%
13	SJI	k	=	0.78%	+ [	0.65	x	(	9.80%	-	5.40%	)]	=	3.64%
14	SWX	k	=	0.78%	+ [	0.75	x	(	9.80%	-	5.40%	)]	=	4.08%
15	WGL	k	=	0.78%	+ [	0.65	x	(	9.80%	-	5.40%	)]	=	3.64%
16	**NATURAL GAS LDC AVERAGE**					0.67								3.73%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [ß (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 03/16/2012 THROUGH 05/04/2012 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2011 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PERIOD THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2012 YEARBOOK.

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
CAPM COST OF EQUITY CAPITAL

DOCKET NO. W-02199A-11-0329 et al
SURREBUTTAL SCHEDULE WAR - 7
PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	0.78%	+ [	0.70	x	(	11.80%	-	5.50%	)]	=	5.19%
2	CWT	k	=	0.78%	+ [	0.65	x	(	11.80%	-	5.50%	)]	=	4.87%
3	MSEX	k	=	0.78%	+ [	0.70	x	(	11.80%	-	5.50%	)]	=	5.19%
4	SJW	k	=	0.78%	+ [	0.85	x	(	11.80%	-	5.50%	)]	=	6.13%
5	WTR	k	=	0.78%	+ [	0.65	x	(	11.80%	-	5.50%	)]	=	4.87%
6	**WATER COMPANY AVERAGE**					0.71								**5.25%**
7	GAS	k	=	0.78%	+ [	0.75	x	(	11.80%	-	5.50%	)]	=	5.50%
8	ATO	k	=	0.78%	+ [	0.70	x	(	11.80%	-	5.50%	)]	=	5.19%
9	LG	k	=	0.78%	+ [	0.60	x	(	11.80%	-	5.50%	)]	=	4.56%
10	NJR	k	=	0.78%	+ [	0.65	x	(	11.80%	-	5.50%	)]	=	4.87%
11	NWN	k	=	0.78%	+ [	0.60	x	(	11.80%	-	5.50%	)]	=	4.56%
12	PNY	k	=	0.78%	+ [	0.70	x	(	11.80%	-	5.50%	)]	=	5.19%
13	SJI	k	=	0.78%	+ [	0.65	x	(	11.80%	-	5.50%	)]	=	4.87%
14	SWX	k	=	0.78%	+ [	0.75	x	(	11.80%	-	5.50%	)]	=	5.50%
15	WGL	k	=	0.78%	+ [	0.65	x	(	11.80%	-	5.50%	)]	=	4.87%
16	**NATURAL GAS LDC AVERAGE**					0.67								**5.01%**

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\, ß\,(r_m - r_f)\,]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEYS "SELECTION & OPINIONS" PUBLICATION FROM 03/16/2012 THROUGH 05/04/2012 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2011 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME P THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2012 YEARBOOK.

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.90%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.84%	-6.80%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	2009	-0.36%	5.00%	3.25%	0.50%	0.00% - 0.25%	0.15%	4.08%	5.84%	6.87%
21	2010	1.64%	2.80%	3.25%	0.72%	0.00% - 0.25%	0.13%	4.25%	5.50%	5.98%
22	2011	3.00%	1.70%	3.25%	0.75%	0.00-0.25%	0.05%	3.93%	5.06%	5.58%
23	CURRENT	2.70%	2.20%	3.25%	0.75%	0.00% - 0.25%	0.09%	3.15%	4.17%	4.65%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 05/04/2012
COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 05/04/2012

COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORT
COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
COLUMN (H) THROUGH (I): 2003 MERGENT NEWS REPORTS

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-02199A-11-0329 et al.
SURREBUTTAL SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES (000's)

LINE NO.		AWR	PCT.	CWT	PCT.	SJW	PCT.	WTR	PCT.	MSEX	PCT.
1	DEBT	$ 299.8	44.3%	$ 479.2	52.4%	$ 295.7	53.7%	$ 1,532.0	56.6%	$ 133.8	43.1%
2											
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	3.4	1.1%
4											
5	COMMON EQUITY	377.5	55.7%	435.5	47.6%	255.0	46.3%	1,174.3	43.4%	173.3	55.8%
6											
7	TOTALS	$ 677.4	100%	$ 914.7	100%	$ 550.7	100%	$ 2,706.2	100%	$ 310.5	100%

	WATER COMPANY AVERAGE	PCT.
	$ 548.1	53.1%
	0.7	0.1%
	483.1	46.8%
	$ 1,031.9	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES (000's)

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
1											
2											
3	DEBT	$ 1,673.0	47.7%	$ 1,809.6	45.4%	$ 364.3	47.0%	$ 428.9	37.2%	$ 591.7	46.1%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
6											
7	COMMON EQUITY	1,836.0	52.3%	2,178.3	54.6%	411.3	53.0%	725.5	62.8%	693.1	53.9%
8											
9	TOTALS	$ 3,509.0	100%	$ 3,987.9	100%	$ 775.6	100%	$ 1,154.4	100%	$ 1,284.8	100%
10											
11											
12										NATURAL GAS LDC	
13		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	AVERAGE	PCT.
14											
15	DEBT	$ 671.9	41.0%	$ 340.0	37.4%	$ 1,169.4	49.3%	$ 592.9	33.4%	$ 849.1	43.9%
16											
17	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	100.0	4.2%	28.2	1.6%	$ 14.2	0.7%
18											
19	COMMON EQUITY	964.9	59.0%	570.1	62.6%	1,102.1	46.5%	1,153.4	65.0%	1,070.5	55.4%
20											
21	TOTALS	$ 1,636.9	100%	$ 910.1	100%	$ 2,371.4	100%	$1,774.4	100%	$ 1,933.8	100%
22											
23											
24		WATER & LDC									
25		AVERAGE	PCT.								
26											
27	DEBT	$ 698.6	47.1%								
28											
29	PREFERRED STOCK	7.1	0.5%								
30											
31	COMMON EQUITY	776.8	52.4%								
32											
33	TOTALS	$ 1,482.5	100%								

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

EXHIBIT
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JOHNSON UTILITIES LLC
5230 E SHEA BLVD, STE 200
SCOTTSDALE, AZ 85254

ANNUAL REPORT
Water – Sewer

FOR YEAR ENDING

12	31	2011

FOR COMMISSION USE

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4-17-12

4-17-12

Statutory Agent: GARY DRUMMOND
(Name)

1430 E. MISSOURI AVE. #B-125 (Street) | PHOENIX (City) | AZ (State) | 85014 (Zip)

602-956-9555 (Telephone No. (Include Area Code)) | 602-956-8228 (Fax No. (Include Area Code) | Cell No. (Include Area Code)

Attorney: JEFF CROCKETT
(Name)

40 N. CENTRAL AVE 14TH FLOOR (Street) | PHOENIX (City) | AZ (State) | 85004 (Zip)

602-382-4062 (Telephone No. (Include Area Code)) | Fax No. (Include Area Code) | Cell No. (Include Area Code)

Email Address

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☐ **Sole Proprietor (S)**
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- ☒ **Limited Liability Company**
- ☐ **Other** (Describe)

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- ☐ **APACHE**
- ☐ **COCHISE**
- ☐ **COCONINO**
- ☐ **GILA**
- ☐ **GRAHAM**
- ☐ **GREENLEE**
- ☐ **LA PAZ**
- ☐ **MARICOPA**
- ☐ **MOHAVE**
- ☐ **NAVAJO**
- ☐ **PIMA**
- ☒ **PINAL**
- ☐ **SANTA CRUZ**
- ☐ **YAVAPAI**
- ☐ **YUMA**
- ☐ **STATEWIDE**

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W-03718A
Sahuarita Water Company, LLC
4549 East Fort Lowell Road
Tucson, AZ 85712

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Water

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Statutory Agent: Lawrence V. Robertson, Jr.
(Name)

2247 E. Frontage Rd., P.O. Box 1448 (Street) | Tubac (City) | Arizona (State) | 85646 (Zip)

(520) 398-0411 Telephone No. (Include Area Code) | (520) 398-0412 Fax No. (Include Area Code | Cell No. (Include Area Code)

Attorney: Lawrence V. Robertson, Jr.

2247 E. Frontage Rd., P.O. Box 1448 (Street) | Tubac (City) | Arizona (State) | 85646 (Zip)

(520) 398-0411 Telephone No. (Include Area Code) | (520) 398-0412 Fax No. (Include Area Code | Cell No. (Include Area Code)

Email Address tubaclawyer@aol.com

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☐ **Sole Proprietor (S)**
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- ☒ **Limited Liability Company**
- ☐ **Other** (Describe)

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE	☐ COCHISE	☐ COCONINO
☐ GILA	☐ GRAHAM	☐ GREENLEE
☐ LA PAZ	☐ MARICOPA	☐ MOHAVE
☐ NAVAJO	☒ PIMA	☐ PINAL
☐ SANTA CRUZ	☐ YAVAPAI	☐ YUMA
☐ STATEWIDE		

ARIZONA CORPORATION COMMISSION
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W-02069A

Sunrise Water Co.
9098 W. Pinnacle Peak Rd.
Peoria, AZ 85383

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ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2011

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4-20-12

Statutory Agent: J D. Campbell
(Name)

9098 W. Pinnacle Peak Rd.	Peoria	AZ	85383
(Street)	(City)	(State)	(Zip)

623-972-6133	623-566-8925	
Telephone No. (Include Area Code)	Fax No. (Include Area Code	Pager/Cell No. (Include Area Code)

Attorney: J. Scott Rhodes, of Jennings, Strouss & Salmon, P.L.C.
(Name)

One East Washington Suite 1900	Phoenix	AZ	85004
(Street)	(City)	(State)	(Zip)

602-262-5911	602-253-3255	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☒ **Sole Proprietor (S)**
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- ☐ **Limited Liability Company**
- ☐ **Other** (Describe)_____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ **APACHE**	☐ **COCHISE**	☐ **COCONINO**
☐ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☐ **LA PAZ**	☒ **MARICOPA**	☐ **MOHAVE**
☐ **NAVAJO**	☐ **PIMA**	☐ **PINAL**
☐ **SANTA CRUZ**	☐ **YAVAPAI**	☐ **YUMA**
☐ **STATEWIDE**		

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

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Wickenburg Ranch Water, LLC
PO Box 16460
Phoenix, AZ 85011

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(Name)

2394 E. Camelback Road | Phoenix | AZ | 85016
(Street) | (City) | (State) | (Zip)

Telephone No. (Include Area Code) | Fax No. (Include Area Code | Cell No. (Include Area Code)

Attorney: N / A
(Name)

(Street) | (City) | (State) | (Zip)

Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code)

Email Address

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☐ **Sole Proprietor (S)**
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- ☒ **Limited Liability Company**
- ☐ **Other (Describe)**

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ **APACHE**	☐ **COCHISE**	☐ **COCONINO**
☐ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☐ **LA PAZ**	☐ **MARICOPA**	☐ **MOHAVE**
☐ **NAVAJO**	☐ **PIMA**	☐ **PINAL**
☐ **SANTA CRUZ**	☒ **YAVAPAI**	☐ **YUMA**
☐ **STATEWIDE**		

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

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7925 N. Oracle Rd., Ste. A202
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StatutoryAgent: Steven D Keist, PC
(Name)

P O Box 1734 (7508 N 59th Ave.) | Glendale, | AZ | 85311-1734
(Street) | (City) | (State) | (Zip)

(623) 937-9799 | (623) 432-9057
Telephone No. (Include Area Code) | Fax No. (Include Area Code | Cell No. (Include Area Code)

Attorney: Steven D Keist, PC
(Name)

P O Box 1734 (7508 N 59th Ave.) | Glendale, | AZ | 85311-1734
(Street) | (City) | (State) | (Zip)

(623) 937-9799 | (623) 432-9057
Telephone No. (Include Area Code) | Fax No. (Include Area Code) | Cell No. (Include Area Code)

EmailAddress skeist@keistlaw.com

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- ☐ **Sole Proprietor (S)**
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Partnership (P)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Bankruptcy (B)**
- ☐ **Association/Co-op (A)**
- ☐ **Receivership (R)**
- X **Limited Liability Company**
- ☐ **Other**(Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ **APACHE**	X **COCHISE**	☐ **COCONINO**
☐ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☐ **LA PAZ**	☐ **MARICOPA**	☐ **MOHAVE**
☐ **NAVAJO**	☐ **PIMA**	☐ **PINAL**
☐ **SANTA CRUZ**	☐ **YAVAPAI**	☐ **YUMA**
☐ **STATEWIDE**		

EXHIBIT
RUCO
14
ADMITTED

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329
DOCKET NO. SW-02199A-11-0330

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON

COST OF CAPITAL

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 27, 2012

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EXECUTIVE SUMMARY

Based on the Residential Utility Consumer Office's ("RUCO") analysis of Pima Utility Company's amended application for a permanent rate increase, filed with the Arizona Corporation Commission ("ACC" or "Commission") on August 5, 2011, RUCO recommends the following:

Cost of Equity – RUCO recommends that the Commission adopt a 9.40 percent cost of equity. This 9.40 percent figure falls just under the high side of the range of results obtained in RUCO's cost of equity analysis, and is 110 basis points lower than the 10.50 percent cost of equity capital proposed by Pima Utility Company in its application for a permanent rate increase.

Cost of Debt – RUCO recommends that the Commission adopt Pima Utility Company's proposed 7.696 percent cost of Long-term debt.

Capital Structure – RUCO recommends that the Commission adopt Pima Utility Company's adjusted test year capital structure comprised of 77.47 percent common equity and 22.53 percent long-term debt subject to the outcome of a financing application that is now before the ACC.

Weighted Average Cost of Capital – RUCO recommends that the Commission adopt RUCO's recommended 9.01 percent weighted average cost of capital ("WACC"), subject to the outcome of a financing application that is now before the ACC, which is the weighted cost of RUCO's recommended costs of common equity and long-term debt, and is 46 basis points lower than the 9.47 percent WACC being proposed by Pima Utility Company.

RUCO disagrees with a number of inputs that Pima Utility Company's cost of capital consultant used in both the discounted cash flow ("DCF") model and the capital asset pricing model ("CAPM") which were used to develop Pima Utility Company's proposed cost of common equity estimate of 10.50 percent. This includes changes in the values of inputs that he relied on since Pima Utility Company's application was filed in August of 2011, his use of forecasted yields on long-term U.S. Treasury instruments, his calculation of a market risk premium using a narrow range of economic data, and his assumptions regarding risk as it relates to company size.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My Name is William A. Rigsby. I am the Chief of Accounting and Rates for the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to my direct testimony further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present cost of capital recommendations that are based on my analysis of Pima Utility Company's ("Pima" or "Company") applications for a permanent rate increase for the Company's Water and Wastewater Divisions. Pima's rate applications were filed with the Commission on August 29, 2011. The rate applications were consolidated for ratemaking purposes pursuant to a Procedural Order issued on September 30, 2011 ("Consolidated Application"). The Company has chosen the operating period ending December 31, 2010 for the test year ("Test Year") in this proceeding. Pima has elected not to conduct a reconstruction cost new less depreciation study ("RCND") for the purpose of establishing a fair value rate base, and to use the Company's Water and Wastewater Division's original cost rate base as the fair value rate base for the purpose of establishing a fair value rate of return on its invested capital.

Q. Briefly describe Pima.

A. Pima is a Class B Arizona public service corporation that is organized as an S Corporation under Subtitle A, Chapter 1, Subchapter S of the Internal Revenue Code. The Company serves the Sun Lakes retirement community which is located approximately 25 miles southeast of Phoenix in Maricopa County. According to Pima's Consolidated Application, the Company's Water Division had 10,175 service connections and the

Company's Wastewater Division had 10,050 connections during the Test Year. Pima's current water rates and charges were established in Decision No. 58743, dated August 11, 1994 using a test year ending December 31, 1992. The Company's present wastewater rates and charges were established in Decision No. 62184, dated January 5, 2000 using a test year ended December 31, 1997.

Q. Is this your first case involving Pima?

A. No. I testified on behalf of RUCO during Pima's last Wastewater Division rate case in 1999.

Q. What areas will you address in your direct testimony?

A. I will address the cost of capital issues associated with the case.

Q. Will RUCO also offer direct testimony on the rate base, operating income and rate design aspects of this proceeding?

A. Yes. RUCO witness Robert B. Mease will provide direct testimony on rate base, operating income and rate design for Pima's Water Division. RUCO witness Timothy J. Coley will provide direct testimony on rate base, operating income and rate design for the Company's Wastewater Division.

...

Q. Please explain your role in RUCO's analysis of Pima's Application.

A. I reviewed Pima's Consolidated Application and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended capital structure, my direct testimony will present my recommended cost of common equity (the Company has no preferred stock) and my recommended cost of long-term debt. The recommendations contained in this testimony are based on information obtained from Company responses to data requests, Pima's Consolidated Application, and from market-based research that I conducted during my analysis. For ratemaking purposes, the Company's cost of capital will be determined on a consolidated basis (i.e. the combined capital structure of Pima's Water and Wastewater Divisions).

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Exhibit 1, Attachments A through D and Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into seven sections. First, the introduction I have just presented and second, a summary of my testimony and recommendations that I am about to give. Third, I will present the findings of my cost of equity capital analysis, which utilized both the

discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of return for utilities that operate in the Arizona jurisdiction. In this third section I will also provide a brief overview of the current economic climate within which the Company is operating. Fourth, I will discuss my recommended cost of long-term debt for Pima. The fifth section of my direct testimony is devoted to a discussion of my recommended capital structure for the Company. Sixth I will discuss my recommended weighted average cost of capital. In the seventh and final section, I will comment on the Company's cost of capital testimony. Exhibit 1, Attachments A through D and Schedules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis, I am making the following recommendations:

<u>Cost of Equity</u> – I am recommending that the Commission adopt a 9.40 percent cost of equity. This 9.40 percent figure falls just below the high side of the range of results obtained in my cost of equity analysis, and is

110 basis points lower than the 10.50 percent cost of equity capital proposed in the Company's Consolidated Application.

Cost of Debt – I am recommending, subject to updated information on a pending financing agreement now before the ACC, that the Commission adopt the Company-proposed 7.696 percent cost of Long-term debt associated with the Company's Industrial Development Authority ("IDA") Bonds issued in Maricopa County Arizona.

Capital Structure – I am recommending, subject to updated information on a pending financing agreement now before the ACC, that the Commission adopt the Company's actual test year capital structure comprised of 77.47 percent equity and 22.53 percent long-term debt.

Weighted Average Cost of Capital – I am recommending, subject to updated information on a pending financing agreement now before the ACC, that the Commission adopt my recommended 9.01 percent weighted average cost of capital ("WACC") which is the weighted cost of my recommended costs of common equity and long-term debt, and is 46 basis points lower than the 9.47 percent WACC being proposed by Pima.

...

Q. Why do you believe that your recommended 9.01 percent WACC is an appropriate rate of return for Pima to earn on its invested capital?

A. The 9.01 percent WACC figure that I am recommending meets the criteria established in the landmark Supreme Court cases of Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two cases affirmed that a public utility that is efficiently and economically managed is entitled to a return on investment that instills confidence in its financial soundness, allows the utility to attract capital, and also allows the utility to perform its duty to provide service to ratepayers. The rate of return adopted for the utility should also be comparable to a return that investors would expect to receive from investments with similar risk.

The Hope decision allows for the rate of return to cover both the operating expenses and the "capital costs of the business" which includes interest on debt and dividend payment to shareholders. This is predicated on the belief that, in the long run, a company that cannot meet its debt obligations and provide its shareholders with an adequate rate of return will not continue to supply adequate public utility service to ratepayers.

...

Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient to cover all operating and capital costs is guaranteed?

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as Pima, is provided with the opportunity to earn an appropriate rate of return if the Company's management exercises good judgment and manages its assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your final recommended cost of equity capital for Pima?

A. I am recommending a cost of equity of 9.40 percent. My recommended 9.40 percent cost of equity figure falls just below the high side of the range of results derived from my DCF and CAPM analyses, which utilized a sample of publicly traded water providers and a sample of natural gas local distribution companies ("LDCs"). The results of my DCF and CAPM analyses are summarized on page 3 of my Schedule WAR-1.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate the Company's cost of equity capital.

A. The DCF method employs a stock valuation model known as the constant growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e. the Gordon model), the professor of finance who was responsible for its development. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the

stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth

This formula is the basis for the standard growth valuation model that I used to determine the Company's cost of equity capital.

Q. In determining the rate of future dividend growth for the Company, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the

dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as g = b x r.

Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[1]

Table I

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.25	$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	$1.00	$1.04	$1.082	$1.125	$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.649	$0.675	$0.702	4.00%

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten

[1] Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I presents the results of this continuing scenario over the remaining five-year period.

The results displayed in Table I demonstrate that under "steady-state" (i.e. constant) conditions, book value, earnings and dividends all grow at the same constant rate. The table further illustrates that the dividend growth rate, as discussed earlier, is a function of (1) the internally generated funds or earnings that are retained by a company to become new equity, and (2) the return that an investor earns on that new equity. The DCF dividend growth rate, expressed as g = b x r, is also referred to as the internal or sustainable growth rate.

Q. If earnings and dividends both grow at the same rate as book value, shouldn't that rate be the sole factor in determining the DCF growth rate?

A. No. Possible changes in the expected rate of return on either common equity or the dividend payout ratio make earnings and dividend growth by

themselves unreliable. This can be seen in the continuation of Mr. Hill's illustration on a hypothetical utility.

Table II

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.47	$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	$1.00	$1.04	$1.623	$1.720	$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.974	$1.032	$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent[2] exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.[3] If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rate for earnings and dividends, displayed in the last column, is 16.20 percent. If this rate was to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

[2] [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [($1.04 - $1.00) ÷ $1.00] = [$0.04 ÷ $1.00] = 4.00%

[3] [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

Although it is not illustrated in Mr. Hill's hypothetical example, a change in only the dividend payout ratio will eventually result in a utility paying out more in dividends than it earns. While it is not uncommon for a utility in the real world to have a dividend payout ratio that exceeds one hundred percent on occasion, it would be unrealistic to expect the practice to continue over a sustained long-term period of time.

Q. Other than the retention of internally generated funds, as illustrated in Mr. Hill's hypothetical example, are there any other sources of new equity capital that can influence an investor's growth expectations for a given company?

A. Yes, a company can raise new equity capital externally. The best example of external funding would be the sale of new shares of common stock. This would create additional equity for the issuer and is often the case with utilities that are either in the process of acquiring smaller systems or providing service to rapidly growing areas.

Q. How does external equity financing influence the growth expectations held by investors?

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning

base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

Q. Please provide an example of how external financing affects a utility's book value of equity.

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book

value per share, there would be no impact on either the utility's earnings base or investor expectations.

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[4] Dr. Gordon (the individual responsible for the development of the DCF or constant growth model) identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where: g = DCF expected growth rate,
b = the earnings retention ratio,
r = the return on common equity,
s = the fraction of new common stock sold that accrues to a current shareholder, and
v = funds raised from the sale of stock as a fraction of existing equity.

and $v = 1 - [(BV) \div (MP)]$

where: BV = book value per share of common stock, and
MP = the market price per share of common stock.

[4] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

Q. Did you include the effect of external equity financing on long-term growth rate expectations in your analysis of expected dividend growth for the DCF model?

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in the equation [(M ÷ B) + 1] ÷ 2.

A. The market price of a utility's common stock will tend to move toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return that is equal to the cost of capital (one of the desired effects of regulation). As a result of this situation, I used [(M ÷ B) + 1] ÷ 2 as opposed to the current market-to-book ratio by itself to represent investor's expectations that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

Q. Has the Commission ever adopted a cost of capital estimate that included this assumption?

A. Yes. In a prior Southwest Gas Corporation rate case[5], the Commission adopted the recommendations of ACC Staff's cost of capital witness, Stephen Hill, who I noted earlier in my testimony. In that case, Mr. Hill

[5] Decision No. 68487, Dated February 23, 2006 (Docket No. G-01551A-04-0876)

used the same methods that I have used in arriving at the inputs for the DCF model. His final recommendation for Southwest Gas Corporation was largely based on the results of his DCF analysis, which incorporated the same valid market-to-book ratio assumption that I have used consistently in the DCF model as a cost of capital witness for RUCO.

Q. Can you cite a more recent case in which the Commission adopted a cost of capital estimate that included this assumption?

A. Yes. The Commission adopted a RUCO recommended cost of common equity which relied on the same assumption in a 2009 Global Water rate case proceeding.[6] Decision No. 71878, dated September 14, 2010 stated the following:

> "We find that the evidence presented by RUCO as a basis for its cost of equity recommendation constitutes substantial evidence in support of its cost of equity recommendation. We further find that the evidence presented by the Company as a basis for its cost of equity recommendation contrary to RUCO's assertion, constitutes evidence that is no less substantial in support of its recommendation and of Staffs acceptance thereof. The methodologies on which each of the parties relied in making their cost of equity recommendations are clearly set forth in the hearing exhibits. Based on a consideration of all the evidence presented in this proceeding, we find a cost of common equity of 9.0 percent to be reasonable in this case. This level of return on equity reasonably and fairly balances the needs of Applicants and their ratepayers, is reflective of current market conditions, and results in the setting of just and reasonable rates."

...

[6] Docket Number W-02445A-09-0077

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of five publicly traded water companies and a natural gas proxy group consisting of nine natural gas local distribution companies ("LDCs") that have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of the Company?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company as in this case where shares of are closely held and not publicly-traded on a stock exchange. Because of this situation, I used the aforementioned proxy that includes four publicly-traded water companies and nine LDCs.

Q. Are there any other advantages to the use of a proxy?

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for the Company?

A. The five water companies used in the proxy are publicly traded on the both the New York Stock Exchange ("NYSE") and the NASDAQ.[7] All of the water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's January 20, 2012 update of the water utility industry and evaluations of the water companies used in my proxy).

Q. Are these the same water utilities that you have used in prior rate case proceedings?

A. I have used four of the five water utilities in prior rate case proceedings. Value Line recently included Middlesex Water Company (stock ticker symbol MSEX, which is traded on the NASDAQ) in its large capitalization edition that provides long range projections on earnings and other financial metrics. Prior to January of 2012, Middlesex Water Company was included in Value Line's Small and Mid-Cap Edition.

...

[7] "NASDAQ" originally stood for "National Association of Securities Dealers Automated Quotations". Today it is the second-largest stock exchange in the world, after the New York Stock Exchange ("NYSE").

Q. Please describe Middlesex Water Company.

A. According to Value Line, Middlesex Water Company owns and operates regulated water systems in New Jersey, Delaware and Pennsylvania and operates municipal and privately owned systems on a contract basis in New Jersey and Delaware. During the 2010 operating period, MSEX's Middlesex System provided water service to 60,000 retail customers, primarily in Middlesex County New Jersey, which accounted for 64.00 percent of total revenues.

Q. Please describe the other water utilities that comprise your water company proxy group.

A. My water company proxy group also includes American States Water Company (stock ticker symbol "AWR"), California Water Service Group ("CWT"), SJW Corporation ("SJW"), a San Jose, California-based water provider which, prior to April of 2011, was also included in Value Line's Small and Mid-Cap Edition, and Aqua America, Inc. ("WTR"). Each of these water companies, including MSEX, all face the same types of risk that Pima faces. For the sake of brevity, I will refer to Middlesex each of the other companies in my samples by their appropriate stock ticker symbols henceforth.

...

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. AWR serves communities located in Los Angeles, Orange and San Bernardino counties in California. CWT provides service to customers in seventy-five communities in California, New Mexico and Washington. CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. As described earlier in my testimony, MSEX serves customers in New Jersey, Delaware and Pennsylvania. SJW serves approximately 226,000 customers in the San Jose area and approximately 8,700 customers in a region located between Austin and San Antonio, Texas. WTR is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida and Kentucky.

Q. What criteria did you use in selecting the natural gas LDCs included in your proxy for the Company?

A. As are the water companies that I just described, each of the natural gas LDCs used in the proxy are publicly traded on a major stock exchange (all nine trade on the NYSE) and are followed by Value Line. Each of the nine LDCs in my sample are tracked in Value Line's natural gas Utility industry segment. All of the companies in the proxy are engaged in the provision of regulated natural gas distribution services. Attachment B of my

testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas proxy?

A. The nine natural gas LDCs included in my proxy (and their NYSE ticker symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"), Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"), Northwest Natural Gas Co. ("NWN"), Piedmont Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona, and WGL Holdings, Inc. ("WGL").

Q. Are these the same LDCs that you have used in prior rate case proceedings?

A. Yes, I have used these same LDCs in prior cases including the most recent UNS Gas, Inc. proceeding.[8]

Q. Briefly describe the regions of the U.S. served by the nine natural gas LDCs that make up your sample proxy.

A. The nine LDCs listed above provide natural gas service to customers in the Middle Atlantic region (i.e. NJR which serves portions of northern New Jersey, SJI which serves southern New Jersey and WGL which serves the

[8] Docket No. G-04204A-10-0158

Washington D.C. metro area), the Southeast and South Central portions of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the Atlanta, Georgia area and PNY which serves customers in North Carolina, South Carolina and Tennessee), the South, deep South and Midwest (i.e. ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas, Colorado and Kansas, LG which serves the St. Louis area), and the Pacific Northwest (i.e. NWN which serves Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Are these the same water and natural gas companies that Pima used in its application?

A. Pima's cost of equity witness, Thomas J. Bourassa, used all of the same water companies included in my proxy but did not rely on a sample of LDCs as I did. Mr. Bourassa also used one other water company in his cost of capital analysis which I excluded from mine.

Q. Which water company did you exclude from your sample?

A. I excluded Connecticut Water Service, Inc.

Q. Why did you exclude that particular water company?

A. Connecticut Water Service, Inc. is followed in Value Line's Small and Mid-Cap edition which does not provide the same type of forward-looking information (i.e. long-term estimates on return on common equity and

share growth) that it provides on the five water companies that I used in my proxy.

Q. Please explain your DCF growth rate calculations for the sample companies used in your proxy.

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and the compounded share growth for each of the utilities included in the sample for the historical observation period 2006 to 2010 for water companies and 2007 to 2011 for LDCs. Schedule WAR-5 also includes Value Line's projected 2011, 2012 and 2014-16 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding for the water utilities in my sample. Schedule WAR-5 also includes Value Line's projected 2012, 2013 and 2015-17 values for and the LDCs included in my analysis.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use AWR as an example. The first dividend growth component that I evaluated was the internal growth rate. I used the "b x r" formula (described earlier on pages 11 and 12 of my direct testimony) to multiply AWR's earned return on common equity by its earnings retention ratio for each year in the 2006 to 2010 observation

period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on Schedule WAR-5, Page 1, AWR's average internal growth rate of 3.67% over the 2006 to 2010 time frame reflects an up and down pattern of growth that ranged from a low of 2.56% in 2006 to a high of 5.85% during 2010. Value Line is predicting a pattern of increasing growth for the future and expects internal growth will fall to 5.37% in 2011 before climbing to 5.66% by the end of the 2014-16 time frame. After weighing Value Line's projections on earnings and dividend growth, I believe that a 5.70% rate of internal sustainable growth is reasonable for AWR (Schedule WAR-4, Page 1 of 2).

Q. Please continue with the external growth rate component portion of your analysis.

A. Schedule WAR-5 demonstrates that the number of shares outstanding for AWR increased from 17.05 million to 18.63 million from 2006 to 2010. Value Line is predicting that this level will increase from 18.75 million in 2011 to 19.50 million by the end of 2016. Based on this data, I believe that a 1.00 percent growth in shares is not unreasonable for AWR (Page 2 of Schedule WAR-4). My final dividend growth rate estimate for AWR is

6.04 percent (5.70 percent internal growth + 0.34 percent external growth) and is shown on Page 1 of Schedule WAR-4.

Q. What is your average DCF dividend growth rate estimate for your sample of water utilities?

A. My average DCF dividend growth rate estimate for my water company sample is 5.19 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for your proxy of natural gas LDCs?

A. Yes.

Q. What is your average DCF dividend growth rate estimate for the sample natural gas utilities?

A. My average DCF dividend growth rate estimate is 5.81 percent, which is also displayed on page 1 of Schedule WAR-4.

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. Schedule WAR-6 compares my growth estimates with the five-year projections of analysts at both Zacks Investment Research, Inc. ("Zacks") (Attachment C) and Value Line. In the case of the water companies, my

5.19 percent growth estimate falls between Zacks' average long-term EPS projection of 10.10 percent for the water companies in my sample and Value Line's growth projection of 4.53 percent (which is an average of EPS, DPS and BVPS). My 5.19 percent estimate is 29 basis points higher than the 4.90 percent average of Value Line's historical growth results and 7 basis points higher than the 5.12 percent average of the growth data published by Value Line and Zacks. My 5.19 percent growth estimate is also 437 basis points higher than Value Line's 0.82 percent 5-year compound historical average of EPS, DPS and BVPS. The estimates of analysts at Value Line indicate that investors are expecting somewhat higher performance from the water utility industry in the future given Value Line's projected 8.00 percent to 9.00 percent return on book common equity for the water utility industry over the 2011 to 2016 period (Attachment A). On balance, I would say my 5.87 percent estimate is a good representation of the growth projections that are available to the investing public.

Q. How do your average growth rate estimates on natural gas LDCs compare to the growth rate data published by Value Line and other analysts?

A. As can be seen on Schedule WAR-6, my 5.81 percent growth estimate for the natural gas LDCs is 114 to 127 basis points higher than the average 4.67 percent average of long-term EPS consensus projection published by

Zacks, and the 4.54 percent Value Line projected estimate (which is an average of EPS, DPS and BVPS). The 5.81 percent estimate that I have calculated is 50 basis points higher than the 5.31 percent average of the 5-year historic EPS, DPS and BVPS means of Value Line and is also 92 basis points higher than the combined 4.89 percent Value Line and Zacks averages displayed in Schedule WAR-6. In fact, my 5.81 percent growth estimate exceeds Value Line's 4.49 percent 5-year compound historical average of EPS, DPS and BVPS by 132 basis points. In the case of the LDCs I would say that my 5.81 percent estimate is more optimistic than the growth projections for natural gas LDCs being presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDCs I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's January 20, 2012 Ratings and Reports water utility industry update and Value Line's March 9, 2012 Ratings and Reports natural gas utility update. I then divided those figures by the eight-week average daily adjusted closing price per share of the appropriate utility's common stock. The eight-week observation period ran from January 17, 2012 to March 9, 2012. The average dividend yields

were 3.25 percent and 3.62 percent for the water companies and natural gas LDCs respectively.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas utilities included in your sample?

A. As shown on page 3 of Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 8.44 percent for the water utilities and 9.44 percent for the natural gas LDCs.

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind CAPM and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[9], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and risk as measured by beta.[10] In this regard, CAPM can help an investor to

[9] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

[10] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock

determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification. Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM is that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

where: k = the expected return of a given security,

r_f = risk-free rate of return,

$ß$ = beta coefficient, a statistical measurement of a security's systematic risk,

r_m = average market return (e.g. S&P 500), and

market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

$r_m - r_f$ = market risk premium.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments (Attachment D) will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[11] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this

[11] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my testimony, this compensation translates into higher rates of returns to the investor.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used an eight-week average of the yield on a 5-year U.S. Treasury instrument. The yields were published in Value Line's Selection and Opinion publication dated January 20, 2012 through March 9, 2012 (Attachment D). This resulted in a risk-free (r_f) rate of return of 0.81 percent.

Q. Why did you use the yield on a 5-year year U.S. Treasury instrument as opposed to a short-term T-Bill?

A. While a shorter term instrument, such as a 91-day T-Bill, presents the lowest possible total risk to an investor, a good argument can be made that the yield on an instrument that matches the investment period of the asset being analyzed in the CAPM model should be used as the risk-free

rate of return. Since utilities in Arizona generally file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument closely matches the investment period or, in the case of regulated utilities, the period that new rates will be in effect.

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical total returns on the S&P 500 index from 1926 to 2010 as the proxy for the market rate of return (r_m). For the risk-free portion of the risk premium component (r_f), I used the geometric mean of the total returns of intermediate-term government bonds for the same eighty-four year period. The market risk premium (r_m - r_f) that results by using the geometric mean of these inputs is 4.50 percent (9.90% - 5.40% = 4.50%). The market risk premium that results by using the arithmetic mean calculation is 6.40 percent (11.90% - 5.50% = 6.40%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of January 20, 2012 for the water companies and March 9, 2012 for the natural gas LDCs. Value Line calculates its betas by using a regression analysis

between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.65 to 0.85 with an average beta of 0.71. The beta coefficients for the LDCs included in my natural gas sample ranged from 0.60 to 0.75 with an average beta of 0.67.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean to calculate the risk premium results in an average expected return of 4.00 percent for the water companies and 3.83 percent for the natural gas LDCs. My calculation using an arithmetic mean results in an average expected return of 5.35 percent for the water companies and 5.11 percent for the natural gas LDCs.

Q. What would be the expected return if a longer term 30-year U.S. Treasury bond were used as the risk free asset in the CAPM model?

A. If a 3.07 percent eight-week average of 30-year U.S. Treasury bond yields were used in my CAPM model it would produce expected returns of 6.19 percent using a geometric mean, and 7.33 percent using an arithmetic mean for my water company sample with its higher average beta of 0.71.

As I will discuss later in my testimony, the yields of long-term U.S. Treasury instruments are currently falling as a result of recent actions being undertaken by the U.S. Federal Reserve.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	8.44%
DCF (Natural Gas Sample)	9.44%
CAPM (Water Sample)	4.00% – 5.35%
CAPM (Natural Gas)	3.83% – 5.11%

My final recommended cost of common equity figure is 9.40 percent which is just below the high end of my range of estimates.

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 10.50 percent cost of equity capital reflected in the Company's Application is 110 basis points higher than the 9.40 percent cost of equity capital that I am recommending.

Q How did you arrive at your final recommended 9.40 percent cost of common equity?

A. My recommended 9.40 percent cost of common equity falls just below the high side of the range of estimates obtained from my DCF and CAPM analyses. As I will discuss in more detail in the next section of my testimony, my final estimate takes into consideration current interest rates (as the cost of equity moves in the same direction as interest rates) and the current state of the national economy. My final estimate also takes into consideration the U.S. Federal Reserve's recent decision to keep interest rates at their current levels until at least the later part of 2014. I also took into consideration information on Arizona's economy and current rate of unemployment in making my final cost of equity estimate.

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a

regulated utility and are, most often, the same factors considered by individuals who are also investing in non-regulated entities.

Q. Please describe your analysis of the current economic environment.

A. My analysis begins with a review of the economic events that have occurred between 1990 and the present in order to provide a background on how we got to where we are now. It also describes how the Board of Governors of the Federal Reserve System ("Federal Reserve" or "Fed") and its Federal Open Market Committee ("FOMC") used its interest rate-setting authority to stimulate the economy by cutting interest rates during recessionary periods and by raising interest rates to control inflation during times of robust economic growth. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve, then chaired by noted economist Alan Greenspan, lowered its benchmark

federal funds rate[12] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

[12] This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

Q. Did the Federal Reserve achieve its goals during this period?

A. Yes. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what former Chairman Greenspan described as "irrational exuberance," pushed stock prices and market indexes to all time highs from 1997 to 2000. Over the next ten years, the FOMC continued to stimulate the economy and keep inflation in check by raising and lowering the federal funds rate.

Q. How did the U.S. economy fare between 2001 and 2007?

A. The U.S. economy entered into a recession near the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Disappointing economic data releases, since the beginning of

2001, preceded the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon which are now regarded as a defining point during this economic slump. From January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times in order to stimulate growth. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the federal funds rate thirteen more times to a level of 4.50 percent during a period in which the economic picture turned considerably brighter as both Inflation and unemployment fell, wages increased and the overall economy, despite continued problems in housing, grew briskly.[13]

The FOMC's January 31, 2006 meeting marked the final appearance of Alan Greenspan, who had presided over the rate setting body for a total of eighteen years. On that same day, Greenspan's successor, Ben Bernanke, the former chairman of the President's Council of Economic Advisers, and a former Fed governor under Greenspan from 2002 to 2005, was confirmed by the U.S. Senate to be the new Federal Reserve chief. As expected by Fed watchers, Chairman Bernanke picked up where his predecessor left off and increased the federal funds rate by 25 basis points during each of the next three FOMC meetings for a total of

[13] Henderson, Nell, "Bullish on Bernanke" The Washington Post, January 30, 2007.

seventeen consecutive rate increases since June 2004, and raising the federal funds rate to a level of 5.25 percent. The Fed's rate increase campaign finally came to a halt at the FOMC meeting held on August 8, 2006, when the FOMC decided not to raise rates. Once again, the Fed managed to engineer a soft landing.

Q. What has been the state of the economy since 2007?

A. Reports in the mainstream financial press during the majority of 2007 reflected the view that the U.S. economy was slowing as a result of a worsening situation in the housing market and higher oil prices. The overall outlook for the economy was one of only moderate growth at best. Also during this period the Fed's key measure of inflation began to exceed the rate setting body's comfort level.

On August 7, 2007, the beginning of what is now being referred to as the Great Recession; the FOMC decided not to increase or decrease the federal funds rate for the ninth straight time and left its target rate unchanged at 5.25 percent.[14] At the time of the Fed's decision, analysts speculated that a rate cut over the next several months was unlikely given the Fed's concern that inflation would fail to moderate. However, during this same period, evidence of an even slower economy and a possible

[14] Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

recession was beginning to surface. Within days of the Fed's decision to stand pat on rates, a borrowing crisis rooted in a deterioration of the market for subprime mortgages, and securities linked to them, forced the Fed to inject $24 billion in funds (raised through its open market operations) into the credit markets.[15] By Friday, August 17, 2007, after a turbulent week on Wall Street, the Fed made the decision to lower its discount rate (i.e. the rate charged on direct loans to banks) by 50 basis points, from 6.25 percent to 5.75 percent, and took steps to encourage banks to borrow from the Fed's discount window in order to provide liquidity to lenders. According to an article that appeared in the August 18, 2007 edition of The Wall Street Journal, [16] the Fed had used all of its tools to restore normalcy to the financial markets. If the markets failed to settle down, the Fed's only weapon left was to cut the Federal Funds rate – possibly before the next FOMC meeting scheduled on September 18, 2007.

Q. Did the Fed cut rates as a result of the subprime mortgage borrowing crises?

A. Yes. At its regularly scheduled meeting on September 18, 2007, the FOMC surprised the investment community and cut both the federal funds rate and the discount rate by 50 basis points (25 basis points more than

[15] Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

[16] Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

what was anticipated). This brought the federal funds rate down to a level of 4.75 percent. The Fed's action was seen as an effort to curb the aforementioned slowdown in the economy. Over the course of the next four months, the FOMC reduced the Federal funds rate by a total 175 basis points to a level of 3.00 percent – mainly as a result of concerns that the economy was slipping into a recession. This included a 75 basis point reduction that occurred one week prior to the FOMC's meeting on January 29, 2008.

Q. What actions has the Fed taken in regard to interest rates since the beginning of 2008?

A. The Fed made two more rate cuts which included a 75 basis point reduction in the federal funds rate on March 18, 2008 and an additional 25 basis point reduction on April 30, 2008. The Fed's decision to cut rates was based on its belief that the slowing economy was a greater concern than the current rate of inflation (which the majority of FOMC members believed would moderate during the economic slowdown).[17] As a result of the Fed's actions, the federal funds rate was reduced to a level of 2.00 percent. From April 30, 2008 through September 16, 2008, the Fed took no further action on its key interest rate. However, the days before and after the Fed's September 16, 2008 meeting saw longstanding Wall Street

[17] Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of their subprime holdings. By the end of the week, the Bush administration had announced plans to deal with the deteriorating financial condition which had now become a worldwide crisis. The administrations actions included former Treasury Secretary Henry Paulson's request to Congress for $700 billion to buy distressed assets as part of a plan to halt what has been described as the worst financial crisis since the 1930's[18]. Amidst this turmoil, the Fed made the decision to cut the federal funds rate by another 50 basis points in a coordinated move with foreign central banks on October 8, 2008. This was followed by another 50 basis point cut during the regular FOMC meeting on October 29, 2008. At the time of this writing, the federal funds target rate now stands at 0.25 percent, the result of a 75 basis point cut announced on December 16, 2008.

Q. What is the current rate of inflation in the U.S.?

A. As can be seen on Schedule WAR-8, the current rate of inflation, as measured by the consumer price index, is at 2.90 percent according to information provided by the U.S. Department of Labor's Bureau of Labor Statistics.[19]

[18] Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

[19] http://www.bls.gov/news.release/cpi.nr0.htm

Q. Has the Fed raised interest rates in anticipation of higher inflation?

A. No. The FOMC has not raised interest rates to date. The Fed's plan to buy $600 billion of U.S. government bonds over an eight month period, known as quantitative easing stage two or QE2,[20] was completed during the summer of 2011. The attempt to drive down long-term interest rates and encourage more borrowing and growth by increasing the money supply has yet to stimulate the economy, however, fears of a double dip recession seem to have subsided. At its August 9, 2011 meeting, the FOMC announced that it intended to keep interest rates at their current levels for at least the next two years warning that the economy would remain weak for some time but that the Fed is prepared to take further steps to shore it up.[21]

Q. Has the Fed taken any recent action, such as QE2, to stimulate the economy?

A. Yes. At the close of the FOMC's September meeting the Fed announced its decision to implement a plan that resembles a 1961 Federal Reserve program known as "Operation Twist".[22] Under this plan, the Fed will sell $400 billion in Treasury securities that mature within three years. The

[20] Hilsenrath, Jon, "Fed Fires $600 Billion Stimulus Shot" The Wall Street Journal, November 4, 2010

[21] Reddy, Sudeep and Jonathan Cheng "Markets Sink Then Soar After Fed Speaks" The Wall Street Journal, August 10, 2011

[22] Hilsenrath, Jon and Luca Di Leo "Fed Launches New Stimulus" The Wall Street Journal, September 22, 2011

proceeds from these sales will then be reinvested into securities that mature in six to thirty years. This action would significantly alter the balance of the Fed's holdings toward long-term securities. In addition to selling off its shorter term Treasury holdings, the Fed will take the proceeds from its maturing mortgage-backed securities and reinvest them in other mortgage backed securities. For the past year, the Fed has been reinvesting that money into Treasury bonds, shrinking its mortgage portfolio. The overall goal of the Fed's plan is to reduce long-term interest rates in the hope of boosting investment and spending and provide a shot in the arm to the beleaguered housing sector of the economy. During its most recent FOMC meeting held on March 13, 2012, the Fed decided not to make any changes to existing interest rates. After the meeting Fed officials reiterated their prior position that they expected short-term interest rates to stay close to zero "at least through late 2014," which is even longer than indicated prior to January 2012. In a prepared statement released after their meeting, Fed officials noted that labor market conditions have "improved further" and the unemployment rate "has declined notably in recent months but remains elevated."[23]

...

[23] Peterson, Kristina and Tom Barkley and Jeffrey Sparshottd, "Fed Stands Pat" The Wall Street Journal, March 13, 2012

Q. Has there been any noticeable drop in long-term rates since the Fed announced its plan to purchase longer term Treasury instruments?

A. Yes. As can be seen in Attachment D, the yield on the 30-year Treasury bond has from fallen from 4.56 percent to 3.09 percent since March 2, 2011.

Q. Putting this all into perspective, how have the Fed's actions since 2000 affected the yields on Treasury Instruments and benchmark interest rates?

A. As can be seen on Schedule WAR-8, current Treasury yields are considerably lower than corresponding yields that existed during the year 2000 and U.S. Treasury instruments, are for the most part, still at historically low levels. As can be seen on the first page of Attachment D, the previously mentioned federal discount rate (the rate charged to the Fed's member banks), has remained steady at 0.75 percent since November of 2010.

As of February 29, 2012, leading interest rates that include the 3-month, 6-month and 1-year treasury yields have dropped from their March 2011 levels. Longer term yields including the 5-year, 10-year and 30-year have all fallen from levels that existed a year ago. The same is true for the 30-year Zero rate. The prime rate has remained constant at 3.25 percent over the past year, as has the benchmark federal funds rate discussed

above. A previous trend, described by former Chairman Greenspan as a "conundrum"[24], in which long-term rates fell as short-term rates increased, thus creating a somewhat inverted yield curve that existed as late as June 2007, is completely reversed and a more traditional yield curve (one where yields increase as maturity dates lengthen) presently exists. The 5-year Treasury yield, used in my CAPM analysis, has decreased 131 basis points from 2.17 percent, in March 2011, to 0.86 percent as of February 29, 2012.

Q. What are the current yields on utility bonds?

A. Referring again to Attachment D, as of February 8, 2012, 25/30-year A-rated utility bonds were yielding 4.05 percent (164 basis points lower than a year ago) and 25/30-year Baa/BBB-rated utility bonds were yielding 4.53 percent (down 155 basis points from a year earlier).

Q. What is the current outlook for the economy?

A. The current outlook on the economy is that a slide into recession is unlikely. Housing construction is showing signs of improvement and jobless claims appear to be falling. However, rising oil prices may have a negative effect on GDP growth projections. Value Line's analysts offered this perspective in the March 9, 2012 edition of Value Line's Selection and Opinion publication:

[24] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

> "**Housing is starting to show some life,** after more than a half decade in which this sector had stumbled badly. Evidence of this progressively better trend can be seen in data on housing starts and building permits (both of which rose in January), as well as in sales of existing homes, which also perked up. Further, new home sales are steadying; a report on pending home sales was encouraging; and inventories of unsold homes are now falling. Such improvements stem, we think, from growth in hiring, increased credit availability, and greater housing affordability."

Value Line's analysts went on to say:

> "**Still, the presumptive recovery in this area is likely to be agonizingly slow and frustratingly uneven.** In fact, the next year may well see some backing and filling within the confines of a generally rising long-term trend. Housing had taken a severe beating, and after such a sharp reversal, it is quite normal that a long basing period would follow. We add that it could be years before earlier highs in sales and prices will be revisited."

Value Line's analysts continued to state:

> "**The picture is muddled in other areas.** For example, we are seeing mixed trends in industrial output and factory use. Moreover, orders for durable goods fell sharply in January, but consumer confidence increased strongly. Finally, jobless claims are mostly trending lower, but oil prices are soaring. Adding it all up, we think that GDP will rise by 2.0% - 2.5% this year — unless oil prices surge further in the months to come."

Q. How are water utilities such as Pima faring in the current economic environment?

A. While, as always, there are concerns regarding long-term infrastructure requirements, Value Line analyst Andre J. Costanza stated in his January 20, 2012 quarterly water industry update (Attachment A) that water utilities are being viewed as safe havens during the current period of economic

uncertainty – even though they are regarded as less than stellar investments. Mr. Costanza went on to state the following:

> "The Water Utility Industry has held up relatively well since our last visit in October. Although a slew of recently released economic data suggests that the housing and job market are on the road to recovery, many still-wary pundits appear to be reserving judgment until there are clearer signs of stability. Some are even saying that the uptick in jobs and new home sales is being artificially supported, and that another downturn could be on the horizon. Either way, investors' cautious approach is evident, with many continuing to seek shelter from potential market volatility in the relatively safe Water Utility Industry. As a result, the group, as a whole, ranks in the upper rungs of The Value Line Investment Survey for Timeliness.
>
> That being said, not all that operate in this space have exactly been supporting their own causes. Many ran into trouble in the most recent quarter, raising concern that the group may have difficulty growing earnings in the months ahead. Burgeoning maintenance and capital expenditure costs remain a problem, despite more favorable regulatory backing.
>
> Still, the group's income component has historically been its attraction. Steady dividend growth ought to continue to pique investor interest, but for how long, given a plethora of alternatives and financial constraints that may well limit capital deployment in the future."

Q. How has Arizona fared in terms of the overall economy and home foreclosures?

A. Arizona was one of the states hit hardest during the Great Recession and has lagged during the current recovery.[25] During the period between 2006 and 2009, statewide construction spending fell by 40.00 percent. According to information provided by Irvine, California-based RealtyTrac

[25] Beard, Betty, "Recession hit Arizona hardest" The Arizona Republic, March 6, 2011

on January 9, 2012, Arizona ranks second in the nation in foreclosures behind Nevada and ahead of California. According to RealtyTrac, Arizona had the nation's second highest state foreclosure rate for the third year in a row, with 4.14 percent of the state's housing units (one in 24) with at least one foreclosure filing in 2011. This despite a 28.00 percent drop in foreclosure activity from November 2011 to December 2011 which was caused largely by a 41.00 percent drop in scheduled foreclosure auctions.[26]

Q. What is the current unemployment situation in Arizona during this period of economic recovery?

A. According to information published on January 20, 2012, and displayed on the website of the Arizona Department of Administration's Office of Employment and Population Statistics,[27] the seasonally adjusted unemployment rate for Arizona remained steady at 8.70 percent in November and December 2011. At the time that this information was compiled, Arizona's rate of unemployment was slightly higher than the U.S. unemployment rate[28] which stood at 8.50 percent during December 2011 as can be seen below:

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[26] RealtyTrack Staff, "Year-End Foreclosure Report: Foreclosures on the Retreat," RealtyTrack, January 9, 2012.

[27] Arizona Department of Administration's Office of Employment and Population Statistics http://www.workforce.az.gov/

[28] U.S. Bureau of Labor Statistics Economic News Release dated June 3, 2011 http://www.bls.gov/news.release/empsit.nr0.htm

Arizona, U.S. Economic Indicators
Unemployment Rate (Seasonally Adj.)

	Dec '11	Nov '11	Oct '11
United States	8.5%	8.7%	9.0%
Arizona	8.7%	8.7%	9.0%
Arizona unadjusted rate	8.7%	8.4%	8.9%

In January 2012 the U. S. rate was 8.30 percent. According to the January 2, 2012 Arizona Department of Administration's Office of Employment and Population Statistics report, the December 2011 rates of unemployment by county as follows:

County Unemployment Rates - December 2011

Apache	15.5%
Cochise	8.1%
Coconino	8.5%
Gila	10.0%
Graham	10.0%
Greenlee	8.2%
La Paz	9.7%
Maricopa	7.7%
Mohave	10.1%
Navajo	14.7%
Pima	7.9%
Pinal	10.4%
Santa Cruz	15.2%
Yavapai	9.6%
Yuma	23.1%

As noted earlier, Pima provides service to ratepayers in Maricopa County. While Sun Lakes is a retirement community, retires nationwide have suffered from the economic downturn in regard to their returns on retirement plans such as 401(k)'s.

Q. After weighing the economic information that you've just discussed, do you believe that the 9.40 percent cost of equity capital that you have estimated is reasonable for the Company?

A. I believe that my recommended 9.40 percent cost of equity capital, which is 487 basis points higher than the current 4.53 percent yield on a Baa/BBB-rated utility bond, will provide Pima with a reasonable rate of return on invested capital when data on interest rates (that are low by historical standards), the current state of the economy, current rates of unemployment (both nationally and in Arizona), and the Fed's decision to keep interest rates at their current levels into the latter part of 2014 are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk. I believe that my cost of equity analysis, which is just below the high side of the range of results I obtained from both the DCF and CAPM models, has produced such a return.

COST OF DEBT

Q. Have you reviewed Pima's testimony on the Company-proposed cost of long-term debt?

A. Yes.

Q. What is Pima proposing in regard to the cost of long term-debt?

A. Pima is proposing a weighted cost of debt of 7.182 percent which is comprised of a 7.696 percent cost associated with existing Maricopa County Industrial Development Authority ("IDA") bonds and a pro-forma 6.620 percent cost of debt on a pending $8,370,000 loan agreement – possibly with Wells Fargo Bank, NA ("Wells Fargo"). According to Water and Wastewater Division financing applications[29] filed with the Commission on November 8, 2011, Pima intends to use $1,500,000 of the proposed loan proceeds to fund force main replacement projects in the sewer system and to refurbish certain outdated sewer facilities. $4,370,000 will be used to refinance Pima's existing IDA bonds at a lower interest rate and $2,500,000 to will be used to rebalance the capital structure by replacing equity with debt.

Q. What is the cost of debt associated with the proposed loan agreement?

A. Pima is proposing a cost of debt of 6.620 percent (5.50 percent actual interest and 1.120 percent in issuance costs). However, as in most lending arrangements, the final interest rate is not known until the loan is actually executed. During the preparation of the Staff Report on Pima's

[29] In its financing applications, Pima requested that the Commission enter an order authorizing the Company to incur indebtedness in an amount not to exceed $8,370,000 for a term not to exceed 7 years at an interest rate not to exceed 5.5 percent, and to encumber its real property and utility plant and system to secure such indebtedness.

financing applications, the Company filed an amended term sheet which revised the anticipated rate of interest from 5.50 percent to 3.65 percent.[30]

Q. What is the current status of Pima's financing request?

A. The Commission is scheduled to vote on Pima's request during the Regular Open Meeting scheduled for March 27, 2012 which is the same date that the direct testimony on Pima's Consolidated Application will be filed. The Administrative Law Judge assigned to the matter has recommended approval of the Company's request based on the recommendations contained in a Staff Report that was filed on February 7, 2012. On February 15, 2012, Pima filed comments to the Staff Report and stated the following:

> "Pima thanks Staff for their timely issuance of their Staff Report and respectfully urges the Commission to act promptly on this matter. Company and counsel are well aware of the agency's strained resources. However, in this case, prompt approval inures to the direct benefit of ratepayers, who will benefit from the lower cost of capital in their rates. The Commission has encouraged utilities to use low cost debt in their capital planning and Pima has secured financing **at today's historically low rates** [emphasis added]."

Q. What cost of long-term debt are you recommending for Pima?

A. Because a final decision on Pima's financing application will not be available until after my direct testimony is filed and I do not know what the final cost of the proposed loan agreement will be, I am recommending that

[30] On January 6, 2012, Pima filed an amended term sheet revising the anticipated maturity date on the proposed loan to 5 years from 5-year and 7-year alternatives and showing the offered interest rate (5-year London Interbank Offer Rate ("LIBOR") plus 2.00 percent) at 3.65 percent.

the Commission adopt the Company-proposed cost of IDA Bond debt of 6.62 percent only at this time. However, I reserve the right to modify my recommendation based on the Commission's final decision and on the terms that are contained in an executed loan agreement between Pima and a third-party lender.

CAPITAL STRUCTURE

Q. Have you reviewed Pima's testimony regarding the Company's proposed capital structure?

A. Yes.

Q. Please describe the Company's proposed capital structure.

A. The Company is proposing a capital structure comprised of 31.08 percent long-term debt and 68.92 percent common equity which reflects Pima's intent to refinance existing IDA debt with an anticipated loan through Wells Fargo. Under the Company's proposal, Pima's capital assets would be financed by $8,370,000 in long-term debt and $18,563,072 in common equity.

Q. What capital structure are you recommending for Pima?

A. Because of the uncertainty regarding Pima's financing application, I am recommending that the Commission adopt the Company's adjusted end of test year capital structure comprised of 22.53 percent long-term debt and 77.47 percent common equity. However, as with my recommended cost

of long-term debt, I am reserving the right to modify my recommendation based on the Commission's final decision on Pima's financing application.

Q. Is Pima's adjusted test year capital structure in line with industry averages?

A. No. As can be seen in Schedule WAR-9, Pima's adjusted test year capital structure is heavier in equity than the capital structures of the water utilities in my sample and would be perceived by investors as having lower financial risk. The same is true in the case of my LDC sample.

Q. Have you made a downward adjustment to your recommended cost of equity that reflects the fact that Pima's capital structure is heavier in equity than the capital structures of your sample utilities?

A. No, and I do not want to make any such adjustment until after the Commission makes a decision on Pima's financing application.

WEIGHTED AVERAGE COST OF CAPITAL

Q. How does the Company's proposed weighted average cost of capital compare with your recommendation?

A. The Company has proposed a weighted average cost of capital of 9.47 percent. This figure is the result of a weighted average of Pima's proposed 7.182 percent cost of long-term debt and 10.50 percent cost of common equity capital. The Company-proposed 9.47 percent weighted

cost of capital is 46 basis points higher than the 9.01 percent weighted cost of capital that I am recommending. Again my figure will most likely change once a final decision is out on Pima's financing application.

COMMENTS ON THE COMPANY-PROPOSED COST OF EQUITY CAPITAL

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The Company's cost of capital witness, Mr. Bourassa, is recommending a cost of common equity of 10.50 percent. His 10.05 percent cost of equity capital is 110 basis points higher than the 9.40 percent cost of equity capital that I have calculated.

Q. What methods did Mr. Bourassa use to arrive at his proposed cost of common equity for the Company?

A. Mr. Bourassa used both the DCF and CAPM methods. He also relies on a third valuation method known as a Build-up method that does not require the use of market betas as does the CAPM. His DCF analysis relies on the same constant growth version of the DCF model that I have used with two different growth estimates: a past and future growth estimate which produces a 9.20 percent indicated cost of equity, and a future growth estimate which produces a 9.80 percent indicated cost of equity. The average of the results of these two DCF methodologies is 9.50 percent. Mr. Bourassa's CAPM analysis also uses the same model that I have

used but he obtains two different results: one obtained by using an historical risk premium and the other by using a current market risk premium. His CAPM analysis produces results of 10.00 percent using an historical risk premium and 12.40 percent using a current market risk premium. His average CAPM result is 11.20 percent.

Q. What are the main reasons for the difference in the results that you obtained from your DCF analysis and the results that Mr. Bourassa obtained from his DCF analysis using the constant growth model?

A. Mr. Bourassa conducted his analysis during the later part of July 2011 and consequently much of the data that he used in his analysis is now eight months old. This can be seen in a price comparison of five of the water company stocks that we both used in our samples: The difference between the average adjusted closing stock prices used in my DCF model and spot prices used by Mr. Bourassa in his DCF models are as follows:

	Rigsby	Bourassa	Difference
AWR	$36.63	$34.75	$1.88
CWT	$18.43	$19.13	($0.70)
MSEX	$18.65	$18.82	($0.17)
SJW	$23.83	$24.29	($0.46)
WTR	$22.01	$22.24	($0.23)

As can be seen above, four of the five water stocks that our samples have in common have fallen in value since July 22, 2011 when Mr. Bourassa recorded the closing spot prices used in his DCF model. Since, with the exception of CWT, there is little difference in the projected dividends used in our respective DCF models, the more current prices used in my model result in a lower current dividend yield which can be seen as follows:

	Rigsby	Bourassa	Difference
AWR	3.06%	3.11%	(5) bps
CWT	3.34%	6.43%	(309) bps
MSEX	3.97%	3.55%	42 bps
SJW	2.90%	3.88%	(98) bps
WTR	3.00%	2.83%	(17) bps

In the case of CWT, the higher 6.43 percent yield calculated by Mr. Bourassa reflects a previous annual dividend payment of $1.19, as opposed to the current payment of $0.62, which was in effect prior to a 2 for 1 stock split that occurred in June 2011.

Q. What are the differences between your constant growth DCF results and Mr. Bourassa's constant growth models?

A. As I stated earlier, Mr. Bourassa did not rely on a sample of natural gas utilities so my comparison is limited to our respective water utility samples.

Much of the difference between our results is attributable to the utilities that were included in our samples. As I explained earlier in my testimony, Mr. Bourassa's sample included one water company that I excluded because Value Line does not provide the long-term projections on it which I use to develop my growth estimates for the "g" component of the DCF model. My 3.25 percent average dividend yield for water companies falls between his average annual dividend yields of 3.46 percent to 3.08 percent. Mr. Bourassa's 3.82 percent average current dividend yield of the five utilities that our samples have in common (based on my 8-week average adjusted closing prices listed above) would be 57 basis points higher than my 3.25 percent relying on his method for calculating the current dividend yield. In regard to our growth (i.e. "g" component of the DCF model) estimates, Mr. Bourassa's estimates of 5.27 percent to 5.78 percent are 8 basis points to 59 basis points higher than my average growth estimate of 5.19 percent.

Q. Do you agree with Mr. Bourassa's rationale for not using Value Line estimates of DPS growth in the estimation of a growth rate for the DCF model?

A. No, I do not. In explaining his reason for this Mr. Bourassa also admits that DPS projections are not available for the one water utility that I excluded in my sample. While in this case Mr. Bourassa admits that the projected DPS growth rate of 4.13 percent is higher than the historical

growth rate of 3.33 percent, he has essentially made an argument in prior cases that the DPS element of growth should be selectively ignored if it depresses an overall growth rate that also includes EPS and BVPS.

Q. Do you agree with Mr. Bourassa?

A. No. I believe that all elements of growth should be considered in calculating a growth component for the DCF. This is what I've done to arrive at my DCF growth estimates.

Q. What are the main differences between your CAPM results and Mr. Bourassa's CAPM results?

A. The differences between our CAPM results is attributable to his selection of forecasted long-term U.S. Treasury instrument yields used as inputs for the risk-free rate of return and the time period that has expired since Mr. Bourassa filed his direct testimony. Mr. Bourassa's average beta of 0.76 has fallen to 0.72 since his testimony was filed, and his current market risk premium figure of 9.70 percent is simply not realistic when compared with the market risk premiums, ranging from 4.50 percent to 6.40 percent, that I obtained from Morningstar's 2011 SBBI Yearbook.

...

Q. Please explain the differences in your risk free rates of return.

A. I relied on an 8-week average yield of 0.81 percent on a 5-year treasury instrument whereas Mr. Bourassa relied on a 5.00 percent average of forecasted 30-year Treasury yields.

Q. Do you agree with Mr. Bourassa's reliance on forecasted yields of long-term Treasury instruments?

A. No. I believe that an average of the most recent yields on a 5-year Treasury instrument is more appropriate when one takes into account that utilities generally file for new rates every three to five years. Mr. Bourassa's 5.00 percent risk-free rate is based on analysts' forecasts for 2012 and 2013 and is 191 basis points higher than the current 3.09 percent yield on a 30-year Treasury bond (Attachment 4, Value Line Selection & Opinion page 1709) which I believe is a better indicator of future yields on that instrument.

Q. What is the current average beta for the water utilities included in Mr. Bourassa's sample?

A. The current average beta for the water utilities included in Mr. Bourassa's sample is 0.72 as opposed to the 0.76 used in his CAPM analysis and the 0.71 average beta used in my CAPM analysis using a sample of water utilities. Since Mr. Bourassa's direct testimony was filed in August 2011, the betas for all of the water companies in his sample, with the exception

of WTR, dropped by 0.05 respectively, indicating lower risk, in terms of beta, for these companies.

Q. What are the differences in the market risk premiums that you used in your CAPM analyses?

A. As I explained earlier in my testimony, my market risk premiums are the 6.30 percent arithmetic and 4.50 percent geometric means of the differences between the return on the broader stock market and the yields of intermediate term U.S. Treasury instruments over the 1926 – 2010 time frame (obtained from Morningstar's 2011 SBBI Yearbook). Mr. Bourassa relied on a 6.70 percent historical risk premium (which also relied on Morningstar data) and a 9.70 percent current market risk premium, which was computed using the DCF model and data on 1,700 stocks followed by Value Line.

Q. Do you agree with Mr. Bourassa's 9.70 percent current market risk premium?

A. No. Mr. Bourassa's 9.70 percent market risk premium is clearly excessive and only represents a snapshot in time. He calculates it by using a DCF model that relies on stock price appreciation for the growth component (i.e. "g"). This results in a 20-month average expected return of 14.15 percent. His 9.70 percent risk premium is the difference between the 9.70 percent DCF result and the 4.41 percent 20-month average of the yields

on a 30-year Treasury instrument. Mr. Bourassa's current market risk premium is not even realistic considering the historic market risk premiums that take into consideration the full spectrum of economic conditions that have occurred since 1926.

Q. How did Mr. Bourassa arrive at his final 10.50 percent cost of common equity for the Company?

A. Mr. Bourassa's proposed 10.50 percent cost of common equity represents his own judgment and relies on the results of the midpoints of the ranges of estimates he obtained from his various models.

Q. Is there any merit in the rationale used by Mr. Bourassa in regard to the size arguments stated in his direct testimony?

A. No. One has to take into consideration the fact that the water utilities included in both Mr. Bourassa's and my samples are collections of water systems that are similar to Pima and face the same types of risks as Pima.

Q. Has the ACC ever granted a cost of equity based on company size?

A. To the best of my knowledge, the Commission has never granted a higher cost of common equity based on company size.

...

Q. Does your cost of capital recommendation take into consideration any perceived business risks that the Company might face?

A. Yes. As I stated earlier in my testimony, I believe that the amount of equity contained in my recommended capital structure, which is higher than the percentage of equity contained in my utility samples, and the fact that I have not made any downward adjustment to my recommended 9.40 percent cost of equity mitigates any perceived business risk. In addition to this I would also point out that my recommended 9.40 percent cost of common equity is only slightly lower than the higher DCF result obtained from my LDC sample as opposed to the lower DCF result obtained from my sample of water companies.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of Mr. Bourassa or any other witness for Pima constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on Pima?

A. Yes.

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Chief of Accounting and Rates
Residential Utility Consumer Office
October 2011 – Present

Public Utilities Analyst V
Residential Utility Consumer Office
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	WS-01303A-06-0491	Rate Increase
UNS Electric, Inc.	E-04204A-06-0783	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona Public Service Company	E-01345A-08-0172	Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase
Arizona Water Company	W-01445A-08-0440	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Black Mountain Sewer Corporation	SW-02361A-08-0609	Rate Increase
Global Utilities	SW-02445A-09-0077 et al.	Rate Increase
Litchfield Park Service Company	SW-01428A-09-0104 et al.	Rate Increase
UNS Electric, Inc.	E-04204A-09-0206	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-08-09-0257	Rate Increase
Arizona-American Water Company	W-01303A-09-0343	Rate Increase
Bella Vista Water Company	W-02465A-09-0411 et al.	Rate Increase
Chaparral City Water Company	W-02113A-10-0309	Reorganization
Qwest Communications International	T-04190A-10-0194 et al.	Merger
CenturyLink, Inc.	T-04190A-10-0194 et al.	Merger
Southwest Gas Corporation	G-01551A-10-0458	Rate Increase
Arizona-American Water Company	W-01303A-10-0448	Rate Increase
Arizona-American Water Company	W-01303A-11-0101	Reorganization
Bermuda Water Company, Inc.	W-01812A-10-0521	Rate Increase
UNS Gas, Inc.	G-04204A-11-0158	Rate Increase
Arizona Public Service Company	E-01345A-11-0224	Rate Increase
Arizona-American Water Company	W-01303A-09-0343	Deconsolidation
Arizona Water Company	W-01445A-10-0517	Rate Increase
Arizona Water Company	W-01445A-11-0310	Rate Increase

ATTACHMENT A

The Water Utility Industry has held up relatively well since our last visit in October. Although a slew of recently released economic data suggests that the housing and job market are on the road to recovery, many still-wary pundits appear to be reserving judgment until there are clearer signs of stability. Some are even saying that the uptick in jobs and new home sales is being artificially supported, and that another downturn could be on the horizon. Either way, investors' cautious approach is evident, with many continuing to seek shelter from potential market volatility in the relatively safe Water Utility Industry. As a result, the group, as a whole, ranks in the upper rungs of *The Value Line Investment Survey* for Timeliness.

That being said, not all that operate in this space have exactly been supporting their own causes. Many ran into trouble in the most recent quarter, raising concern that the group may have difficulty growing earnings in the months ahead. Burgeoning maintenance and capital expenditure costs remain a problem, despite more favorable regulatory backing.

Still, the group's income component has historically been its attraction. Steady dividend growth ought to continue to pique investor interest, but for how long, given a plethora of alternatives and financial constraints that may well limit capital deployment in the future.

Industry Backdrop

Water providers are responsible for the safe and timely delivery of water to millions of people daily. That being said, these companies are almost as important as the liquid they provide itself. Population growth ought to support healthy demand for the foreseeable future.

And, although purification and distribution standards are stringent, utilities have been riding the wave of improved regulatory climate. Indeed, state regulatory boards, which are also responsible for, among other things, keeping the balance of power between providers and customers, have been far more business friendly in recent memory. This is extremely important given that these boards are required to review and rule on general rate case requests submitted by providers looking to recover costs incurred during distribution. As costs of doing business have swelled, so to has their importance to the livelihoods of many operating in this group.

INDUSTRY TIMELINESS: 16 (of 98)

Rising Costs of Doing Business

As time goes by many already aging water infrastructures grow older and need repair, or perhaps complete overhauls. These costs have soared into the hundreds of millions of dollars and are not likely to subside anytime soon, without repercussions. A more business-friendly regulatory environment is offsetting some of the burden, but expenses related to doing business are eating away at profit margins.

Meanwhile, most that operate in this segment are not exactly flush with cash. Balance sheets are highly leveraged, so the cash coffers are usually strapped. Although external financing has become routine, the financial constraints are precluding most from being more active on the acquisition front.

Conclusion

Favorable housing and job reports have given the broader market some legs in recent weeks, which would appear to spell bad news for this group. However, the economy has been turbulent, and if the naysayers are right, now may be a good time for investors seeking capital preservation and a steady stream of income to dip into the Water Utility Industry.

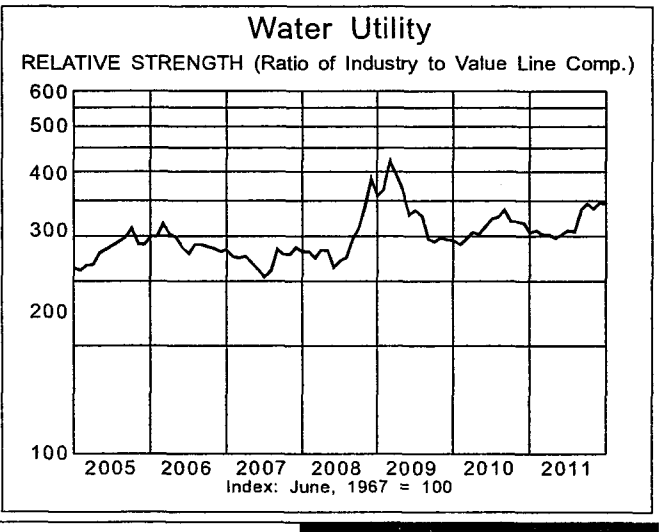
Although not known for its growth potential, this sector offers a number of promising income producers, none of which are more prominent than *Middlesex Water Company*. It sports a nearly 4% yield and a 2 (Above Average) Safety rank. *American States Water*, however, is another interesting choice. Top ranked for Timeliness, it too has a healthy dividend yield and exceedingly better 3- to 5-year price appreciation appeal.

That said, prospective investors should keep in mind the industry's capital restraints and potentially lower yields looking further out. As such, there are better streams of income to be had, especially in the Electric Utility Industry.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2007	2008	2009	2010	2011	2012		14-16
3777.9	4004.3	4228.9	4614.5	*4775*	*5125*	Revenues ($mill)	*6175*
d157.5	384.1	409.6	500.8	*570*	*630*	Net Profit ($mill)	*800*
NMF	NMF	NMF	40.0%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
NMF	1.5%	1.1%	1.0%	*1.0%*	*2.0%*	AFUDC % to Net Profit	*7.0%*
50.9%	52.1%	55.1%	55.3%	*55.0%*	*53.0%*	Long-Term Debt Ratio	*49.0%*
49.1%	47.9%	44.9%	54.7%	*45.0%*	*47.0%*	Common Equity Ratio	*51.0%*
13134.6	12795.2	14011.9	14720.8	*15275*	*15975*	Total Capital ($mill)	*17550*
14542.8	15611.0	15910.8	17869.0	*18350*	*19400*	Net Plant ($mill)	*22250*
.4%	4.5%	4.4%	4.9%	*5.0%*	*6.0%*	Return on Total Cap'l	*8.0%*
NMF	6.3%	6.5%	7.7%	*8.0%*	*8.5%*	Return on Shr. Equity	*9.0%*
NMF	6.3%	6.5%	7.7%	*8.0%*	*8.5%*	Return on Com Equity	*9.0%*
NMF	3.0%	2.1%	3.1%	*3.0%*	*3.5%*	Retained to Com Eq	*4.0%*
NMF	51%	68%	60%	*57%*	*55%*	All Div'ds to Net Prof	*53%*
NMF	20.7	19.3	17.3			Avg Ann'l P/E Ratio	*21.0*
NMF	1.25	1.29	1.10	*Bold figures are Value Line estimates*		Relative P/E Ratio	*1.40*
2.3%	2.5%	3.5%	3.4%			Avg Ann'l Div'd Yield	*2.8%*



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AMER. STATES WATER NYSE-AWR

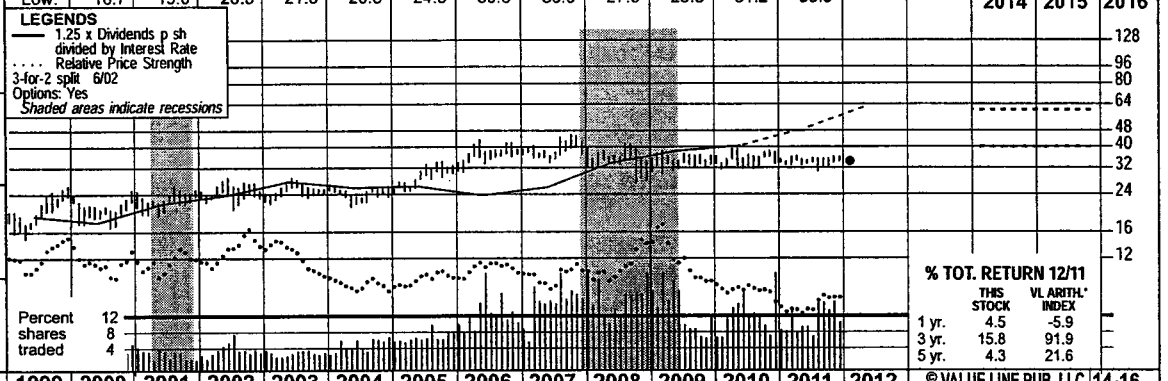
RECENT PRICE 34.29 | P/E RATIO 15.0 (Trailing: 13.6 Median: 22.0) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 3.3% | VALUE LINE

TIMELINESS 1 Raised 9/16/11
SAFETY 3 New 2/4/00
TECHNICAL 3 Lowered 12/16/11
BETA .70 (1.00 = Market)

High:	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4
Low:	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5

Target Price Range 2014 | 2015 | 2016

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+75%)	18%
Low	40	(+15%)	7%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	3	2	0
to Sell	0	0	0	0	0	0	4	1	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	51	48	58
to Sell	48	55	54
Hld's(000)	11214	11377	11349

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.5	-5.9
3 yr.	15.8	91.9
5 yr.	4.3	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.65	23.15	Revenues per sh	24.45
1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.55	4.60	"Cash Flow" per sh	5.15
1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.25	2.30	Earnings per sh A	2.60
.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	1.16	Div'd Decl'd per sh B■	1.32
2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.55	4.75	Cap'l Spending per sh	5.10
10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.85	22.10	Book Value per sh	20.00
11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.75	19.00	Common Shs Outst'g C	19.50
11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.3		Avg Ann'l P/E Ratio	19.0
.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.01	.96		Relative P/E Ratio	1.25
6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.2%		Avg Ann'l Div'd Yield	2.6%
						197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	425	450	Revenues ($mill)	535
						20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	43.0	44.0	Net Profit ($mill)	52.0
						43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	42.5%	42.0%	Income Tax Rate	40.0%
						--	--	--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
						54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.5%	45.0%	Long-Term Debt Ratio	47.0%
						44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.5%	55.0%	Common Equity Ratio	53.0%
						447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	750	765	Total Capital ($mill)	840
						539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	900	950	Net Plant ($mill)	1050
						6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.5%	7.0%	Return on Total Cap'l	8.0%
						10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.5%	10.5%	Return on Shr. Equity	11.5%
						10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.5%	10.5%	Return on Com Equity	11.5%
						3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.5%	5.5%	Retained to Com Eq	6.0%
						65%	65%	113%	84%	67%	67%	58%	64%	61%	47%	48%	51%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $345.3 mill. **Due in 5 Yrs** $281.0 mill.
LT Debt $340.4 mill. **LT Interest** $24.0 mill.
(LT interest earned: 5.5x: total interest coverage: 5.2x) (46% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/10 $90.2 mill.
Oblig. $118.8 mill.

Pfd Stock None.

Common Stock 18,735,254 shs.
as of 11/14/11
MARKET CAP: $650 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	1.7	4.2	5.2
Other	94.3	200.8	155.0
Current Assets	96.0	205.0	160.2
Accts Payable	33.9	36.2	43.7
Debt Due	18.1	61.4	4.9
Other	47.7	81.2	67.8
Current Liab.	99.7	178.8	116.4
Fix. Chg. Cov.	352%	441%	400%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	7.5%	3.5%
"Cash Flow"	5.5%	9.5%	6.0%
Earnings	4.5%	11.5%	6.5%
Dividends	2.0%	2.5%	4.5%
Book Value	5.0%	5.0%	.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	101	425
2012	100	115	125	110	450

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.22
2011	.37	.68	.83	.37	2.25
2012	.42	.67	.80	.41	2.30

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012					

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/11 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water is ranked 1 (Highest) for Timeliness. Earnings momentum has been tremendous, with the water utility posting growth of nearly 35% in the third quarter, and 14% through the first nine months of the 2011 (fourth-quarter and full-year results were not released as of the date of our report). The stock becomes even more attractive for those remaining bearish on a macroeconomic turnaround, as Wall Street tends to pour money into utilities during times of uncertainty.

We suspect that bottom-line growth tapered off considerably in the fourth quarter, but remained healthy all things considered. Although it appears as though we look for earnings to plummet sharply, note that fourth-quarter 2010 earnings included a gain of roughly $0.30 for the recognition of retroactive revenues earlier in the year. Absent the gain, we estimate that share earnings advanced nearly 20% in the December period, thanks primarily to higher water rates, the result of a more favorable regulatory environment, from the company's Golden State water subsidiary.

The company apparently has come to a resolution regarding its cost of capital request. The Division of Ratepayer Advocates has suggested that the California Public Utilities Commission (CPUC) authorize the company a 9.99% return on equity, and a rate making capital structure of 55% equity/45% debt. The CPUC is expected to sign off on the request.

Nevertheless, rising operating costs are likely to make earnings growth harder to come by this year and thereafter. We do not think that cost controls will be able to offset the growing infrastructure expenses and repairs that will be necessary as watersystems grow older and in need of repair.

The stock's long-term growth prospects are nothing to write home about. Even AWR's dividend yield, though healthy versus the *Value Line* median, loses some appeal when compared to its utility brethren.

That said, diversification may well help. Management's expansion into non-regulated areas, namely military bases, could spark earnings growth.

Andre J. Costanza *January 20, 2012*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due early March. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	85

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CALIFORNIA WATER NYSE-CWT

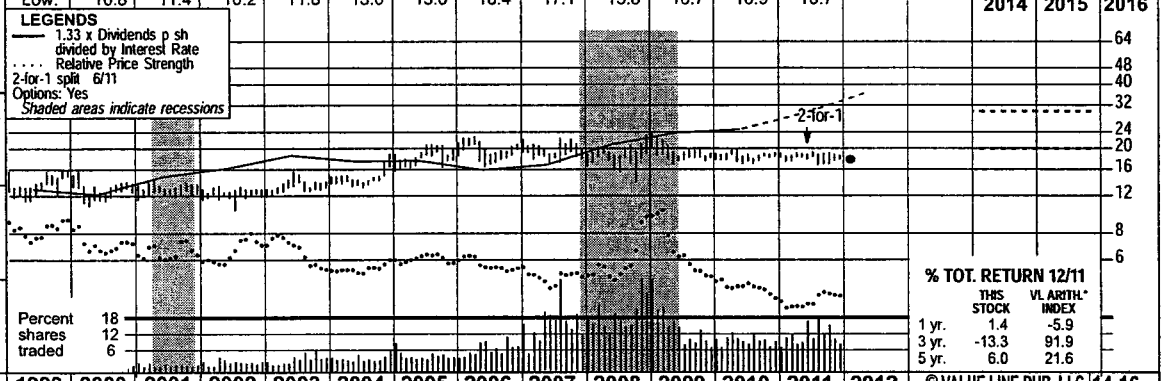
RECENT PRICE 17.81 | P/E RATIO 17.5 (Trailing: 18.6 Median: 22.0) | RELATIVE P/E RATIO 1.19 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 3 Raised 7/22/11
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 12/9/11
BETA .65 (1.00 = Market)

High:	15.7	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4
Low:	10.8	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7

Target Price Range 2014 | 2015 | 2016

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 6/11
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+70%)	16%
Low	20	(+10%)	6%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	19	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	4	0	0
to Sell	0	0	0	0	0	0	4	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	56	60	49
to Sell	49	48	58
Hld's(000)	21158	21479	21742

Percent shares traded 18 12 6

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	1.4	-5.9
3 yr.	-13.3	91.9
5 yr.	6.0	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	10.82	11.05	12.25	11.90	Revenues per sh	13.70
2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	1.93	1.93	2.25	2.30	"Cash Flow" per sh	2.60
1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	.98	.91	1.01	1.10	Earnings per sh A	1.30
1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	.59	.60	.62	.64	Div'd Decl'd per sh B ■	.72
2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	2.66	2.97	3.00	2.90	Cap'l Spending per sh	3.15
11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	10.13	10.45	10.95	11.55	Book Value per sh C	12.55
12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	41.53	41.67	42.00	45.00	Common Shs Outst'g D	47.50
13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	18.1		Avg Ann'l P/E Ratio	20.0
.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.30	1.13		Relative P/E Ratio	1.35
6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%		Avg Ann'l Div'd Yield	2.9%
						246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	515	535	Revenues ($mill) E	650
						14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	43.0	49.0	Net Profit ($mill)	63.0
						39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	39.5%	39.5%	Income Tax Rate	39.5%
						--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	10.0%	10.0%	AFUDC % to Net Profit	10.0%
						50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	52.5%	49.5%	Long-Term Debt Ratio	51.0%
						48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	47.5%	50.5%	Common Equity Ratio	49.0%
						402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	970	1030	Total Capital ($mill)	1220
						624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1365	1440	Net Plant ($mill)	1700
						5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	6.0%	6.0%	Return on Total Cap'l	7.0%
						7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	9.5%	9.5%	Return on Shr. Equity	10.5%
						7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	9.5%	9.5%	Return on Com Equity	10.5%
						NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	3.5%	4.0%	Retained to Com Eq	5.0%
						119%	90%	91%	77%	78%	86%	77%	61%	60%	66%	61%	59%	All Div'ds to Net Prof	54%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $509.8 mill. **Due in 5 Yrs** $58.3 mill.
LT Debt $477.6 mill. **LT Interest** $32.0 mill.
(LT interest earned: 6.2x; total int. cov.: 5.6x)
(51% of Cap'l)
Pension Assets-12/10 $139.0 mill.
Oblig. $269.9 mill.
Pfd Stock None
Common Stock 41,817,032 shs.
MARKET CAP: $750 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	9.9	42.3	46.7
Other	82.3	83.9	101.1
Current Assets	92.2	126.2	147.8
Accts Payable	43.7	39.5	59.3
Debt Due	25.0	26.1	32.2
Other	41.7	41.7	69.9
Current Liab.	110.4	107.3	161.4
Fix. Chg. Cov.	430%	390%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	3.0%	4.5%	4.5%
"Cash Flow"	4.0%	6.5%	5.5%
Earnings	3.0%	6.5%	5.5%
Dividends	1.0%	1.0%	3.5%
Book Value	4.5%	5.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	72.9	105.6	131.7	100.1	410.3
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	116.2	515
2012	103	137	172	123	535

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.01	.48	1.06	.35	1.90
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.05	.29	.50	.17	1.01
2012	.05	.30	.55	.20	1.10

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012					

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 470,200 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '10: residential, 72%; business, 20%; public authorities, 4%; industrial, 4%. '10 reported depreciation rate: 2.3%. Has roughly 1,127 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

Rate increases continue to benefit California Water Services Group's top line. The water utility posted revenue growth of 15% in the third quarter, almost double the rate we were calling for, despite poor weather conditions. We believe that the stage was set for a double-digit revenue advance in the fourth quarter.

There appears to be further clarity on the reimbursement front. The water utility announced that it and the California Public Utilities Commission's Division of Ratepayer Advocates have settled a cost of capital request for 2012-2014. If signed off on, the company's authorized return on equity would be 9.99%, with the cost of debt being 6.24%. Although the ROE is slightly below what CWT was looking for, it is in line with what we were assuming.

But expenses continue to mount up, prompting us to temper our bottom-line growth expectations. Although costs associated with regulated operations were kept in check, those of the company's non-regulated business more than doubled in the September period. Management has been actively growing this business, and ongoing expenses may limit earnings growth against relatively weak comparisons in the fourth quarter. True, the benefits of this investment ought to keep improving profitability, but we look for maintenance costs in the regulated operations to also increase.

Additional financing is probably necessary. Capital expenditures remain on the rise and are not likely to subside anytime soon. California is cash poor, however, and will need external financing, despite improved regulatory backing.

Most investors will want to look elsewhere. The industry's capital intensive nature limits growth potential, leaving the stock's income component as its main attraction. And, although the dividend yield is healthy compared to the average issue tracked in our *Survey*, it is not overly impressive when compared to the average utility offering, specifically electric utilities. Meanwhile, the company is far less geographically diversified as other water providers, which adds some degree of risk in our opinion. Investors looking to stash money in a steady income grower until the economy stabilizes have better options.

Andre J. Costanza *January 20, 2012*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢. Next earnings report due late Feb.
(B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '10: $2.2 mill., $0.05/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	90

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MIDDLESEX WATER NDQ-MSEX

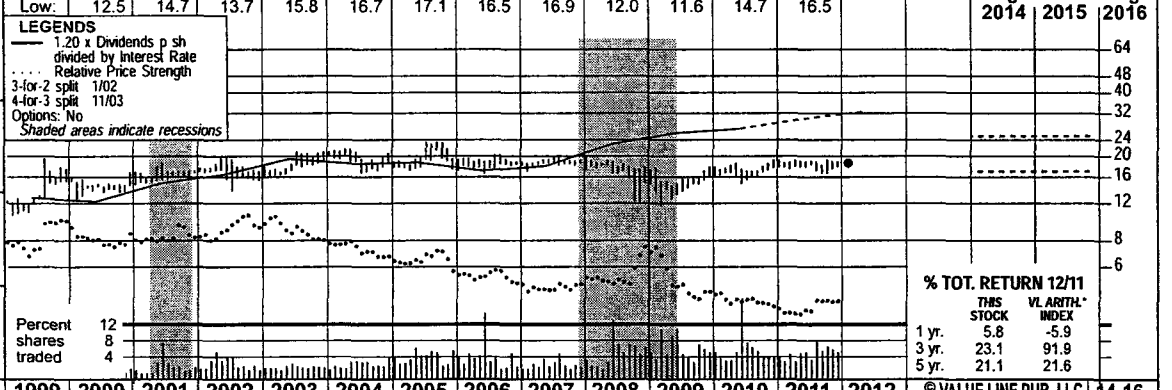
RECENT PRICE 18.69 | P/E RATIO 20.1 (Trailing: 21.0 Median: 23.0) | RELATIVE P/E RATIO 1.37 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 4 Lowered 1/20/12
SAFETY 2 New 10/21/11
TECHNICAL 3 Lowered 12/9/11
BETA .70 (1.00 = Market)

High:	17.0	18.7	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4
Low:	12.5	14.7	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5

Target Price Range 2014 | 2015 | 2016

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/02
4-for-3 split 11/03
Options: No
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+35%)	10%
Low	17	(-10%)	2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	1	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	25	31	36
to Sell	25	24	25
Hld's(000)	6200	6377	6334

Percent shares traded 12 8 4

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	5.8	-5.9
3 yr.	23.1	91.9
5 yr.	21.1	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.56	4.52	4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.70	6.90	Revenues per sh	8.25
1.01	.94	1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.60	1.70	"Cash Flow" per sh	2.25
.68	.60	.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.90	1.00	Earnings per sh A	1.20
.54	.55	.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	Div'd Decl'd per sh B■	.80
1.08	.73	1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	4.15	4.40	Cap'l Spending per sh	5.00
5.74	5.85	6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	10.75	10.80	Book Value per sh	11.10
8.30	8.41	8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	16.00	Common Shs Outst'g C	17.00
12.2	14.4	13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	20.8		Avg Ann'l P/E Ratio	17.0
.82	.90	.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.41		Relative P/E Ratio	1.15
6.5%	6.4%	6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%		Avg Ann'l Div'd Yield	4.3%
						59.6	61.9	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	105	110	Revenues ($mill)	140
						7.0	7.8	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	14.0	16.0	Net Profit ($mill)	20.5
						34.8%	33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.0%	32.0%	Income Tax Rate	32.0%
						7.4%	7.2%	7.5%	7.3%	7.5%	7.5%	7.5%	7.7%	7.7%	7.5%	7.5%	7.5%	AFUDC % to Net Profit	7.0%
						53.6%	52.1%	53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	43.0%	43.0%	Long-Term Debt Ratio	39.0%
						43.9%	45.5%	44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	57.0%	57.0%	Common Equity Ratio	61.0%
						164.5	168.0	181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	300	300	Total Capital ($mill)	310
						199.1	211.4	230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	440	475	Net Plant ($mill)	595
						5.6%	6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.5%	6.5%	Return on Total Cap'l	7.5%
						9.1%	9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	8.5%	9.0%	Return on Shr. Equity	11.0%
						9.3%	9.8%	8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	8.5%	9.0%	Return on Com Equity	11.0%
						.5%	1.3%	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.5%	2.5%	Retained to Com Eq	3.5%
						94%	87%	106%	90%	94%	84%	79%	78%	98%	75%	81%	74%	All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $137.2 mill. Due in 5 Yrs $25.0 mill.
LT Debt $132.6 mill. LT Interest $6.0 mill.
(LT interest coverage: 4.5x)
(43% of Cap'l)

Pension Assets-12/10 $30.0 mill. Oblig. $42.1 mill.
Pfd Stock $3.4 mill. Pfd Div'd: $.2 mill.

Common Stock 15,634,889 shs. as of 10/31/11

MARKET CAP: $300 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	4.3	2.5	4.1
Other	17.7	20.3	23.6
Current Assets	22.0	22.8	27.7
Accts Payable	4.3	6.4	5.8
Debt Due	3.7	4.4	4.6
Other	52.7	29.9	37.9
Current Liab.	60.7	40.7	48.3
Fix. Chg. Cov.	325%	400%	425%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	3.0%	1.5%	3.5%
"Cash Flow"	3.5%	3.5%	7.0%
Earnings	2.5%	4.5%	6.0%
Dividends	2.0%	1.5%	2.0%
Book Value	4.5%	5.5%	1.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	20.8	23.0	25.7	21.5	91.0
2009	20.6	23.1	25.5	22.0	91.2
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	26.2	105
2012	25.0	27.0	31.0	27.0	110

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.15	.26	.35	.13	.89
2009	.10	.21	.29	.12	.72
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.18	.90
2012	.18	.25	.37	.20	1.00

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012					

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. in 2010, the Middlesex System accounted for 64% of total revenues. At 12/31/10, the company had 292 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.39% of the common stock; BlackRock, 7.0%; The Vanguard Group, 5.0% (4/11 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water Company floundered in 2011. The water utility (which offers services to customers in New Jersey, Delaware, and Pennsylvania) will likely report a more than 5% decline in share earnings for the year. That said, the company should bounce back in 2012, on favorable rate rulings and an improving economy, particularly in its favored state of New Jersey, where Middlesex Systems serves over 60,000 customers.

The company instituted a dividend increase, with the payout going from $0.183 to $0.185. The first distribution at the higher level was made on December 1st.

Modest growth in earnings looks to be the norm in the near term. Lower water consumption (a result of cooler temperatures and a wet winter thus far), is likely to put stress on revenues from the segment. Furthermore, Operations and Management expenses rose 4.5% for the quarter, a result of production related expenses, as well as employee healthcare and post-retirement costs. As these trends are unlikely to fall in the next few years (indeed, the post-retirement and healthcare expenses should show an upward pattern), it is quite likely that the expenses will hinder the bottom line, slowing down earnings growth in the near term.

The company's long-term prospects seem mixed at this time. Middlesex has several rate cases going forward this year. It filed a $6.9 million rate request in Delaware in mid-September (mostly to recoup expenses from maintenance outlays), and plans to file a (much larger) case in New Jersey. Favorable outcomes in these cases would work to considerably boost the top and bottom lines for the 3- to 5-year pull. Furthermore, the company has several projects in mind to increase its growth prospects, as well as its customer base for the long-term. However, we remain wary of Middlesex's lackluster expense control. To invest heavily in future projects will result in a rise in expenses, which in turn will work to stress the bottom line.

Income-oriented investors might want to look here. The good quality equity has an above industry average dividend yield, and with a strong cash flow position, future payouts are quite secure for now.

Sahana Zutshi *January 20, 2012*

(A) Diluted earnings. Next earnings report due early February.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2010: $7.0 million, $0.45 a share.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	85

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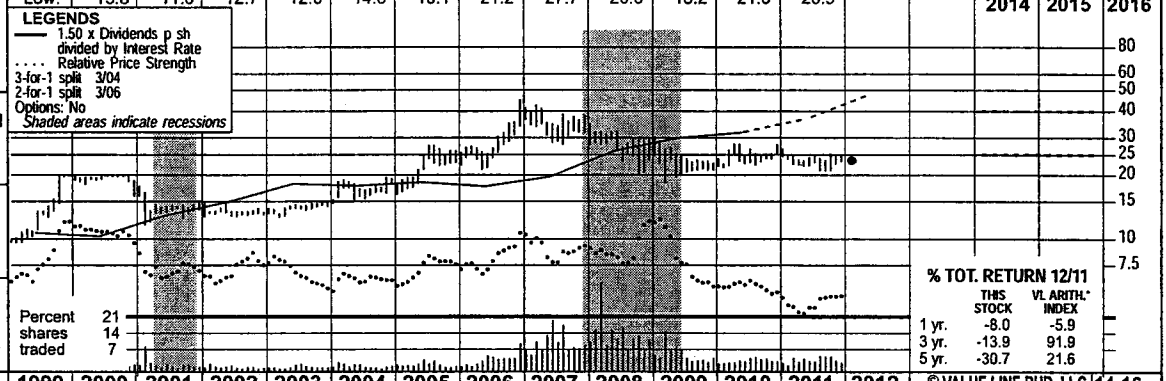
SJW CORP. NYSE-SJW

RECENT PRICE **23.50** | P/E RATIO **25.5** (Trailing: 27.0 / Median: 22.0) | RELATIVE P/E RATIO **1.73** | DIV'D YLD **2.9%** | VALUE LINE

TIMELINESS 3 Raised 8/12/11
SAFETY 3 New 4/22/11
TECHNICAL 2 Raised 1/13/12
BETA .85 (1.00 = Market)

High:	20.3	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8
Low:	15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-1 split 3/04
2-for-1 split 3/06
Options: No
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+70%)	16%
Low	25	(+5%)	4%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	1	0	1	0	0	1	3	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	26	31	30
to Sell	34	28	26
Hld's(000)	8648	8839	9018

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-8.0	-5.9
3 yr.	-13.9	91.9
5 yr.	-30.7	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.35	12.25	Revenues per sh	13.35
.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	2.60	2.55	"Cash Flow" per sh	3.00
.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	.88	1.00	Earnings per sh A	1.30
.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.74	Div'd Decl'd per sh B■	.86
.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.50	3.10	Cap'l Spending per sh	3.35
5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.00	15.50	Book Value per sh	17.10
19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.60	21.00	Common Shs Outst'g C	22.50
9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	26.7		Avg Ann'l P/E Ratio	25.0
.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89	1.67		Relative P/E Ratio	1.65
6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%		Avg Ann'l Div'd Yield	2.6%
						136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	230	245	Revenues ($mill)	300
						14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	17.0	20.0	Net Profit ($mill)	29.0
						34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	39.5%	39.0%	Income Tax Rate	39.0%
						4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
						42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	57.0%	51.5%	Long-Term Debt Ratio	49.5%
						57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.0%	48.5%	Common Equity Ratio	50.5%
						259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	605	670	Total Capital ($mill)	760
						367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	815	845	Net Plant ($mill)	950
						6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	4.5%	5.0%	Return on Total Cap'l	6.0%
						9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	6.0%	Return on Shr. Equity	7.5%
						9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	6.0%	Return on Com Equity	7.5%
						4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	1.5%	2.0%	Retained to Com Eq	2.5%
						56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	75%	78%	All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $351.2 mill. **Due in 5 Yrs** $62.8 mill.
LT Debt $344.5 mill. **LT Interest** $18.8 mill.
(LT interest earned: 3.2x: total interest coverage: 3.0x) (57% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.2 mill.

Pension Assets-12/10 $10.8 mill.
Oblig. $58.8 mill.

Pfd Stock None.

Common Stock 18,592,391 shs.
as of 10/20/11
MARKET CAP: $425 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	1.4	1.7	43.1
Other	26.6	36.3	46.1
Current Assets	28.0	38.0	89.2
Accts Payable	6.6	5.5	6.7
Debt Due	6.9	5.1	6.7
Other	18.5	18.6	25.3
Current Liab.	32.0	29.2	38.7
Fix. Chg. Cov.	352%	400%	250%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.5%	5.5%	2.0%
"Cash Flow"	6.0%	3.5%	4.0%
Earnings	2.0%	-1.5%	6.0%
Dividends	5.0%	5.5%	4.5%
Book Value	6.0%	6.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	41.3	60.0	69.5	49.5	220.3
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	53.4	230
2012	47.0	63.0	78.0	57.0	245

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.15	.34	.44	.15	1.08
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	.29	.44	.12	.88
2012	.04	.32	.49	.17	1.00

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012					

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

We have reversed course and think that SJW Corp may have struggled to grow earnings in the fourth quarter. Although we were looking for earlier rate increases to pave the road for solid top- and bottom-line growth, third-quarter results gave us reason to reconsider. Revenue growth was much slower than we were anticipating, while higher operating costs stymied the bottom line. Indeed, the company posted share earnings of $0.44, mirroring the year-before figure. We believe similar occurrences kept growth under wraps in the December period.

The top line may get a boost . . . SJW inked a deal to bring four Comal County and the City of Bulverde water systems into the fold, increasing its reach and customer base. The purchase, coupled with rate increases, ought to make for solid revenue growth.

. . . but it will likely be more of the same on the expense side of the ledger this year. Not only does SJW have to comply with stringent state and federal guidelines, but many of its pipelines and water systems are old and in need of repair. That being the case, we expect operating expenses to remain on the rise, wiping away a portion of the gains from the aforementioned acquisition and rate case increases.

Finances may present a problem going forward, too. The company's estimated annual cash flow falls well short of the capital outlays that we envision. True, state regulatory boards have taken on a more business-friendly approach, and future rate increases will help offset some of the rising capital expenditures. But, additional debt and share offerings are guaranteed, further diluting gains.

The stock's growth prospects are limited. Capital requirements are expected to thwart earnings power in the year ahead as well as over the next 3 to 5 years. The steady stream of income is alluring, but investors have better options to choose from, particularly in the Electric Utilities Industry. Plus, the company's financial situation leads us to believe that a 3% yield is probably not going to be in the cards by mid-decade. As a result, the current price-to-earnings multiple is not justifiable in our mind at this time.

Andre J. Costanza *January 20, 2012*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late Feb. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions.

Company's Financial Strength	B+
Stock's Price Stability	75
Price Growth Persistence	75
Earnings Predictability	85

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AQUA AMERICA NYSE-WTR

RECENT PRICE 21.18 | P/E RATIO 20.0 (Trailing: 21.8 Median: 25.0) | RELATIVE P/E RATIO 1.36 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 3 Lowered 1/21/11
SAFETY 3 Lowered 8/1/03
TECHNICAL 3 Lowered 12/2/11
BETA .65 (1.00 = Market)

High:	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8
Low:	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3

Target Price Range 2014 | 2015 | 2016

2014-16 PROJECTIONS

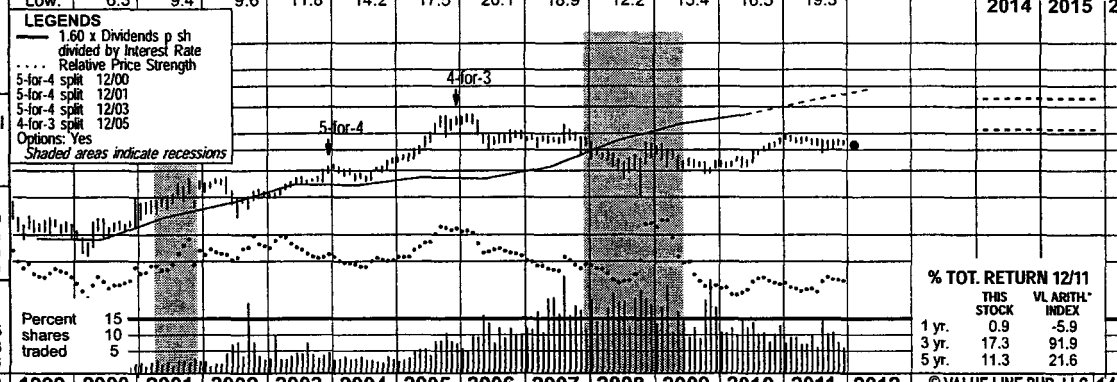
	Price	Gain	Ann'l Total Return
High	35	(+65%)	16%
Low	25	(+20%)	8%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	81	106	95
to Sell	112	104	113
Hld's(000)	55308	55457	55356



% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	0.9	-5.9
3 yr.	17.3	91.9
5 yr.	11.3	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.40	5.70	Revenues per sh	6.70
.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.95	2.05	"Cash Flow" per sh	2.40
.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.05	1.10	Earnings per sh A	1.40
.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.63	.66	Div'd Decl'd per sh B■	.78
.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.25	2.30	Cap'l Spending per sh	2.45
2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	8.95	9.40	Book Value per sh	11.05
63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.90	139.90	Common Shs Outst'g C	142.90
12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	20.2		Avg Ann'l P/E Ratio	21.0
.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36	1.36		Relative P/E Ratio	1.40
6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	3.0%		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1497.9 mill. **Due in 5 Yrs** $300 mill.
LT Debt $1402.5 mill. **LT Interest** $65.0 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (54% of Cap'l)

Pension Assets-12/10 $159.2 mill. **Oblig.** $234.9 mill.

Pfd Stock None
Common Stock 138,568,084 shares as of 10/24/11
MARKET CAP: $2.9 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	750	800	Revenues ($mill)	960
58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	145	155	Net Profit ($mill)	200
39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	40.0%	40.0%	Income Tax Rate	40.0%
--	--	--	--	--	--	--	--	2.9%	3.1%	3.0%	3.0%	AFUDC % to Net Profit	2.0%
52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	53.0%	51.0%	Long-Term Debt Ratio	45.0%
47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.0%	49.0%	Common Equity Ratio	55.0%
990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2640	2685	Total Capital ($mill)	2875
1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3625	3785	Net Plant ($mill)	4295
7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	7.0%	7.0%	Return on Total Cap'l	8.0%
12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Shr. Equity	12.5%
12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Com Equity	12.5%
5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	5.0%	4.5%	Retained to Com Eq	5.5%
59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	59%	60%	All Div'ds to Net Prof	56%

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	21.9	5.9	8.0
Receivables	78.7	85.9	86.7
Inventory (AvgCst)	9.5	9.2	11.6
Other	11.5	44.4	229.7
Current Assets	121.6	145.4	336.0
Accts Payable	57.9	45.3	38.0
Debt Due	87.0	28.5	95.4
Other	56.1	149.9	295.3
Current Liab.	201.0	223.7	428.7
Fix. Chg. Cov.	346%	290%	379%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.0%	7.5%	5.0%
"Cash Flow"	8.5%	8.0%	7.0%
Earnings	6.5%	4.5%	10.0%
Dividends	7.5%	8.0%	6.0%
Book Value	9.0%	7.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.5	207.8	179.3	726.1
2011	171.3	188.2	197.3	193.2	750
2012	180	200	220	200	800

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.19	.25	.33	.28	1.05
2012	.20	.25	.37	.28	1.10

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155	.165	.63
2012					

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.5%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America likely ended 2011 with an approximately 15% rise in earnings from the previous year. Consumer demand was most likely the main factor in the top- and bottom-line growth.

Management has decided to increase the quarterly dividend by 6.5%. The rise will impact payouts from the December 1st dividend onward. The boost is the 21st increase in 20 years, highlighting the strength of Aqua America's cash flows. Given the steady record, we believe that future payout hikes are likely.

Rate cases are going well for Aqua America. Year to date, the company has been rewarded about $21 million in favorable rulings (from Indiana, Ohio, North Carolina and Pennsylvania). There are cases ongoing in Florida, Texas, and Illinois, and we anticipate more favorable outcomes. Finally, Aqua America has additionally filed for over $50 million of rates and surcharges in Pennsylvania, Virginia, New Jersey, Texas, and Ohio, with returns anticipated in mid-to-late 2012. This, combined with the above mentioned ongoing rate cases (set to conclude in 2012 as well) should result in a healthy boost to the top and bottom lines for the ahead year.

The company is looking at various acquisitions. Given the soft economy, management has been on an acquisition spree to spur growth. Thus far, Aqua America has made ten minor acquisitions, and planned to enter 2012 with at least 15 under its belt. Though few details are known, it is also quite likely that the company will continue this trend through 2012 to boost revenues and earnings.

Diversification is the long-term goal. Management is especially interested in the rapid development of deep horizontal drilling (particularly in regards to the Marcellus Shale) and the prospects it represents (water is a key component of the process). Finally, the company is working on pipeline projects, to replace the trucks used for every well that is pumped. It has already started building relationships with several major suppliers. These upcoming ventures augur well for the company over the 2014-2016 pull.

Income investors should favor this equity, with its above-industry average dividend yield.

Sahana Zutshi *January 20, 2012*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due late January.

(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	100

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ATTACHMENT B

Stocks in *Value Line's* Natural Gas Utility Industry did not, for the most part, participate in the recent stock market rally (fueled partially by upbeat consumer confidence data). But that's not surprising, since these equities are typically viewed as income vehicles. That quality can provide some much-needed stability during periods of market turbulence, as was the case during the last year.

INDUSTRY TIMELINESS: 61 (of 98)

The Economic Situation

During the final quarter of 2011, U.S. GDP growth was a not-too-spectacular 3%, aided by a rebuilding of inventories, increased commercial construction, plus decreased imports. Nevertheless, the economy is not out of the woods yet, given ongoing softness in the housing sector and the high unemployment rate (hovering around 8% at present). A rise in the price of gasoline does not help matters, either. At this juncture, we believe that GDP growth will stay moderate throughout the remainder of 2012. In this environment, customers have been focusing on energy conservation, which, of course, bodes ill for the revenues of the companies included in the Natural Gas Utility Industry.

A Key Merger

AGL Resources, serving more than 2.3 million customers across several states, including Georgia, Virginia, Tennessee, and Florida, recently completed its acquisition of Nicor Inc., with more than 2.2 million customers in Illinois. Under the terms of the transaction, valued at more than $2 billion, *AGL* paid $21.20 in cash or .8382 of a share of *AGL* stock for each Nicor share. This move created the largest natural gas distributor in the United States. Another plus is that the two companies' nonregulated units are somewhat complementary. Finally, decent cost savings are likely down the road.

Nonregulated Activities

A number of the companies here are investing in the nonregulated arena (which includes pipelines and energy marketing & trading) and it appears that trend will continue for years to come. Indeed, these businesses provide opportunities for utilities to broaden their income streams. The fact that nonregulated segments can provide upside to share net is noteworthy, given that the return on equity is set by the regulatory state commissions (usually in the 10%-12% range) on the regulated divisions. It should also be mentioned that results for companies with bigger nonregulated units could be more volatile than companies with a greater emphasis on the more stable utility segment.

Weather

Weather is a factor that affects the demand for natural gas, especially from small commercial businesses and consumers. Not surprisingly, earnings for utilities are susceptible to seasonal temperature patterns, with consumption normally at its peak during the winter heating months. Unseasonably warm or cold weather can cause substantial volatility in quarterly operating results. But some companies strive to counteract this exposure through temperature-adjusted rate mechanisms, which are available in many states. Therefore, investors interested in utilities with more-stable profits from year to year are advised to look for companies that hedge this risk.

Dividends

The main appeal of utility equities is their generous levels of dividend income. At the time of this writing, the average yield for the 11 companies in our group was about 3.6%, considerably higher than the *Value Line* median of 2.2%. Standouts include *AGL Resources*, *NiSource Inc.*, *Laclede Group*, and *Atmos Energy*. When the financial markets are turbulent, healthy dividend yields tend to act as an anchor, so to speak, in this category.

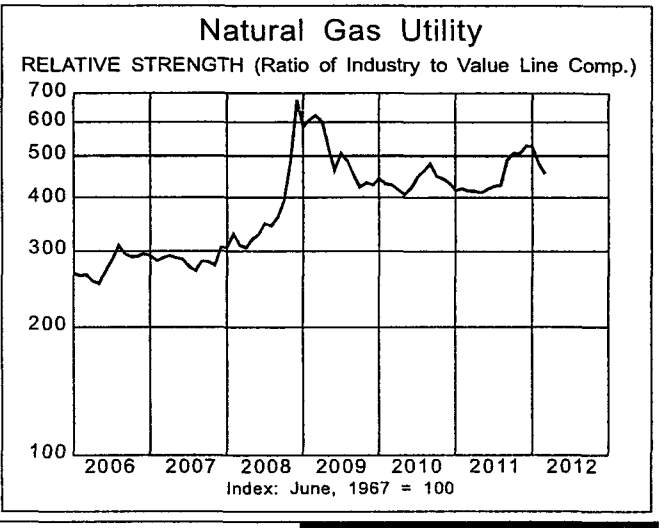
Conclusion

The Natural Gas Utility group is presently ranked in the bottom half of all industries tracked by *Value Line*, in terms of Timeliness. Nevertheless, these shares are most suitable for income-oriented investors with a conservative bent (given that a number of these issues are ranked favorably for Safety and earn high marks for Price Stability). All told, our readers are advised to consider the individual reports before making a commitment.

Frederick L. Harris, III

Composite Statistics: Natural Gas Utility

2008	2009	2010	2011	2012	2013		15-17
44207	34909	34089	*36250*	*42500*	*48000*	Revenues ($mill)	*63000*
1694.2	1677.6	1769.4	*2215*	*2375*	*2500*	Net Profit ($mill)	*3300*
35.7%	33.8%	34.0%	*35.0%*	*36.0%*	*36.0%*	Income Tax Rate	*37.0%*
3.8%	4.8%	5.2%	*6.1%*	*5.6%*	*5.2%*	Net Profit Margin	*5.2%*
50.6%	49.9%	46.7%	*52.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
49.4%	50.1%	53.3%	*48.0%*	*49.0%*	*49.0%*	Common Equity Ratio	*48.0%*
32729	33974	33144	*33250*	*35500*	*37300*	Total Capital ($mill)	*48000*
35342	37292	39294	*40250*	*42250*	*44600*	Net Plant ($mill)	*55000*
6.8%	6.5%	6.9%	*8.0%*	*8.0%*	*8.0%*	Return on Total Cap'l	*8.5%*
10.5%	10.0%	10.0%	*14.0%*	*13.5%*	*13.5%*	Return on Shr. Equity	*14.5%*
10.5%	10.0%	10.0%	*14.0%*	*13.5%*	*13.5%*	Return on Com Equity	*14.5%*
4.3%	3.8%	4.0%	*4.0%*	*4.5%*	*4.5%*	Retained to Com Eq	*5.0%*
59%	61%	61%	*61%*	*62%*	*62%*	All Div'ds to Net Prof	*65%*
13.9	12.8	14.0		*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.83	.85	.90		*Value Line*		Relative P/E Ratio	*1.00*
4.2%	4.8%	4.3%		*estimates*		Avg Ann'l Div'd Yield	*4.5%*
358%	381%	402%	*400%*	*390%*	*395%*	Fixed Charge Coverage	*405%*



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AGL RESOURCES NYSE-GAS

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
39.70	14.5	(Trailing: 15.0 / Median: 13.0)	0.94	4.6%	VALUE LINE

TIMELINESS **3** Raised 3/11/11

SAFETY **1** Raised 9/9/11

TECHNICAL **3** Lowered 10/28/11

BETA .75 (1.00 = Market)

High:	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	37.5	40.1	43.7	42.9
Low:	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0	34.2	34.1	39.5

2015-17 PROJECTIONS

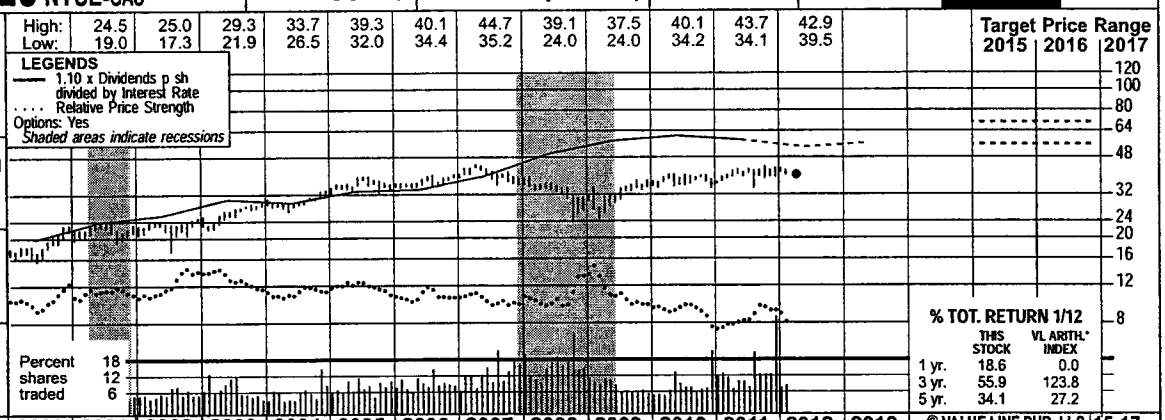
	Price	Gain	Ann'l Total Return
High	70	(+75%)	18%
Low	55	(+40%)	10%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	1	1	0
to Sell	0	0	0	0	0	0	1	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	109	99	258
to Sell	104	118	63
Hld's(000)	50316	50506	71384



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	18.6	0.0
3 yr.	55.9	123.8
5 yr.	34.1	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.88	30.42	20.00	*22.90*	*23.10*	Revenues per sh A	*27.25*
2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.90	5.05	3.05	*4.85*	*5.10*	"Cash Flow" per sh	*5.85*
1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.88	3.00	2.12	*3.25*	*3.45*	Earnings per sh A B	*4.10*
1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	1.90	*1.84*	*1.88*	Div'ds Decl'd per sh C■	*2.00*
2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.14	6.54	3.42	*3.90*	*4.10*	Cap'l Spending per sh	*4.95*
10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	23.24	28.54	*29.65*	*31.00*	Book Value per sh D	*34.25*
55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.54	78.00	117.00	*118.00*	*119.00*	Common Shs Outst'g E	*121.00*
13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.2	12.5	12.6	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.75	.80	.82	*Value Line*		Relative P/E Ratio	*1.00*
5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	4.7%	4.8%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $4899.0 mill. **Due in 5 Yrs** $987.0 mill.
LT Debt $3561.0 mill. **LT Interest** $136.0 mill.
(Total interest coverage: 6.5x)

Leases, Uncapitalized Annual rentals $95.0 mill.
Pension Assets-12/11 $754.0 mill.
Oblig. $968.0 mill.

Pfd Stock None

Common Stock 117,099,662 shs.
as of 2/15/12

MARKET CAP: $4.6 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2317.0	2373.0	2338.0	*2700*	*2750*	Revenues ($mill) A	*3300*
103.0	132.4	153.0	193.0	212.0	211.0	207.6	222.0	234.0	172.0	*385*	*410*	Net Profit ($mill)	*495*
36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	40.5%	35.2%	35.9%	40.2%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	9.6%	9.9%	7.4%	*14.2%*	*14.9%*	Net Profit Margin	*15.0%*
58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	52.6%	48.0%	52.0%	*50.0%*	*48.0%*	Long-Term Debt Ratio	*43.0%*
41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	47.4%	52.0%	48.0%	*50.0%*	*52.0%*	Common Equity Ratio	*57.0%*
1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3754.0	3486.0	8238.0	*8300*	*8385*	Total Capital ($mill)	*8545*
2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4146.0	4405.0	7900.0	*7990*	*8090*	Net Plant ($mill)	*8320*
8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	6.9%	7.6%	*3.0%*	*5.5%*	*6.0%*	Return on Total Cap'l	*6.5%*
14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	*5.2%*	*11.0%*	*11.0%*	Return on Shr. Equity	*12.0%*
14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	*5.2%*	*11.0%*	*11.0%*	Return on Com Equity	*12.0%*
7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	5.1%	5.3%	5.6%	*.7%*	*4.5%*	*5.0%*	Retained to Com Eq	*6.0%*
52%	53%	49%	52%	52%	58%	60%	57%	57%	*86%*	*57%*	*54%*	All Div'ds to Net Prof	*49%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	26.0	24.0	69.0
Other	1974.0	2138.0	2677.0
Current Assets	2000.0	2162.0	2746.0
Accts Payable	237.0	184.0	294.0
Debt Due	602.0	1032.0	1338.0
Other	933.0	1212.0	1452.0
Current Liab.	1772.0	2428.0	3084.0
Fix. Chg. Cov.	515%	501%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	6.0%	5.5%	-2.5%
"Cash Flow"	6.5%	6.0%	2.5%
Earnings	9.0%	4.5%	5.5%
Dividends	5.0%	7.5%	2.0%
Book Value	7.0%	5.5%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	995.0	377.0	307.0	638.0	2317.0
2010	1003	359.0	346.0	665.0	2373.0
2011	878.0	375.0	295.0	790.0	2338.0
2012	*1200*	*390*	*400*	*710*	*2700*
2013	*1250*	*410*	*420*	*670*	*2750*

Cal-endar	EARNINGS PER SHARE AB Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.55	.26	.16	.91	2.88
2010	1.73	.17	.29	.81	3.00
2011	1.59	.23	d.04	.34	2.12
2012	*1.65*	*.35*	*.40*	*.85*	*3.25*
2013	*1.70*	*.40*	*.50*	*.85*	*3.45*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44	.44	.44	.44	1.76
2011	.45	.45	.45	.55	1.90
2012	.36	.46			

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas, and Virginia Natural Gas. The utilities have more than 2.3 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in non-regulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. BlackRock Inc. owns 7.9% of common stock; off./dir., less than 1.0% (3/11 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources completed its merger with Nicor Inc., on December 9, 2011, making it the largest natural gas-only distribution company in the country. In accordance with the agreement, each share of Nicor stock was converted into a .8383 share of AGL Resources common stock (or $21.20 in cash). The merged entity, which changed its ticker symbol to GAS (Nicor's original symbol), now has a market value of about $4.6 billion, and serves about 4.5 million utility customers in seven states. AGL Resources also modified its segments post-merger, and now has five main businesses: Distribution Operations, Retail Operations, Wholesale Operations, Midstream Operations, and Other. The deal also combines the non regulated businesses of the two companies, and management has created a retail segment set to serve over one million.

Management announced a dividend increase. The board of directors approved a $0.01-per-share hike, resulting in an annual dividend rate of $1.84. Investors should note that in accordance with the pro forma dividends announced during the merger, shareholders received a pro rata dividend of $0.36, from December 9, to February 17. Previously, shareholders received a pro rata dividend of $0.0989 for the stub period. The dividend hike is keeping with the long-term underlying trend, and we do see this continuing.

The long term looks steady at this point. AGL Resources had several favorable rate rulings in the previous years, and expects a considerable boost to revenue going forward. In addition, the merger with Nicor has made it the largest natural gas distributor in the country, establishing a dominant presence in the Midwest. Our 2012 earnings estimate reflects a normalized rate of profitability, with modest growth set for 2013. The slow growth pattern should continue out to mid-decade, assuming demand for utility services rises in line with the rate of population increase in the company's service territories. Post merger corporate finances are in respectable shape.

This neutrally ranked equity will appeal most to income investors with its above industry-average dividend yield, and high likelihood of future hikes.

Sahana Zutshi *March 9, 2012*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late April.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2011: $1918 million, $16.40/share.
(E) In millions.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	95

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ATMOS ENERGY CORP. NYSE-ATO

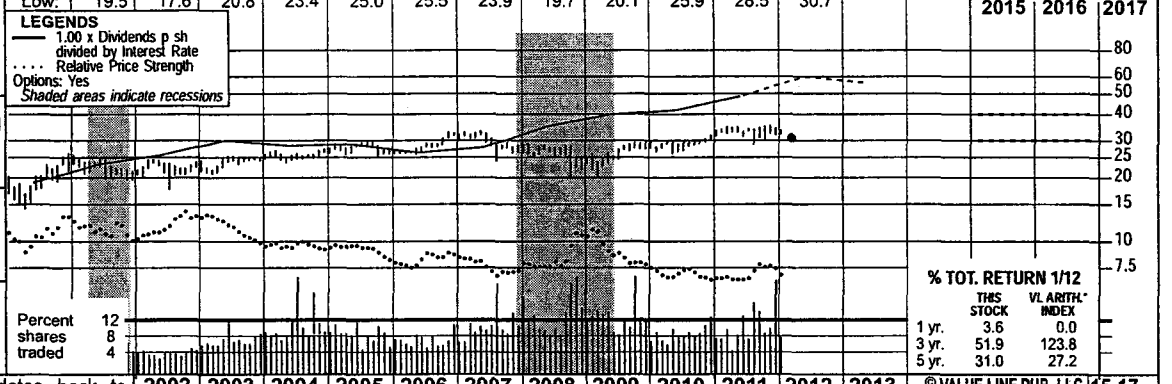
RECENT PRICE	30.89	P/E RATIO	13.4 (Trailing: 15.0 Median: 14.0)	RELATIVE P/E RATIO	0.87	DIV'D YLD	4.5%	VALUE LINE

TIMELINESS 4 Lowered 2/17/12
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Lowered 2/24/12
BETA .70 (1.00 = Market)

High:	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	30.3	32.0	35.6	33.8
Low:	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.1	25.9	28.5	30.7

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	112	110	132
to Sell	105	116	103
Hld's(000)	50093	50338	48646

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	3.6	0.0
3 yr.	51.9	123.8
5 yr.	31.0	27.2

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
22.82	54.39	46.50	61.75	75.27	66.03	79.52	53.69	53.12	48.15	*48.35*	*50.10*	Revenues per sh A	*63.10*
3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.64	4.72	*4.95*	*5.15*	"Cash Flow" per sh	*5.65*
1.45	1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.16	2.26	*2.30*	*2.40*	Earnings per sh A B	*2.70*
1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	*1.38*	*1.40*	Div'ds Decl'd per sh C■	*1.48*
3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.51	6.02	6.90	*7.60*	*7.90*	Cap'l Spending per sh	*8.80*
13.75	16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.16	24.98	*27.55*	*29.95*	Book Value per sh	*34.65*
41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.55	90.16	90.30	*90.50*	*91.00*	Common Shs Outst'g D	*103.00*
15.2	13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.2	14.4	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.83	.76	.84	.86	.73	.84	.82	.83	.84	.90	*Value Line*		Relative P/E Ratio	*.85*
5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.7%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*
950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4789.7	4347.6	*4375*	*4560*	Revenues ($mill) A	*6500*
59.7	79.5	86.2	135.8	162.3	170.5	180.3	179.7	201.2	199.3	*210*	*220*	Net Profit ($mill)	*280*
37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	36.4%	*38.5%*	*38.5%*	Income Tax Rate	*38.5%*
6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.2%	4.6%	*4.8%*	*4.8%*	Net Profit Margin	*4.3%*
53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	45.4%	49.4%	*49.5%*	*49.5%*	Long-Term Debt Ratio	*49.0%*
46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	54.6%	50.6%	*50.5%*	*50.5%*	Common Equity Ratio	*51.0%*
1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	3987.9	4461.5	*4940*	*5400*	Total Capital ($mill)	*7000*
1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4793.1	5147.9	*5400*	*5700*	Net Plant ($mill)	*6700*
6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	5.9%	6.9%	6.1%	*6.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	*8.5%*	*8.0%*	Return on Shr. Equity	*8.0%*
10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	*8.5%*	*8.0%*	Return on Com Equity	*8.0%*
1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	3.3%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
82%	70%	77%	73%	63%	65%	65%	68%	62%	62%	*59%*	*58%*	All Div'ds to Net Prof	*54%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $2596.3 mill. **Due in 5 Yrs** $960.0 mill.
LT Debt $2206.2 mill. **LT Interest** $120.0 mill.
(LT interest earned: 3.1x; total interest coverage: 3.1x)
Leases, Uncapitalized Annual rentals $17.7 mill.
Pfd Stock None
Pension Assets-9/11 $280.2 mill. **Oblig.** $429.4 mill.
Common Stock 90,364,061 shs. as of 11/14/11
MARKET CAP: $2.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	132.0	131.4	85.2
Other	743.2	879.6	1176.0
Current Assets	875.2	1011.0	1261.2
Accts Payable	266.2	291.2	432.3
Debt Due	486.2	208.8	390.1
Other	413.7	367.6	357.4
Current Liab.	1166.1	867.6	1179.8
Fix. Chg. Cov.	440%	432%	435%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	6.5%	-3.5%	*3.5%*
"Cash Flow"	4.5%	4.5%	*3.5%*
Earnings	7.0%	4.0%	*4.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	6.5%	4.5%	*6.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1716.3	1821.4	780.8	650.6	4969.1
2010	1292.9	1940.3	770.2	786.3	4789.7
2011	1133.3	1581.5	843.6	789.2	4347.6
2012	1101.2	*1610*	*870*	*793.8*	*4375*
2013	*1205*	*1700*	*850*	*805*	*4560*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	.83	1.29	.02	d.17	1.97
2010	1.00	1.17	d.03	.02	2.16
2011	.81	1.40	.04	.01	2.26
2012	.72	*1.47*	*.09*	*.02*	*2.30*
2013	*.87*	*1.43*	*.07*	*.03*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33	.335	1.33
2010	.335	.335	.335	.34	1.35
2011	.34	.34	.34	.345	1.37
2012	.345				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2011 gas volumes: 281.5 MMcf. Breakdown: 57%, residential; 32%, commercial; 7%, industrial; and 4% other. 2011 depreciation rate 3.3%. Has around 4,750 employees. Officers and directors own 1.5% of common stock (12/11 Proxy). President and Chief Executive Officer: Kim R. Cocklin. Inc.: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy Corporation began fiscal 2012 (ends September 30th) on a sour note, compared to the first quarter of the previous year. The performance of the nonregulated segment was hurt by unfavorable pricing conditions in the natural gas market. To make matters worse, the natural gas distribution unit encountered a rise in operating expenses (including those pertaining to legal and depreciation & amortization).

But we expect better things for the Texas-based company as the year progresses. That should be attributable partially to ratemaking activity for the natural gas distribution segment. Moreover, the regulated transmission and storage unit should continue to shine, made possible by higher throughput. The nonregulated operation may lag a while longer, though.

All told, share net might well advance by several pennies, to $2.30, for the new fiscal year. Assuming additional expansion of operating margins, the bottom line stands to reach $2.40 a share in fiscal 2013.

Prospects over the 2015-2017 span do not appear exciting. The utility segment ranks as one of the nation's largest natural gas-only distributors. And we believe that the unregulated units have decent overall growth possibilities, present troubles aside. Too, the company will probably resume its successful strategy of purchasing less efficient utilities and shoring up their profitability through expense-reduction initiatives, rate relief, and aggressive marketing efforts. But given our exclusion of future acquisitions, annual share-net increases could only be in the mid-single-digit range over the next three to five years.

The main attraction here is the dividend yield, which is among the highest of all gas utility equities tracked by *Value Line*. Our long-term projections indicate that further (albeit, modest) increases in the well-covered distribution are likely. Other pluses for the stock include a 2 (Above Average) Safety rank and an excellent rating for Price Stability.

Meanwhile, Atmos Energy shares are a Below Average (4) selection for Timeliness.

Frederick L. Harris, III *March 9, 2012*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '03, d17¢; '06, d18¢; '07, d2¢; '09, 12¢; '10, 5¢; '11, (1¢). Excludes discontinued operations: '11, 10¢; '12, 3¢. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	90

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LACLEDE GROUP NYSE-LG

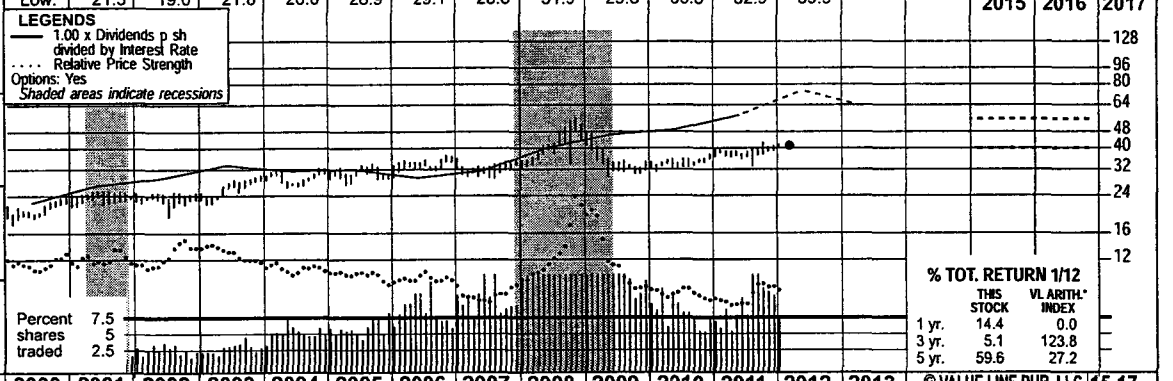
RECENT PRICE 41.25 | P/E RATIO 15.3 (Trailing: 14.1 Median: 14.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 3 Lowered 9/23/11
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Lowered 2/10/12
BETA .60 (1.00 = Market)

High:	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3	37.8	42.8	43.0
Low:	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9	29.3	30.8	32.9	39.9

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	11%
Low	40	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	2
to Sell	0	0	0	0	0	0	0	0	2

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	62	72	64
to Sell	57	55	58
Hld's(000)	10630	10983	10812

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	14.4	0.0
3 yr.	5.1	123.8
5 yr.	59.6	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	77.83	71.48	*68.90*	*68.90*	Revenues per sh	*75.00*
3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.11	4.62	*4.60*	*4.75*	"Cash Flow" per sh	*5.20*
1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.43	2.86	*2.70*	*2.80*	Earnings per sh A B	*3.05*
1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	1.61	*1.65*	*1.69*	Div'ds Decl'd per sh C■	*1.80*
2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.56	3.02	*3.20*	*3.35*	Cap'l Spending per sh	*3.75*
13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	24.02	25.56	*27.30*	*27.80*	Book Value per sh D	*31.15*
17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.29	22.43	*22.50*	*23.00*	Common Shs Outst'g E	*26.00*
11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.7	13.0	*Bold figures are*		Avg Ann'l P/E Ratio	*15.5*
.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.89	.87	.81	*Value Line*		Relative P/E Ratio	*1.05*
5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	4.7%	4.3%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $452.4 mill. **Due in 5 Yrs** $70.0 mill.
LT Debt $339.4 mill. **LT Interest** $20.0 mill.
(Total interest coverage: 4.7x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/11 $248.0 mill.
Oblig. $384.2 mill.

Pfd Stock None
Common Stock 22,486,439 shs.
as of 1/26/12

MARKET CAP: $925 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	1895.2	1735.0	1603.3	*1550*	*1585*	Revenues ($mill) A	*1950*
22.4	34.6	36.1	40.1	50.5	49.8	57.6	64.3	54.0	63.8	*61.0*	*64.5*	Net Profit ($mill)	*80.0*
35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	33.6%	33.4%	31.4%	*33.0%*	*34.0%*	Income Tax Rate	*35.0%*
3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.4%	3.1%	4.0%	*3.9%*	*4.1%*	Net Profit Margin	*4.1%*
47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.9%	40.5%	38.9%	*37.0%*	*37.0%*	Long-Term Debt Ratio	*40.0%*
52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.1%	59.5%	61.1%	*63.0%*	*63.0%*	Common Equity Ratio	*60.0%*
546.6	605.0	737.4	707.9	798.9	784.5	876.1	906.3	899.9	937.7	*975*	*1015*	Total Capital ($mill)	*1350*
594.4	621.2	646.9	679.5	763.8	793.8	823.2	855.9	884.1	928.7	*965*	*1005*	Net Plant ($mill)	*1300*
6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	8.7%	7.4%	8.1%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.0%*
7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	5.9%	3.6%	4.9%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
113%	74%	73%	72%	59%	63%	56%	53%	64%	56%	*61%*	*60%*	All Div'ds to Net Prof	*58%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	86.9	43.3	44.6
Other	327.3	325.8	370.9
Current Assets	414.2	369.1	415.5
Accts Payable	95.6	96.6	94.3
Debt Due	154.6	46.0	113.0
Other	83.7	89.3	115.9
Current Liab.	333.9	231.9	323.2
Fix. Chg. Cov.	391%	463%	430%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.0%	.5%	*Nil*
"Cash Flow"	5.0%	7.0%	*3.0%*
Earnings	6.5%	6.0%	*2.0%*
Dividends	1.5%	2.5%	*2.5%*
Book Value	5.0%	6.5%	*4.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	674.3	659.1	309.9	251.9	1895.2
2010	491.2	635.3	324.5	284.0	1735.0
2011	444.2	543.8	344.3	271.0	1603.3
2012	410.9	*535*	*335*	*269.1*	*1550*
2013	*430*	*550*	*340*	*265*	*1585*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1.42	1.40	.31	d.22	2.92
2010	1.03	1.26	.21	d.07	2.43
2011	1.05	1.25	.69	d.13	2.86
2012	1.12	*1.35*	*.35*	*d.12*	*2.70*
2013	*1.11*	*1.38*	*.40*	*d.09*	*2.80*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54
2010	.395	.395	.395	.395	1.58
2011	.405	.405	.405	.405	1.62
2012	.415				

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 625,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Utility therms sold and transported in fiscal 2011: 1.1 bill. Revenue mix for regulated operations: residential, 64; commercial and industrial, 22%; transportation, 2%; other, 12%. Has around 1,640 employees. Officers and directors own approximately 8% of common shares (1/12 proxy). Chairman: William E. Nasser; CEO: Suzanne Sitherwood. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

Laclede Group got off to a decent start in fiscal 2012, ends September 30th, as first-quarter share net was 6.7% higher than the year-ago tally. Laclede Energy Resources (LER) was the star performer, as it enjoyed a drop in transportation costs resulting from the renegotiation of contracts that were renewed during fiscal 2011. Profits for Laclede Gas were slightly better, thanks to higher infrastructure system replacement surcharge revenues and lower maintenance costs. But higher pension and benefit expenses provided somewhat of an offset here.

Still, we believe that earnings for the year, as a whole, will be down a bit. That's largely because of the challenging third-quarter comparison. In fact, Laclede Gas benefited from a substantial gain, last April, on the sale of 320,000 barrels of propane from inventory that was no longer required to serve utility customers. As a result, fiscal 2012 share net may well decrease around 5%, to $2.70. But we look for the bottom line to advance nearly 4%, to $2.80 a share, the following year, assuming that operating margins expand.

The company stands to have an unspectacular performance over the 2015-2017 period. Expansion of the customer base for the gas utility will likely remain sluggish, as the service territory has been in a mature phase for some time. We think LER has good long-term potential, but it tends to contribute just a small portion to total profits. Of course, an acquisition could brighten things. Even so, it seems that management has no such plans at this time. Thus, in the present configuration, annual share-net gains could only be in the low-to-mid-single-digit range over the next three to five years.

The good-quality stock's dividend yield ranks favorably among all gas utility equities tracked by *Value Line*. The payout should continue to be well covered by earnings, although future hikes may be moderate, at best. That's mainly because of the utility unit's lackluster long-term prospects.

Total return potential is not exciting. Indeed, these shares are already trading within our 3- to 5-year Target Price Range. The dividend will probably continue to grow at a slow rate, as well.

Frederick L. Harris, III *March 9, 2012*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '11: $429.9 mill., $19.17/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	80

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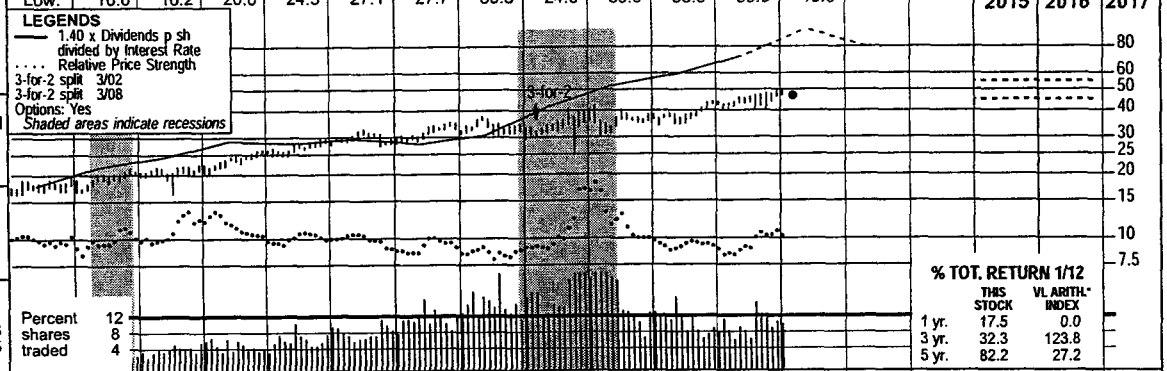
NEW JERSEY RES. NYSE-NJR

RECENT PRICE **46.91** | P/E RATIO **16.5** (Trailing: 15.8 Median: 15.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **3.2%** | VALUE LINE

TIMELINESS 3 Raised 2/17/12
SAFETY 1 Raised 9/15/06
TECHNICAL 4 Lowered 3/9/12
BETA .65 (1.00 = Market)

High:	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	44.1	50.5	50.3
Low:	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	30.0	33.5	39.6	46.6

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+15%)	7%
Low	45	(-5%)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	0	0
to Sell	0	0	0	0	2	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	58	69	66
to Sell	67	58	65
Hld's(000)	23841	23955	24285

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.5	0.0
3 yr.	32.3	123.8
5 yr.	82.2	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	64.10	72.60	*77.50*	*80.00*	Revenues per sh A	*87.25*
1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.26	3.40	*3.85*	*4.10*	"Cash Flow" per sh	*4.50*
.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.46	2.58	*2.85*	*3.15*	Earnings per sh B	*3.45*
.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	1.44	*1.52*	*1.52*	Div'ds Decl'd per sh C■	*1.68*
1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	2.10	2.26	*2.00*	*2.00*	Cap'l Spending per sh	*2.00*
6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.62	18.73	*18.30*	*19.30*	Book Value per sh D	*24.60*
40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	41.17	41.45	*40.00*	*40.00*	Common Shs Outst'g E	*40.00*
13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	15.0	16.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.74	.99	.95	1.05	*Value Line*		Relative P/E Ratio	*.95*
5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%	3.7%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	2592.5	2639.3	3009.2	*3100*	*3200*	Revenues ($mill) A	*3490*
56.8	65.4	71.6	74.4	78.5	65.3	113.9	101.0	101.8	106.5	*115*	*125*	Net Profit ($mill)	*140*
38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	27.1%	41.4%	30.2%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.9%	3.9%	3.5%	*3.7%*	*3.9%*	Net Profit Margin	*4.0%*
50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	39.8%	37.2%	35.5%	*40.5%*	*39.5%*	Long-Term Debt Ratio	*33.5%*
49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	60.2%	62.8%	64.5%	*59.5%*	*60.5%*	Common Equity Ratio	*66.5%*
732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	1144.8	1154.4	1203.1	*1230*	*1275*	Total Capital ($mill)	*1480*
756.4	852.6	880.4	905.1	934.9	970.9	1017.3	1064.4	1135.7	1295.9	*1320*	*1350*	Net Plant ($mill)	*1430*
8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	9.7%	9.7%	9.7%	*10.5%*	*11.0%*	Return on Total Cap'l	*10.5%*
15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	*16.0%*	*16.5%*	Return on Shr. Equity	*14.0%*
15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	*16.0%*	*16.5%*	Return on Com Equity	*14.0%*
6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	7.2%	6.7%	6.2%	*7.5%*	*8.5%*	Retained to Com Eq	*7.5%*
56%	51%	49%	50%	50%	64%	40%	50%	52%	55%	*53%*	*49%*	All Div'ds to Net Prof	*48%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $756.3 mill. **Due in 5 Yrs** $129.1 mill.
LT Debt $431.6 mill. **LT Interest** $19.6 mill.
Incl. $69.9 mill. capitalized leases.
(LT interest earned: 7.5x; total interest coverage: 7.5x)
Pension Assets-9/11 $155.7 mill. **Oblig.** $270.2 mill.
Pfd Stock None

Common Stock 41,476,807 shs. as of 2/3/12
MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	.9	7.4	7.8
Other	784.1	725.0	863.0
Current Assets	785.0	732.4	870.8
Accts Payable	47.3	66.0	70.9
Debt Due	178.9	166.9	324.8
Other	479.6	470.5	445.8
Current Liab.	705.8	703.4	841.5
Fix. Chg. Cov.	700%	700%	700%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	7.0%	-1.5%	4.5%
"Cash Flow"	5.0%	4.5%	5.5%
Earnings	7.5%	7.0%	5.5%
Dividends	6.0%	8.0%	4.0%
Book Value	8.0%	7.5%	5.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	801.3	937.5	441.1	412.6	2592.5
2010	609.6	918.4	479.8	631.5	2639.3
2011	713.2	977.0	648.1	670.9	3009.2
2012	642.4	*1030*	*700*	*727.6*	*3100*
2013	*685*	*1050*	*720*	*745*	*3200*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	.77	1.71	.03	d.12	2.40
2010	.66	1.55	.28	d.03	2.46
2011	.71	1.62	.23	.02	2.58
2012	1.09	*1.60*	*.20*	*d.04*	*2.85*
2013	*1.15*	*1.67*	*.28*	*.05*	*3.15*

Cal-endar	QUARTERLY DIVIDENDS PAID C E■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.267	.28	.28	.28	1.11
2009	.31	.31	.31	.31	1.24
2010	.34	.34	.34	.34	1.36
2011	.36	.36	.36	.36	1.44
2012	.38				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 494,964 customers at 9/30/11 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2011 volume: 178 bill. cu. ft. (5% interruptible, 35% residential and commercial and electric utility, 60% incentive programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2011 dep. rate: 2.2%. Has 891 empls. Off./dir. own about 1.1% of common (12/11 Proxy). Chrmn., CEO & Pres. : Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources is off to a great start in fiscal 2012. The December-period top line declined about 9.9%. However, this downturn stemmed from lower natural gas prices, which get passed through to the end-consumer. Meanwhile, thanks to projects placed into service at NJR Clean Energy Ventures, continued growth at New Jersey Natural Gas (NJNG), and improved results at NJR Energy Services, first-quarter earnings increased 53.5%, to $1.09 a share.

The company appears poised to log a double-digit earnings advance this year. The NJNG division added 2,001 new customers during the December period. At this point, management plans to add about 6,000-7,000 additional accounts for the full 12 months. Some of that figure will come from steady customer growth, while the remainder will come from customer conversions. At the same time, New Jersey Resources should benefit from its Clean Energy Ventures, which is anticipated to represent 15%-25% of its overall operations this year. Its Energy Services, Energy Holdings (midstream operations), and Home Services units should also chip in.

We have introduced our 2013 top- and bottom-line estimates at $3.2 billion and $3.15 a share, respectively. This ought to be supported by continued growth in customer accounts and capital projects. Management has set a healthy growth target of 12,000-14,000 new customer accounts through the end of 2013.

Multiple capital projects solidify the company's prospects. Last year, NJR completed its Accelerated Infrastructure Program I (AIP I). The second phase of that program, AIP II, has nine separate projects that are in the design or construction phase. All of those are expected to be completed by October of 2012, at a cost of about $60 million. These investments will help to boost the reliability of the company's distribution system.

These shares may appeal to investors seeking dividend growth. However, when compared with other utilities in *The Value Line Investment Survey*, they offer a below-average dividend yield. Meanwhile, our Timeliness Ranking System suggests the equity will mirror the broader market averages in the coming year.

Bryan J. Fong *March 9, 2012*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2011: $434.2 million, $10.49/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	50

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N.W. NAT'L GAS NYSE-NWN

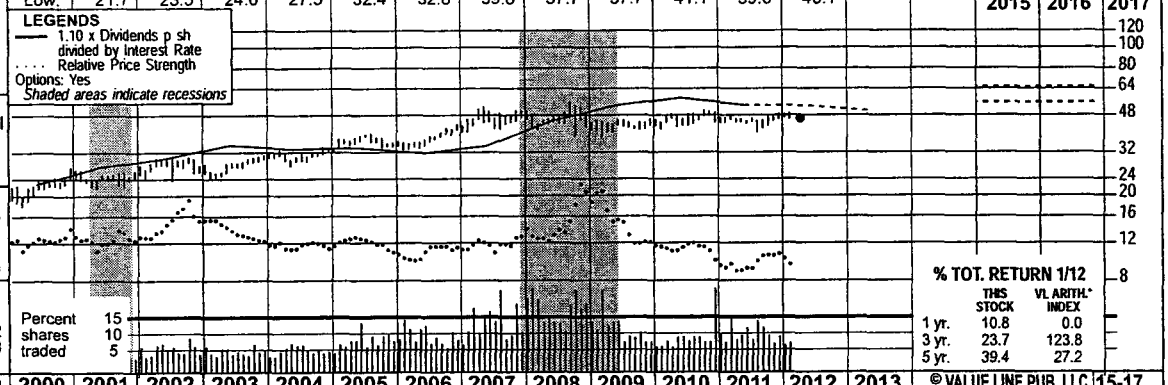
RECENT PRICE 46.52 | P/E RATIO 18.5 (Trailing: 19.5 / Median: 17.0) | RELATIVE P/E RATIO 1.20 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 4 Lowered 5/13/11
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Lowered 12/16/11
BETA .60 (1.00 = Market)

High:	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.5	50.9	49.0	49.5
Low:	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7	41.1	39.6	46.1

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+40%)	9%
Low	55	(+20%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	2	0	0	1	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	54	54	72
to Sell	65	66	43
Hld's(000)	15895	16264	16071

Percent shares traded 15 10 5

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	10.8	0.0
3 yr.	23.7	123.8
5 yr.	39.4	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.56	31.77	*32.50*	*33.60*	Revenues per sh	*48.25*
3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.18	5.01	*5.65*	*6.15*	"Cash Flow" per sh	*7.15*
1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.39	*2.65*	*2.95*	Earnings per sh A	*3.60*
1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	1.75	*1.78*	*1.82*	Div'ds Decl'd per sh B■	*1.94*
3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.35	3.76	*4.50*	*5.20*	Cap'l Spending per sh	*8.15*
15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	26.08	26.74	*28.20*	*29.90*	Book Value per sh D	*33.95*
22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.58	26.72	*26.75*	*26.80*	Common Shs Outst'g C	*26.95*
11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.0	17.0	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.08	1.09	*Value Line*		Relative P/E Ratio	*1.15*
5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.6%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $823.3 mill. Due in 5 Yrs $250 mill.
LT Debt $641.7 mill. LT Interest $42.1 mill.

(Total interest coverage: 7.0x)

Pension Assets-12/10 $219 mill. Oblig. $337.3 mill.

Pfd Stock None

Common Stock 26,719,000 shares

MARKET CAP $1.2 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	848.8	*870*	*900*	Revenues ($mill)	*1300*
43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	63.9	*71.0*	*79.0*	Net Profit ($mill)	*97.0*
34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	40.5%	30.0%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	7.5%	*8.2%*	*8.8%*	Net Profit Margin	*7.5%*
47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.1%	47.0%	*45%*	*43%*	Long-Term Debt Ratio	*37%*
51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.9%	53.0%	*55%*	*57%*	Common Equity Ratio	*63%*
937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1284.8	1356.2	*1375*	*1400*	Total Capital ($mill)	*1455*
995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	1893.9	*1985*	*2090*	Net Plant ($mill)	*2390*
5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	7.0%	4.7%	*6.5%*	*7.0%*	Return on Total Cap'l	*8.0%*
8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.5%*
8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	*9.5%*	*10.0%*	Return on Com Equity	*10.5%*
1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	2.4%	*3.0%*	*4.0%*	Retained to Com Eq	*5.0%*
79%	72%	69%	63%	59%	52%	59%	56%	61%	73%	*67%*	*61%*	All Div'ds to Net Prof	*54%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	8.4	3.5	5.8
Other	319.8	326.8	342.9
Current Assets	328.2	330.3	348.7
Accts Payable	123.7	93.2	86.3
Debt Due	137.0	267.4	181.6
Other	131.9	107.6	146.6
Current Liab.	392.6	468.2	414.5
Fix. Chg. Cov.	381%	366%	334%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	7.0%	5.5%	*4.5%*
"Cash Flow"	4.0%	5.5%	*4.5%*
Earnings	6.0%	7.0%	*4.0%*
Dividends	2.5%	4.5%	*3.0%*
Book Value	4.0%	4.0%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	437.4	149.1	116.9	309.3	1012.7
2010	286.5	162.4	95.1	268.1	812.1
2011	323.1	161.2	93.3	271.2	848.8
2012	*315*	*165*	*145*	*245*	*870*
2013	*330*	*170*	*150*	*250*	*900*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.78	.12	d.25	1.18	2.83
2010	1.64	.26	d.28	1.11	2.73
2011	1.53	.08	d.31	1.09	2.39
2012	*1.74*	*.14*	*d.45*	*1.22*	*2.65*
2013	*1.80*	*.16*	*d.20*	*1.19*	*2.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435	.435	.435	.445	1.75
2012	.445				

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 57%; commercial, 26%; industrial, gas transportation, and other, 17%. Employs 1,061. BlackRock Inc. owns 7.9% of shares; officers and directors, 1.5% (4/11 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Gas' earnings dipped in 2011, by over 12%, to $2.39. The primary contributor to the decrease was a one-time charge (of about $4 million) from Senate Bill 967. Consequently, given the depressed state of natural gas prices and the unlikelihood of a rebound in the near future, we have reduced our 2012 estimate to $2.65, a decrease of a dime from our previous figure of $2.75.

The board of directors recently raised the dividend. The payout is now $0.445 a quarter, resulting in a $1.78 annual dividend. The hike went into effect at the end of the fourth quarter. Given the company's history of steady dividend increases, we do not see this trend abating in the future, which should attract income-oriented readers.

The Oregon rate case remains on the agenda. The case, the company's first in nine years, was filed at the end of 2011. Northwest is asking for a 6% rate increase, which would provide a moderate boost to the top and bottom lines going forward. We anticipate a ruling by end of the third quarter, and the proposed changes should by implemented by the end of 2012 or the beginning of 2013. Given the length of time since the last rate increase, we do not foresee any obstacles going forward, and a favorable rate ruling is quite likely.

Long-term projects should help the top and bottom lines. Several ventures are proceeding on schedule, with the joint venture with Encana set to benefit revenues and earnings by mid-decade. The expansion of the Gill Ranch storage facility should also help boost volume, in turn expanding the customer base. All in all, we anticipate seeing a steady increase in earnings from 2013 onward, as volume increases and benefits from several solar projects also kick in.

But the overall picture is uncertain at this point. The sudden depression in gas prices does not augur well for the company's future. Barring a sudden recovery, Northwest Natural is in for a turbulent time. Investors should note that any gains from its projects could be more than offset by the lower prices.

This untimely equity may be attractive to income investors that dislike risk (Safety: 1).

Sahana Zutshi *March 9, 2012*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢. Next earnings report due late April.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.

(D) Includes Intangibles. In 2011: $371.4 million. $13.90/share.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	90

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PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
32.57	19.7	(Trailing: 20.7 Median: 18.0)	1.28	3.6%	VALUE LINE

TIMELINESS 3 Raised 5/20/11
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 2/17/12
BETA .70 (1.00 = Market)

High:	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	34.7	34.6					
Low:	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	25.9	32.3					

Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

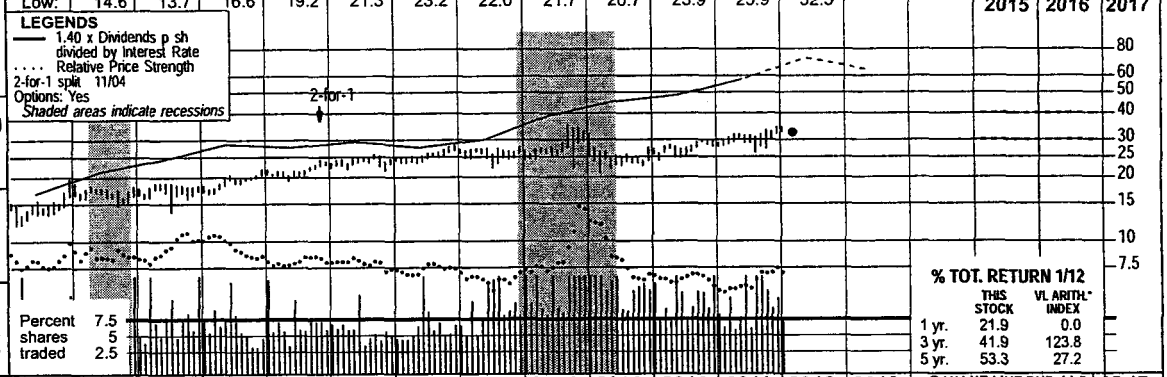
	Price	Gain	Ann'l Total Return
High	40	(+25%)	8%
Low	30	(-10%)	2%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	70	87	85
to Sell	82	80	85
Hld's(000)	31155	32138	32579



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.9	0.0
3 yr.	41.9	123.8
5 yr.	53.3	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	19.83	*21.85*	*23.05*	Revenues per sh A	*25.95*
1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	2.99	*3.10*	*3.20*	"Cash Flow" per sh	*3.50*
.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	1.57	*1.65*	*1.70*	Earnings per sh AB	*1.90*
.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	1.15	*1.19*	*1.23*	Div'ds Decl'd per sh C■	*1.35*
1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	3.37	*7.75*	*7.85*	Cap'l Spending per sh	*8.10*
6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	13.79	*13.95*	*14.05*	Book Value per sh D	*14.70*
59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	72.32	*71.00*	*70.00*	Common Shs Outst'g E	*68.00*
13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	18.9	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.09	1.19	*Value Line*		Relative P/E Ratio	*1.20*
4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*

CAPITAL STRUCTURE as of 10/31/11
Total Debt $1006.0 mill. Due in 5 Yrs $175.0 mill.
LT Debt $675.0 mill. LT Interest $46.1 mill.
(LT interest earned: 4.1x; total interest coverage: 3.4x)

Pension Assets-10/11 $259.5 mill. Oblig. $236.6 mill.

Pfd Stock None

Common Stock 72,338,303 shs.
as of 12/16/11
MARKET CAP: $2.4 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	1433.9	*1550*	*1615*	Revenues ($mill) A	*1765*
62.2	74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	113.6	*117*	*120*	Net Profit ($mill)	*125*
33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	24.6%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	7.9%	*7.6%*	*7.4%*	Net Profit Margin	*7.1%*
43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	40.4%	*43.0%*	*46.5%*	Long-Term Debt Ratio	*50.0%*
56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	59.6%	*57.0%*	*53.5%*	Common Equity Ratio	*50.0%*
1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	1671.9	*1735*	*1835*	Total Capital ($mill)	*2000*
1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	2627.3	*2700*	*2750*	Net Plant ($mill)	*2900*
7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	8.2%	*8.5%*	*8.5%*	Return on Total Cap'l	*8.5%*
10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Shr. Equity	*13.0%*
10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	*12.0%*	*12.0%*	Return on Com Equity	*13.0%*
1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	3.1%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
83%	74%	66%	68%	74%	70%	69%	64%	72%	73%	*72%*	*72%*	All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL.)	2009	2010	10/31/11
Cash Assets	7.6	5.6	6.8
Other	505.6	322.2	279.2
Current Assets	513.2	327.8	286.0
Accts Payable	115.4	115.7	129.7
Debt Due	366.0	302.0	331.0
Other	118.8	80.9	72.9
Current Liab.	600.2	498.6	534.1
Fix. Chg. Cov.	316%	323%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	4.5%	-1.5%	3.5%
"Cash Flow"	5.5%	4.0%	2.5%
Earnings	5.0%	4.5%	2.5%
Dividends	4.5%	4.0%	3.5%
Book Value	5.0%	3.0%	2.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	779.6	455.4	180.3	222.8	1638.1
2010	673.7	472.9	211.6	194.1	1552.3
2011	652.0	392.6	197.3	192.0	1433.9
2012	*680*	*415*	*225*	*230*	*1550*
2013	*695*	*430*	*240*	*250*	*1615*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2009	1.10	.73	d.10	d.06	1.67
2010	1.14	.65	d.13	d.13	1.55
2011	1.16	.66	d.12	d.13	1.57
2012	*1.17*	*.68*	*d.10*	*d.10*	*1.65*
2013	*1.18*	*.70*	*d.09*	*d.09*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28	.29	.29	.29	1.15
2012	.29				

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 968,188 customers in North Carolina, South Carolina, and Tennessee. 2011 revenue mix: residential (46%), commercial (27%), industrial (7%), other (20%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 60.0% of revenues. '11 deprec. rate: 3.2%. Estimated plant age: 10 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,782 employees. Off./dir. own about 1.2% of common stock, BlackRock; 7.6% (1/12 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted January-period earnings little changed from last year. *(Note: The company was expected to issue financial results shortly after this report went to press.)* We look for the natural gas distributor to continue to register growth in the number of new customer accounts, despite the stagnant housing markets in PNY's service area. Piedmont was successful in raising that metric by 10,500 during the course of 2011 (the last period of available financial information), and we think that trend will continue. Alternatively, the decline in natural gas pricing will probably weigh on revenues. That said, this is largely viewed as a technicality as gas prices are just passed through to the end-customer. Overall, system throughput is a better gauge of PNY's business volumes, and that measure increased 10.7% in 2011, to 280 million dekatherms. This steady momentum ought to translate into a decent showing for the fiscal first quarter.

However, things should pick up later this year, and we look for the company to log a 5% share-net advance in 2012. Last year's completion of two power generation projects at Duke's Buck facility and the Progress' Richmond facility should help contribute to this rise. Additional gains ought to stem from increased customer accounts. Finally, we are awaiting the decision for a possible rate increase by the Tennessee Regulatory Authority.

Meantime, the balance sheet is in good shape and improving. The company's cash reserves advanced 20% last year, to roughly $6.8 million. At the same time, the long-term debt load has remained relatively constant, at $675 million.

We have introduced our 2013 top- and bottom-line estimates at $1.615 billion and $1.70 a share, respectively. At the moment, PNY has two large capital undertakings in the works. The Progress' Wayne County and Sutton Projects have been completely designed, and construction is under way on the former, while Sutton should begin in May or June. Those ventures are slated for completion in June of 2012 and 2013, respectively.

These shares don't stand out at this time for their yield or total return potential among utilities.

Bryan J. Fong *March 9, 2012*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due mid Mar. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2011: $527.6 million, $7.29/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	95

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SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
52.69	17.0	(Trailing: 18.2) (Median: 15.0)	1.10	3.1%	

TIMELINESS 3 Raised 3/9/12

SAFETY 2 Lowered 1/4/91

TECHNICAL 3 Lowered 9/2/11

BETA .65 (1.00 = Market)

High:	17.0	18.3	20.3	26.5	32.4	34.3	41.3	40.6	40.8	54.2	58.0	58.0
Low:	13.8	14.1	15.3	19.7	24.9	25.6	31.2	25.2	32.0	37.2	42.8	52.4

Target Price Range 2015 | 2016 | 2017

2015-17 PROJECTIONS

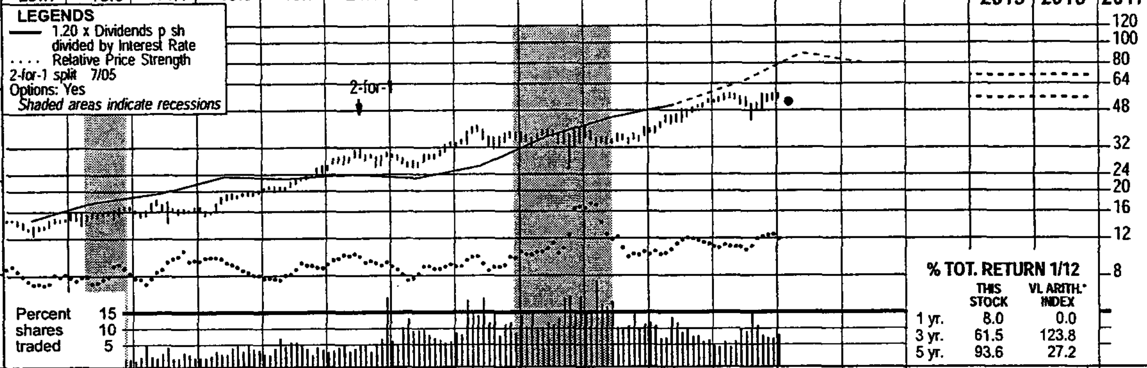
	Price	Gain	Ann'l Total Return
High	70	(+35%)	10%
Low	55	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	2	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	3	1	0	2	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	64	68	59
to Sell	73	66	60
Hld's(000)	17547	17887	17847



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	8.0	0.0
3 yr.	61.5	123.8
5 yr.	93.6	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	28.37	30.97	27.43	*30.30*	*32.05*	Revenues per sh	*38.55*
1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.48	3.72	4.21	4.54	*4.85*	*5.05*	"Cash Flow" per sh	*6.20*
.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.38	2.70	2.89	*3.20*	*3.50*	Earnings per sh A	*4.50*
.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.22	1.36	1.50	*1.64*	*1.80*	Div'ds Decl'd per sh B ■	*2.25*
2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	3.67	5.59	6.39	*6.45*	*6.70*	Cap'l Spending per sh	*7.45*
8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.24	19.08	20.66	*21.30*	*22.20*	Book Value per sh C	*25.70*
21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	29.80	29.87	30.21	*31.00*	*32.00*	Common Shs Outst'g D	*35.00*
13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	15.0	16.8	18.5	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*14.0*
.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.96	1.00	1.07	1.16	*estimates*		Relative P/E Ratio	*.95*
6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%	3.4%	3.0%	2.8%			Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $747.8 mill. Due in 5 Yrs $417.2 mill.
LT Debt $424.2 mill. LT Interest $18.0 mill.
(Total interest coverage: 5.7x)

Pension Assets-12/11 $116.7 mill. Oblig. $195.0 mill.

Pfd Stock None

Common Stock 30,249,818 common shs. as of 2/15/12

MARKET CAP: $1.6 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
505.1	696.8	819.1	921.0	931.4	956.4	962.0	845.4	925.1	828.6	*940*	*1025*	Revenues ($mill)	*1350*
29.4	34.6	43.0	48.6	72.0	61.8	67.7	71.3	81.0	89.3	*100*	*110*	Net Profit ($mill)	*155*
41.4%	40.6%	40.9%	41.5%	41.3%	41.9%	47.7%	23.0%	15.2%	19.9%	*25.0%*	*30.0%*	Income Tax Rate	*30.0%*
5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	7.0%	8.4%	8.8%	10.8%	*10.6%*	*10.7%*	Net Profit Margin	*11.5%*
53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	39.2%	36.5%	37.4%	40.5%	*40.5%*	*40.5%*	Long-Term Debt Ratio	*40.0%*
46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	60.8%	63.5%	62.6%	59.5%	*59.5%*	*59.5%*	Common Equity Ratio	*60.0%*
512.5	608.4	675.0	710.3	801.1	839.0	848.0	856.4	910.1	1048.3	*1100*	*1190*	Total Capital ($mill)	*1500*
666.6	748.3	799.9	877.3	920.0	948.9	982.6	1073.1	1193.3	1352.4	*1450*	*1550*	Net Plant ($mill)	*1850*
7.6%	7.3%	7.9%	8.3%	10.1%	8.6%	8.9%	9.0%	9.5%	9.2%	*9.5%*	*10.0%*	Return on Total Cap'l	*11.0%*
12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	14.3%	*15.0%*	*15.5%*	Return on Shr. Equity	*17.0%*
12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	14.3%	*15.0%*	*15.5%*	Return on Com Equity	*17.0%*
4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	6.7%	6.4%	7.1%	7.0%	*7.5%*	*7.5%*	Retained to Com Eq	*8.5%*
62%	57%	52%	50%	37%	48%	49%	51%	50%	51%	*51%*	*52%*	All Div'ds to Net Prof	*51%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	3.8	2.4	7.5
Other	364.6	421.4	333.1
Current Assets	368.4	423.8	340.6
Accts Payable	123.9	165.2	153.7
Debt Due	231.7	362.1	323.6
Other	123.2	113.2	110.7
Current Liab.	478.8	640.5	588.0
Fix. Chg. Cov.	585%	532%	505%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	4.0%	1.0%	*5.0%*
"Cash Flow"	8.0%	9.5%	*7.0%*
Earnings	10.5%	9.5%	*9.0%*
Dividends	5.5%	8.5%	*9.0%*
Book Value	10.5%	8.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	362.2	134.5	127.1	221.6	845.4
2010	329.3	151.6	160.7	283.5	925.1
2011	331.9	160.5	137.6	198.6	828.6
2012	*345*	*170*	*160*	*265*	*940*
2013	*360*	*180*	*175*	*310*	*1025*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.46	.15	d.06	.83	2.38
2010	1.49	.24	.10	.87	2.70
2011	1.63	.20	.01	1.05	2.89
2012	*1.70*	*.25*	*.10*	*1.15*	*3.20*
2013	*1.80*	*.30*	*.15*	*1.25*	*3.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	--	.270	.270	.568	1.11
2009	--	.298	.298	.628	1.22
2010	--	.330	.330	.695	1.36
2011	--	.365	.365	.768	1.50
2012					

BUSINESS: *South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 347,725 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '11: residential, 41%; commercial, 20%; cogeneration and electric generation, 14%; industrial, 25%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 675 employees. Off./dir. control 1.0% of common shares; Black Rock Inc., 8.3% (4/11 proxy). Chrmn. & CEO: Edward Graham. Inc.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Telephone: 609-561-9000. Internet: www.sjindustries.com.*

Operating performance at South Jersey Industries has proven somewhat mixed in recent times. The relatively mild winter weather has adversely affected heating demand. However, the company's mainstay utility business should continue to benefit from earnings derived from the Capital Investment Recovery Tracker program. These earnings are based upon the pattern of customer gas consumption, which correlates to heating demand and is strongest in the first and fourth quarters. Overall, modest growth from the utility business is on tap.

The company's nonutility operations may well continue to face challenges. Wholesale gas marketing continues to be hurt by difficult industry conditions. This includes thin storage spreads and a lack of price volatility. The delayed startup of one of the company's solar projects (which was pushed back from the December to the March period) likely hindered performance in 2011, but should provide a boost in the current year.

Utility South Jersey Gas should post solid results going forward. This line will probably continue to experience steady growth in the customer base. Natural gas remains the fuel of choice within the utility's service territory. It should further benefit from customer interest in converting to natural gas from other fuel sources. Moreover, further spending on infrastructure projects (approved by the New Jersey Board of Public Utilities) should enhance service and allow the company to earn a healthy return on these investments. Performance of the nonutility operations should also improve. The company's pipeline of energy projects, and opportunities in the Marcellus region, ought to provide a solid foundation for future growth.

This stock is neutrally ranked for year-ahead performance. We project solid growth in share earnings and dividends for the company over the pull to 2015-2017. South Jersey earns good marks for Safety, Price Stability, and Earnings Predictability. However, this appears to be partly reflected in the recent quotation. This equity offers unimpressive, though relatively well-defined, total return potential for the coming years.

Michael Napoli, CFA *March 9, 2012*

(A) Based on GAAP egs. through 2006, economic egs. thereafter. GAAP EPS: '07, $2.10; '08, $2.58; '09, $1.94; '10, $2.22. Excl. nonrecur. gain (loss): '01, $0.13; '08, $0.31; '09, ($0.44); '10, ($0.47). Excl gain (losses) from discont. ops.: '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02); '07, $0.01. Next egs. report due in May. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2010: $248.4 mill., $8.32 per shr. (D) In mill., adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	85

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SOUTHWEST GAS NYSE-SWX

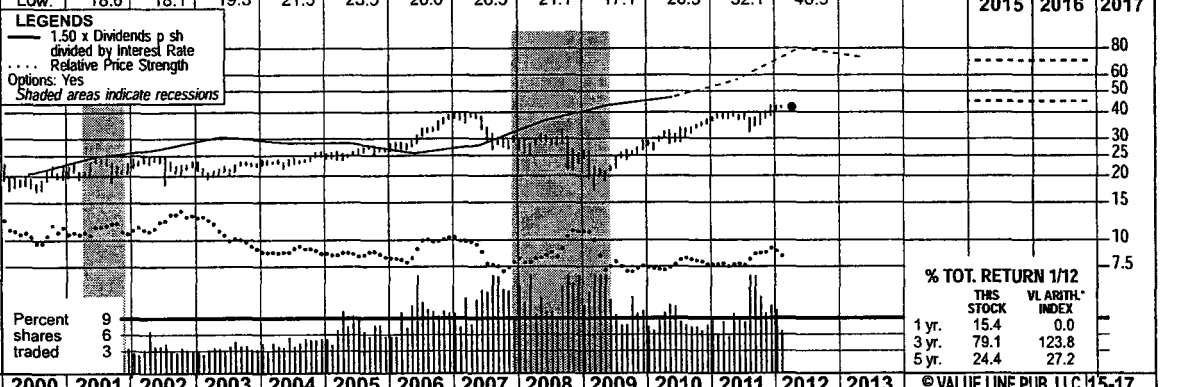
RECENT PRICE **42.31** | P/E RATIO **15.4** (Trailing: 17.4 / Median: 18.0) | RELATIVE P/E RATIO **1.00** | DIV'D YLD **2.8%** | VALUE LINE

TIMELINESS **2** Raised 3/9/12
SAFETY **3** Lowered 1/4/91
TECHNICAL **3** Raised 5/27/11
BETA .75 (1.00 = Market)

High:	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	43.2	43.2	
Low:	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	32.1	40.5	

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+65%)	16%
Low	45	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	1	0	0	2	0
Options	1	2	0	0	0	0	0	1	2
to Sell	2	2	2	0	1	0	0	2	2

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	76	70	56
to Sell	80	76	95
Hld's(000)	33317	33998	34237

Percent shares traded 9 6 3

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	15.4	0.0
3 yr.	79.1	123.8
5 yr.	24.4	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	*40.95*	*40.85*	Revenues per sh	*51.00*
3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.46	*6.81*	*7.15*	*7.60*	"Cash Flow" per sh	*9.40*
.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	*2.65*	*2.90*	Earnings per sh A	*3.80*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	1.06	*1.18*	*1.30*	Div'ds Decl'd per sh B■†	*1.60*
8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	*8.70*	*8.95*	Cap'l Spending per sh	*9.40*
14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.68	*27.65*	*29.15*	Book Value per sh	*33.35*
26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	*47.00*	*48.00*	Common Shs Outst'g C	*51.00*
69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89	.98	*Value Line*		Relative P/E Ratio	*1.00*
4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1253.5 mill. **Due in 5 Yrs** $343.0 mill.
LT Debt $930.9 mill. **LT Interest** $60.0 mill.
(Total interest coverage: 3.5x) (43% of Cap'l)
Leases, Uncapitalized Annual rentals $6.0 mill.
Pension Assets-12/11 $551.8 mill.
Oblig. $832.8 mill.

Pfd Stock None

Common Stock 46,093,472 shs.
as of 2/15/12

MARKET CAP: $2.0 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	1887.2	*1925*	*1960*	Revenues ($mill)	*2600*
38.6	38.5	58.9	48.1	80.5	83.2	61.0	87.5	103.9	112.3	*125*	*140*	Net Profit ($mill)	*200*
32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	*36.0%*	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	6.0%	*6.5%*	*7.1%*	Net Profit Margin	*7.7%*
62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	43.2%	*44.5%*	*46.0%*	Long-Term Debt Ratio	*47.0%*
34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	56.8%	*55.5%*	*54.0%*	Common Equity Ratio	*53.0%*
1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2291.7	2156.9	*2350*	*2600*	Total Capital ($mill)	*3200*
1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	3218.9	*3300*	*3400*	Net Plant ($mill)	*3750*
4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.1%	*6.5%*	*7.0%*	*7.0%*	Return on Total Cap'l	*8.0%*
5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.5%*	*10.0%*	Return on Shr. Equity	*12.0%*
6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	*9.5%*	*10.0%*	Return on Com Equity	*12.0%*
1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.1%	5.2%	*5.5%*	*5.5%*	Retained to Com Eq	*7.0%*
70%	72%	49%	65%	42%	44%	63%	48%	43%	43%	*44%*	*45%*	All Div'ds to Net Prof	*41%*

CURRENT POSITION ($MILL.)	2009	2010	12/31/11
Cash Assets	65.3	116.1	21.9
Other	352.3	329.8	439.7
Current Assets	417.6	445.9	461.6
Accts Payable	158.9	165.5	186.8
Debt Due	1.3	75.1	322.6
Other	314.0	356.4	338.2
Current Liab.	474.2	597.0	847.6
Fix. Chg. Cov.	251%	299%	359%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.5%	2.0%	*3.5%*
"Cash Flow"	3.0%	3.0%	*6.5%*
Earnings	3.0%	6.5%	*9.5%*
Dividends	1.5%	3.0%	*8.0%*
Book Value	4.0%	5.5%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	689.9	387.6	317.5	498.8	1893.8
2010	668.8	385.8	307.7	468.1	1830.4
2011	628.4	388.5	352.6	517.7	1887.2
2012	*650*	*410*	*365*	*500*	*1925*
2013	*660*	*420*	*375*	*505*	*1960*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.12	d.01	d.18	1.01	1.94
2010	1.42	d.02	d.11	.98	2.27
2011	1.48	.09	d.34	1.19	2.43
2012	*1.55*	*.15*	*d.15*	*1.10*	*2.65*
2013	*1.65*	*.20*	*d.10*	*1.15*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265	.265	.265	1.05
2012	.265	.295			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.9 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2011 margin mix: *residential and small commercial, 86%; large commercial* and industrial, 4%; transportation, 10%. Total throughput: 2.1 billion therms. Sold PriMerit Bank, 7/96. Has 5,754 employees. Off. & Dir. own 1.7% of common stock; BlackRock Inc., 8.6%; T. Rowe Price Associates, Inc., 7.2%; GAMCO Investors, Inc., 7.0% (3/11 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have traded higher over the past three months. The company finished 2011 on an impressive note, and we look for solid results going forward. Pipeline construction-services subsidiary NPL should continue to experience healthy growth. This business ought to further benefit from the replacement of aging infrastructure. Meanwhile, the utility business should benefit from recent rate relief (discussed below), though it remains to be seen whether this unit's operating environment will continue to improve. Overall, we anticipate higher revenues and share earnings for the current year. Growth may well continue in 2013. That said, our estimates may prove somewhat optimistic, should material economic weakness emerge.

The Arizona Corporation Commission has approved a rate increase for the company, which took effect on January 1st. Southwest was allowed to increase its revenues by $52.8 million, with a return on equity of 9.5%. The approval also includes a revenue decoupling mechanism to allow Southwest to recover fixed costs regardless of fluctuations in customer usage, and enables it to promote improvements in energy efficiency. Efforts to procure rate relief will remain important going forward, as Southwest depends on such approved increases to help it cope with rising expenses and to provide compensation for infrastructure investment.

The board of directors has increased the dividend by roughly 11%. Starting with the June payout, the quarterly dividend is now $0.295 per share. The company has increased the payout every year since 2007, and we expect this pattern will continue going forward.

This stock is favorably ranked for year-ahead performance. Looking further out, we anticipate healthy growth in revenues and share earnings for the company over the pull to 2015-2017. However, appreciation potential for the coming years appears somewhat limited, as the shares are trading near our Target Price Range. Healthy dividend growth notwithstanding, the stock's yield remains below average for a utility. As a result, most investors can probably find more-attractive opportunities elsewhere.

Michael Napoli, CFA *March 9, 2012*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Next egs. report due early May. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	75

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WGL HOLDINGS NYSE-WGL

RECENT PRICE	40.68	P/E RATIO	16.3 (Trailing: 17.2 / Median: 15.0)	RELATIVE P/E RATIO	1.06	DIV'D YLD	3.8%	VALUE LINE

TIMELINESS **3** Raised 9/9/11

SAFETY **1** Raised 4/2/93

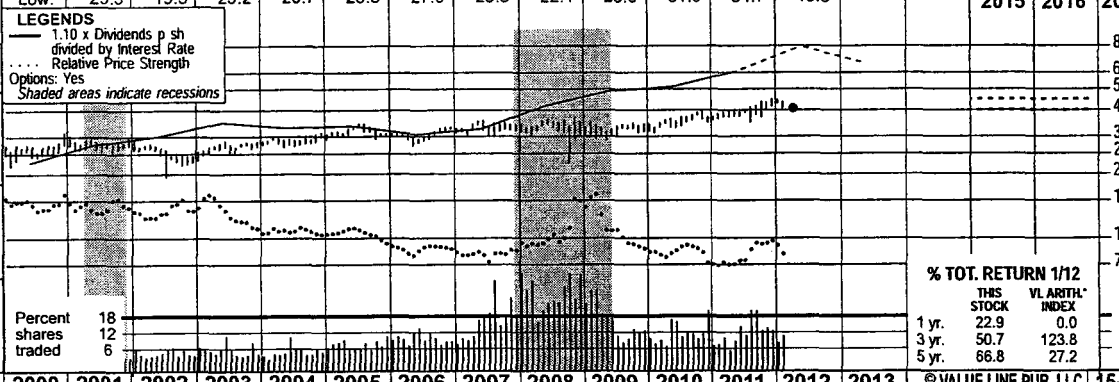
TECHNICAL **3** Raised 1/6/12

BETA .65 (1.00 = Market)

High:	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	40.0	45.0	45.0
Low:	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	31.0	34.7	40.5

Target Price Range 2015 | 2016 | 2017

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+10%)	6%
Low	40	(Nil)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	0	0	1	0	0	1	0
to Sell	1	2	0	0	1	0	0	1	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	86	85	88
to Sell	72	84	80
Hld's(000)	29975	31165	31882

Percent shares traded 18 12 6

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	22.9	0.0
3 yr.	50.7	123.8
5 yr.	66.8	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.60	53.75	*54.35*	*55.05*	Revenues per sh A	*59.90*
2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.11	4.01	*4.40*	*4.45*	"Cash Flow" per sh	*4.70*
1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.27	2.25	*2.50*	*2.55*	Earnings per sh B	*2.80*
1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.50	1.55	*1.59*	*1.63*	Div'ds Decl'd per sh C■	*1.75*
2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	2.57	3.94	*5.85*	*4.85*	Cap'l Spending per sh	*4.80*
12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.82	23.49	*24.60*	*25.60*	Book Value per sh D	*28.65*
43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.54	51.20	*51.50*	*51.75*	Common Shs Outst'g E	*52.00*
11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	15.1	17.0	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.84	.96	1.07	*Value Line*		Relative P/E Ratio	*1.00*
5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.6%	4.4%	4.1%	*estimates*		Avg Ann'l Div'd Yield	*4.2%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $862.1 mill. **Due in 5 Yrs** $189.2 mill.
LT Debt $584.0 mill. **LT Interest** $40.0 mill.
(LT interest earned: 6.2x; total interest coverage: 5.7x)
Pension Assets-9/11 $1,289.0 mill. **Oblig.** $896.5 mill.
Preferred Stock $28.2 mill. **Pfd. Div'd** $1.3 mill.

Common Stock 51,497,582 shs. as of 1/31/12

MARKET CAP: $2.1 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2706.9	2708.9	2751.5	*2800*	*2850*	Revenues ($mill) A	*3115*
55.7	112.3	98.0	104.8	96.0	102.9	122.9	128.7	115.0	115.5	*129*	*132*	Net Profit ($mill)	*145*
34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	38.7%	42.4%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.8%	4.2%	4.2%	*4.6%*	*4.6%*	Net Profit Margin	*4.7%*
45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	33.3%	33.4%	32.3%	*31.0%*	*30.5%*	Long-Term Debt Ratio	*28.5%*
52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	65.0%	66.2%	*67.5%*	*68.5%*	Common Equity Ratio	*70.5%*
1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1687.7	1774.4	1818.1	*1875*	*1935*	Total Capital ($mill)	*2115*
1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2269.1	2346.2	2489.9	*2640*	*2805*	Net Plant ($mill)	*3350*
5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.8%	7.6%	7.5%	*8.0%*	*8.0%*	Return on Total Cap'l	*8.0%*
7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	9.7%	9.4%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	11.6%	9.9%	9.5%	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	5.0%	3.3%	3.4%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
112%	56%	65%	62%	69%	66%	57%	57%	67%	64%	*64%*	*64%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/11
Cash Assets	8.9	4.3	5.5
Other	708.4	720.4	1012.8
Current Assets	717.3	724.7	1018.3
Accts Payable	225.4	279.4	299.4
Debt Due	130.5	116.5	278.1
Other	188.2	180.8	274.5
Current Liab.	544.1	576.7	852.0
Fix. Chg. Cov.	536%	535%	535%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.5%	2.5%	2.0%
"Cash Flow"	3.0%	1.5%	2.0%
Earnings	3.0%	3.0%	3.0%
Dividends	2.0%	2.5%	2.5%
Book Value	4.0%	5.0%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	826.2	1040.9	427.0	412.8	2706.9
2010	727.4	1056.6	459.7	465.2	2708.9
2011	795.9	1017.2	490.3	448.1	2751.5
2012	727.8	*1050*	*525*	*497.2*	*2800*
2013	*740*	*1060*	*535*	*515*	*2850*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2009	1.03	1.65	.11	d.25	2.53
2010	1.01	1.64	d.07	d.29	2.27
2011	1.02	1.53	d.03	d.26	2.25
2012	1.13	*1.59*	*.01*	*d.23*	*2.50*
2013	*1.15*	*1.60*	*Nil*	*d.20*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37	.37	1.47
2010	.37	.378	.378	.378	1.50
2011	.378	.39	.39	.39	1.55
2012	.39				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,082,983 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. Black Rock Inc. owns 7.4% of common stock; Off./dir. less than 1% (1/12 proxy). Chrmn. & CEO: Terry D. McCallister. Inc.: D.C. and VA. Addr.: 101 Const. Ave., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings logged a mixed bag of financial results for its December interim. Indeed, the top line declined approximately 9% on a year-over-year basis, to $727.8 million. However, we view this largely as a technicality stemming from the decrease in natural gas prices over that time frame. Alternatively, the Regulated Utility unit added 9,300 active customer meters. On the margin front, the utility cost of gas declined 8.27% as a function of revenues. This was partially offset by a 7.3% rise in the non-utility cost of energy-related sales. Elsewhere, the Retail Energy-Marketing segment saw the total number of electric accounts grow by 33,800, to 194,400. Finally, the Commercial Energy Systems division inched back into positive territory as some previously delayed government projects came on line. On balance, the bottom line increased 11%, to $1.13 a share.

We look for the natural gas distributor to post a double-digit earnings advance this year. This should be supported by steady growth at the regulated utility segment, solid gains at the retail energy marketing unit, and positive contributions from the commercial energy services division. Too, warmer weather and lower natural gas prices should have a favorable effect on the wholesale energy solutions business, although this does not augur well for WGL's other operations.

The company's balance sheet is improving. So far this year, cash reserves increased 27%, to $5.5 million. At the same time, the long-term debt load remains constant at about $585 million.

We have introduced our 2013 top- and bottom-line estimates at $2.85 billion and $2.55 a share, respectively. Aside from steady growth in customer accounts, WGL is awaiting the decision for a rate increase in Virginia. And, the company plans to file for a hike in rates for the District of Columbia, as well. Finally, alternative energy projects may also be a boon.

These shares offer a slightly above-average dividend yield, when compared to all other utilities in the *Value Line* universe. However, they are currently trading inside our Target Price Range, thus, their appreciation potential is limited through 2015-2017.

Bryan J. Fong *March 9, 2012*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late Apr. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '11: $594.4 million, $11.56/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	95

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ATTACHMENT C

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AMERICAN STS WTR CO (NYSE)

ZACKS RANK: 3 - HOLD

AWR 36.92 ▼-0.55 (-1.47%) **Vol.** 38,083 12:53 ET

American States is a public utility company engaged principally in thepurchase, production, distribution and sale of water. The company alsodistributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

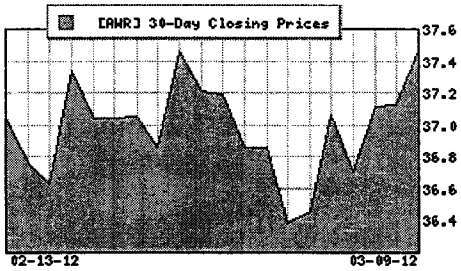
General Information

AMER STATES WTR
630 E FOOTHILL BLVD
SAN DIMAS, CA 91773-9016
Phone: 9093943600
Fax: 909-394-0711
Web: http://www.aswater.com
Email: nvestorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	03/12/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	37.47
52 Week High	37.91
52 Week Low	30.53
Beta	0.34
20 Day Moving Average	109,232.50
Target Price Consensus	39.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	2.55	4 Week	0.43
12 Week	8.61	12 Week	-3.37
YTD	7.36	YTD	-1.51

Share Information		Dividend Information	
Shares Outstanding (millions)	18.74	Dividend Yield	2.99%
		Annual Dividend	$1.12
Market Capitalization (millions)	702.00	Payout Ratio	0.00
Short Ratio	5.46	Change in Payout Ratio	0.00
Last Split Date	06/10/2002	Last Dividend Payout / Amount	02/10/2012 / $0.28

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.38	Current (1=Strong Buy, 5=Strong Sell)	2.14
Current Year EPS Consensus Estimate	2.22	30 Days Ago	2.14
Estimated Long-Term EPS Growth Rate	12.00	60 Days Ago	2.14
Next EPS Report Date	03/12/2012	90 Days Ago	2.14

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.87	vs. Previous Year	33.87%	vs. Previous Year	7.72%
Trailing 12 Months:	16.65	vs. Previous Quarter	22.06%	vs. Previous Quarter:	9.17%
PEG Ratio	1.41				

Price Ratios	ROE	ROA
Price/Book	12/31/11	12/31/11

	1.73		-		-
Price/Cash Flow	18.47	09/30/11	10.86	09/30/11	3.53
Price / Sales	-	06/30/11	10.05	06/30/11	3.20
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	-	12/31/11	-	12/31/11	-
09/30/11	1.38	09/30/11	1.35	09/30/11	9.88
06/30/11	1.38	06/30/11	1.36	06/30/11	9.13
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	-	12/31/11	-	12/31/11	-
09/30/11	17.27	09/30/11	17.27	09/30/11	21.68
06/30/11	14.11	06/30/11	14.11	06/30/11	21.05
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	-	12/31/11	-	12/31/11	-
09/30/11	40.72	09/30/11	0.84	09/30/11	45.66
06/30/11	43.56	06/30/11	0.87	06/30/11	46.43

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CALIFORNIA WTR SVC GROUP (NYSE)

ZACKS RANK: 5 - STRONG SELL

CWT	18.46	▲0.03	(0.16%)	Vol. 127,593	13:09 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

General Information

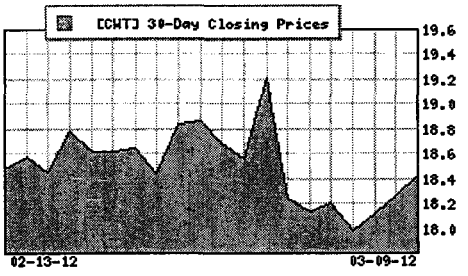
CALIF WATER SVC
1720 N FIRST ST C/O CALIFORNIA WATER
SERVICE CO
SAN JOSE, CA 95112
Phone: 4083678200
Fax: 831-427-9185
Web: http://www.calwatergroup.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	18.43
52 Week High	19.37
52 Week Low	16.65
Beta	0.29
20 Day Moving Average	379,125.81
Target Price Consensus	20.6



% Price Change		% Price Change Relative to S&P 500	
4 Week	0.77	4 Week	-1.31
12 Week	2.28	12 Week	-9.01
YTD	0.93	YTD	-7.41

Share Information		Dividend Information	
Shares Outstanding (millions)	41.82	Dividend Yield	3.42%
		Annual Dividend	$0.63
Market Capitalization (millions)	770.69	Payout Ratio	0.72
Short Ratio	3.53	Change in Payout Ratio	0.03
Last Split Date	06/13/2011	Last Dividend Payout / Amount	02/02/2012 / $0.16

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.04	Current (1=Strong Buy, 5=Strong Sell)	2.38
Current Year EPS Consensus Estimate	1.06	30 Days Ago	2.00
Estimated Long-Term EPS Growth Rate	10.00	60 Days Ago	2.00
Next EPS Report Date	05/09/2012	90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.43	vs. Previous Year	-65.22%	vs. Previous Year	-2.32%
Trailing 12 Months:	21.56	vs. Previous Quarter	-92.00%	vs. Previous Quarter:	-39.14%
PEG Ratio	1.74				

Price Ratios		ROE		ROA	
Price/Book	1.71	12/31/11	8.13	12/31/11	2.03
Price/Cash Flow	8.81	09/30/11	8.88	09/30/11	2.25
Price / Sales	1.54	06/30/11	8.84	06/30/11	2.27
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.75	12/31/11	0.71	12/31/11	7.18
09/30/11	0.97	09/30/11	0.93	09/30/11	7.74
06/30/11	1.00	06/30/11	0.95	06/30/11	8.00
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	12.13	12/31/11	12.13	12/31/11	10.76
09/30/11	13.44	09/30/11	13.44	09/30/11	10.88
06/30/11	13.33	06/30/11	13.33	06/30/11	10.50
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	34.01	12/31/11	1.07	12/31/11	51.71
09/30/11	33.41	09/30/11	1.05	09/30/11	51.26
06/30/11	31.64	06/30/11	1.09	06/30/11	52.17

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MIDDLESEX WATER CO (NASD)

ZACKS RANK: 3 - HOLD

MSEX	18.67	▲0.22	(1.19%)	Vol. 20,588	12:59 ET

Middlesex Water Company treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes.

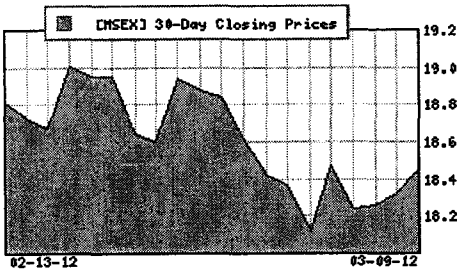
General Information

MIDDLESEX WATER
1500 RONSON RD P O BOX 1500
ISELIN, NJ 08830
Phone: 7326341500
Fax: 732-638-7515
Web: http://www.middlesexwater.com
Email: bsohler@middlesexwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/11/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	18.45
52 Week High	19.60
52 Week Low	16.51
Beta	0.46
20 Day Moving Average	27,718.05
Target Price Consensus	20



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.13	4 Week	-3.16
12 Week	0.93	12 Week	-10.20
YTD	-1.13	YTD	-9.30

Share Information		Dividend Information	
Shares Outstanding (millions)	15.64	Dividend Yield	4.01%
		Annual Dividend	$0.74
Market Capitalization (millions)	288.47	Payout Ratio	0.88
Short Ratio	9.79	Change in Payout Ratio	0.10
Last Split Date	11/17/2003	Last Dividend Payout / Amount	02/13/2012 / $0.19

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.16	Current (1=Strong Buy, 5=Strong Sell)	2.33
Current Year EPS Consensus Estimate	0.98	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.33
Next EPS Report Date	05/11/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.89	vs. Previous Year	-25.00%	vs. Previous Year	-6.68%
Trailing 12 Months:	21.96	vs. Previous Quarter	-62.50%	vs. Previous Quarter:	-18.73%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.63	12/31/11	7.65	12/31/11	2.64

Price/Cash Flow	12.08	09/30/11	8.02	09/30/11	2.82
Price / Sales	2.83	06/30/11	8.41	06/30/11	2.98
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.49	12/31/11	0.45	12/31/11	13.17
09/30/11	0.57	09/30/11	0.53	09/30/11	13.50
06/30/11	0.58	06/30/11	0.54	06/30/11	13.95
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	19.57	12/31/11	19.57	12/31/11	11.32
09/30/11	20.10	09/30/11	20.10	09/30/11	11.36
06/30/11	20.50	06/30/11	20.50	06/30/11	11.21
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	30.28	12/31/11	0.75	12/31/11	42.29
09/30/11	29.83	09/30/11	0.75	09/30/11	42.31
06/30/11	29.81	06/30/11	0.77	06/30/11	43.06

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SJW CORP (NYSE)

ZACKS RANK: 3 - HOLD

SJW 23.98 ▼-0.24 (-0.99%) Vol. 11,079 13:11 ET

SJW CORP. is a holding company which operates through its wholly-ownedsubsidiaries, San Jose Water Co., SJW Land Co., and Western Precision, Inc.San Jose Water Co., is a public utility in the business of providing waterservice to a population of approximately 928,000 people. Their servicearea encompasses about 134 sq. miles in the metropolitan San Juan area.SJW Land Co. operates parking facilities located adjacent to the theirheadquarters and the San Jose area.

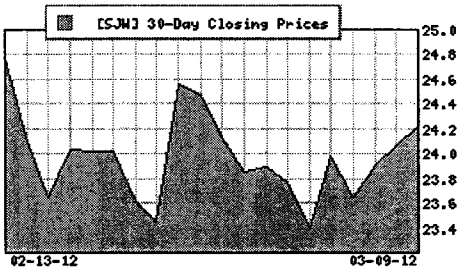
General Information

SJW CORP
110 W. TAYLOR STREET
SAN JOSE, CA 95110
Phone: 4082797800
Fax: 408-279-7917
Web: http://www.sjwater.com/
Email: boardofdirectors@sjwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	04/25/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	24.22
52 Week High	25.32
52 Week Low	20.87
Beta	0.58
20 Day Moving Average	28,734.55
Target Price Consensus	27.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	0.54	4 Week	-1.53
12 Week	3.11	12 Week	-8.27
YTD	2.45	YTD	-6.01

Share Information		Dividend Information	
Shares Outstanding (millions)	18.62	Dividend Yield	2.93%
		Annual Dividend	$0.71
Market Capitalization (millions)	450.93	Payout Ratio	0.74
Short Ratio	13.14	Change in Payout Ratio	0.04
Last Split Date	03/17/2006	Last Dividend Payout / Amount	02/02/2012 / $0.18

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.03	Current (1=Strong Buy, 5=Strong Sell)	1.67
Current Year EPS Consensus Estimate	0.99	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.33
Next EPS Report Date	04/25/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	24.55	vs. Previous Year	70.00%	vs. Previous Year	22.83%
Trailing 12 Months:	26.04	vs. Previous Quarter	-61.36%	vs. Previous Quarter:	-15.66%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.71	12/31/11	6.79	12/31/11	1.75
Price/Cash Flow	8.96	09/30/11	6.34	09/30/11	1.66
Price / Sales	1.89	06/30/11	6.33	06/30/11	1.68
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	2.44	12/31/11	2.40	12/31/11	7.34
09/30/11	2.31	09/30/11	2.28	09/30/11	7.13
06/30/11	2.13	06/30/11	2.10	06/30/11	7.22
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	14.83	12/31/11	14.83	12/31/11	14.20
09/30/11	16.55	09/30/11	16.55	09/30/11	14.01
06/30/11	18.84	06/30/11	18.84	06/30/11	13.73
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	106.64	12/31/11	1.30	12/31/11	56.57
09/30/11	105.35	09/30/11	1.32	09/30/11	56.96
06/30/11	103.29	06/30/11	1.35	06/30/11	57.47

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AQUA AMERICA INC (NYSE)

ZACKS RANK: 3 - HOLD

WTR	22.31	▲0.09	(0.41%)	Vol. 212,349	13:12 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

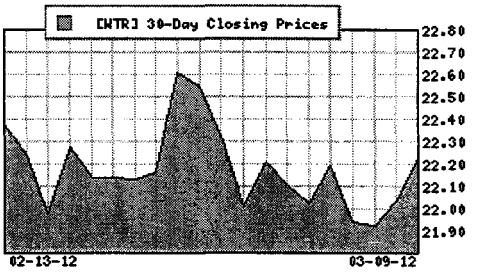
General Information

AQUA AMER INC
762 W. LANCASTER AVE
BRYN MAWR, PA 19010-3489
Phone: 610-527-8000
Fax: 610-645-1061
Web: http://www.aquaamerica.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/11/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	22.22
52 Week High	23.28
52 Week Low	19.28
Beta	0.21
20 Day Moving Average	507,457.94
Target Price Consensus	24.71



% Price Change		% Price Change Relative to S&P 500	
4 Week	0.68	4 Week	-1.39
12 Week	3.01	12 Week	-8.35
YTD	0.77	YTD	-7.56

Share Information		Dividend Information	
Shares Outstanding (millions)	138.88	Dividend Yield	2.97%
		Annual Dividend	$0.66
Market Capitalization (millions)	3,085.85	Payout Ratio	0.70
Short Ratio	10.15	Change in Payout Ratio	0.01
Last Split Date	12/02/2005	Last Dividend Payout / Amount	02/15/2012 / $0.17

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.21	Current (1=Strong Buy, 5=Strong Sell)	2.15
Current Year EPS Consensus Estimate	1.08	30 Days Ago	1.92
Estimated Long-Term EPS Growth Rate	8.30	60 Days Ago	1.92
Next EPS Report Date	05/11/2012	90 Days Ago	1.92

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	20.50	vs. Previous Year	-4.76%	vs. Previous Year	-3.69%
Trailing 12 Months:	23.64	vs. Previous Quarter	-33.33%	vs. Previous Quarter:	-12.48%
PEG Ratio	2.48				

Price Ratios **ROE** **ROA**

Price/Book	2.46	12/31/11	10.73	12/31/11	3.10
Price/Cash Flow	12.73	09/30/11	10.94	09/30/11	3.16
Price / Sales	4.23	06/30/11	11.25	06/30/11	3.26
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.75	12/31/11	0.73	12/31/11	17.91
09/30/11	0.78	09/30/11	0.76	09/30/11	17.81
06/30/11	0.58	06/30/11	0.54	06/30/11	17.78
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	30.32	12/31/11	30.32	12/31/11	9.03
09/30/11	29.01	09/30/11	29.01	09/30/11	8.76
06/30/11	28.05	06/30/11	28.05	06/30/11	8.77
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	23.76	12/31/11	1.11	12/31/11	52.71
09/30/11	24.09	09/30/11	1.16	09/30/11	53.63
06/30/11	24.90	06/30/11	1.21	06/30/11	54.78

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AGL RESOURCES INC (NYSE)

ZACKS RANK: 5 - STRONG SELL

GAS 39.45 ▲0.07 (0.18%) Vol. 165,859 13:12 ET

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

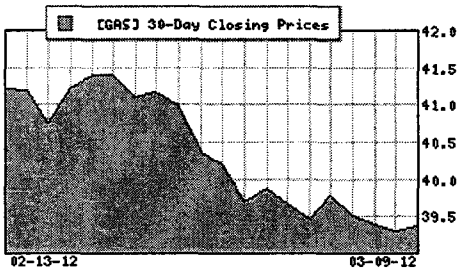
General Information

AGL RESOURCES
TEN PEACHTREE PLACE
ATLANTA, GA 30309
Phone: 4045844000
Fax: 404-584-3945
Web: http://www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/08/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	39.38
52 Week High	43.69
52 Week Low	34.08
Beta	0.42
20 Day Moving Average	537,024.69
Target Price Consensus	42.2



% Price Change		% Price Change Relative to S&P 500	
4 Week	-5.25	4 Week	-7.20
12 Week	-3.97	12 Week	-14.57
YTD	-6.81	YTD	-14.51

Share Information		Dividend Information	
Shares Outstanding (millions)	117.10	Dividend Yield	4.57%
		Annual Dividend	$1.80
Market Capitalization (millions)	4,611.40	Payout Ratio	0.63
Short Ratio	3.49	Change in Payout Ratio	0.02
Last Split Date	12/04/1995	Last Dividend Payout / Amount	02/15/2012 / $0.45

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.35	Current (1=Strong Buy, 5=Strong Sell)	2.57
Current Year EPS Consensus Estimate	2.87	30 Days Ago	2.57
Estimated Long-Term EPS Growth Rate	4.30	60 Days Ago	2.57
Next EPS Report Date	05/08/2012	90 Days Ago	2.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.70	vs. Previous Year	1.16%	vs. Previous Year	18.80%
Trailing 12 Months:	13.82	vs. Previous Quarter	4,250.00%	vs. Previous Quarter:	167.80%
PEG Ratio	3.16				

Price Ratios		ROE		ROA	
Price/Book	0.93	12/31/11	10.23	12/31/11	2.60

Price/Cash Flow	7.41	09/30/11	11.78	09/30/11	3.05
Price / Sales	1.97	06/30/11	12.98	06/30/11	3.39
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.89	12/31/11	0.65	12/31/11	9.90
09/30/11	1.58	09/30/11	1.02	09/30/11	10.05
06/30/11	1.15	06/30/11	0.76	06/30/11	10.72
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	13.30	12/31/11	13.30	12/31/11	42.51
09/30/11	15.41	09/30/11	15.41	09/30/11	23.97
06/30/11	16.83	06/30/11	16.83	06/30/11	24.46
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	2.77	12/31/11	1.07	12/31/11	51.61
09/30/11	2.82	09/30/11	1.43	09/30/11	58.82
06/30/11	2.81	06/30/11	1.13	06/30/11	53.06

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ATMOS ENERGY CORP (NYSE)

ZACKS RANK: 3 - HOLD

ATO	31.24	▲0.15	(0.48%)	Vol. 221,240	13:15 ET

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

General Information

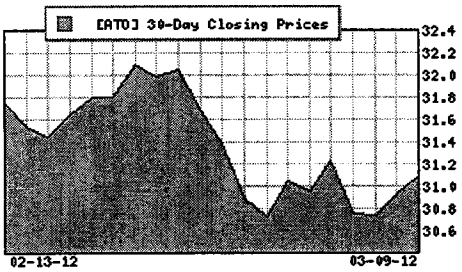
ATMOS ENERGY CP
1800 THREE LINCOLN CTR 5430 LBJ
FREEWAY
DALLAS, TX 75240
Phone: 9729349227
Fax: 972-855-3040
Web: http://www.atmosenergy.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Completed Quarter	09/30/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.09
52 Week High	35.55
52 Week Low	28.51
Beta	0.48
20 Day Moving Average	432,179.59
Target Price Consensus	34.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.49	4 Week	-3.52
12 Week	-5.07	12 Week	-15.54
YTD	-6.78	YTD	-14.48

Share Information		Dividend Information	
Shares Outstanding (millions)	90.22	Dividend Yield	4.44%
		Annual Dividend	$1.38
Market Capitalization (millions)	2,804.91	Payout Ratio	0.67
Short Ratio	1.31	Change in Payout Ratio	0.04
Last Split Date	05/17/1994	Last Dividend Payout / Amount	02/23/2012 / $0.34

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.44	Current (1=Strong Buy, 5=Strong Sell)	2.86
Current Year EPS Consensus Estimate	2.33	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	4.70	60 Days Ago	2.86
Next EPS Report Date	05/09/2012	90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.35	vs. Previous Year	-24.69%	vs. Previous Year	-2.83%
Trailing 12 Months:	15.17	vs. Previous Quarter	916.67%	vs. Previous Quarter:	46.14%
PEG Ratio	2.86				

Price Ratios		ROE		ROA	
Price/Book	1.24	12/31/11	8.09	12/31/11	2.59
Price/Cash Flow	6.55	09/30/11	8.88	09/30/11	2.88
Price / Sales	0.65	06/30/11	8.70	06/30/11	2.85
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	1.07	12/31/11	0.79	12/31/11	4.33
09/30/11	1.17	09/30/11	0.83	09/30/11	4.72
06/30/11	1.53	06/30/11	1.13	06/30/11	4.62
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	7.04	12/31/11	7.04	12/31/11	25.10
09/30/11	7.19	09/30/11	7.19	09/30/11	24.98
06/30/11	7.19	06/30/11	7.19	06/30/11	25.86
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	12.51	12/31/11	0.97	12/31/11	49.31
09/30/11	12.46	09/30/11	0.98	09/30/11	49.45
06/30/11	12.07	06/30/11	0.94	06/30/11	48.57

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LACLEDE GROUP INC (NYSE)

ZACKS RANK: 2 - BUY

LG	40.97	▲0.02	(0.05%)	Vol. 30,319	13:15 ET

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

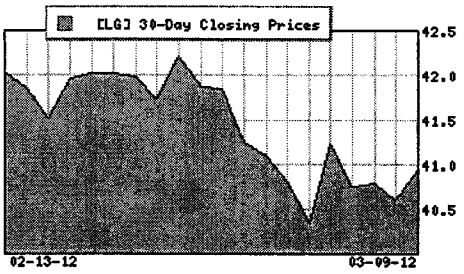
General Information

LACLEDE GRP INC
720 OLIVE ST
ST LOUIS, MO 63101
Phone: 3143420500
Fax: 314-421-1979
Web: http://www.thelacledegroup.com
Email: kullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	09/30/11
Next EPS Date	04/27/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	40.95
52 Week High	43.00
52 Week Low	32.90
Beta	0.06
20 Day Moving Average	107,503.75
Target Price Consensus	42



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.38	4 Week	-4.39
12 Week	3.67	12 Week	-7.76
YTD	1.19	YTD	-7.17

Share Information		Dividend Information	
Shares Outstanding (millions)	22.49	Dividend Yield	4.05%
		Annual Dividend	$1.66
Market Capitalization (millions)	920.80	Payout Ratio	0.58
Short Ratio	9.31	Change in Payout Ratio	-0.02
Last Split Date	03/08/1994	Last Dividend Payout / Amount	03/08/2012 / $0.41

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.37	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.68	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	3.00
Next EPS Report Date	04/27/2012	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.27	vs. Previous Year	5.71%	vs. Previous Year	-7.49%
Trailing 12 Months:	14.37	vs. Previous Quarter	892.86%	vs. Previous Quarter:	51.60%
PEG Ratio	5.09				

Price Ratios		ROE		ROA	
Price/Book	1.56	12/31/11	11.03	12/31/11	3.58

Price/Cash Flow	8.99	09/30/11	10.96	09/30/11	3.50
Price / Sales	0.59	06/30/11	11.46	06/30/11	3.57
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	1.29	12/31/11	0.89	12/31/11	4.06
09/30/11	1.59	09/30/11	1.04	09/30/11	3.88
06/30/11	1.86	06/30/11	1.48	06/30/11	3.96
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	6.10	12/31/11	6.10	12/31/11	26.25
09/30/11	5.80	09/30/11	5.80	09/30/11	25.56
06/30/11	5.91	06/30/11	5.91	06/30/11	25.86
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	12.27	12/31/11	0.58	12/31/11	36.53
09/30/11	12.58	09/30/11	0.64	09/30/11	38.86
06/30/11	12.61	06/30/11	0.63	06/30/11	38.60

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NEW JERSEY RES (NYSE)

ZACKS RANK: 3 - HOLD

NJR 45.66 ▲0.10 (0.22%) Vol. 130,236 13:16 ET

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

General Information

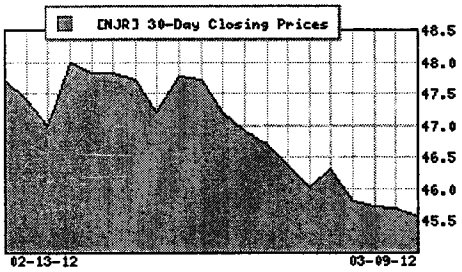
NJ RESOURCES
1415 WYCKOFF RD PO BOX 1468
WALL, NJ 07719
Phone: 9089381494
Fax: 732-938-2134
Web: http://www.njresources.com
Email: dpuma@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Completed Quarter	09/30/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	45.56
52 Week High	50.48
52 Week Low	39.60
Beta	0.25
20 Day Moving Average	193,673.16
Target Price Consensus	48.4



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.70	4 Week	-5.68
12 Week	-4.00	12 Week	-14.59
YTD	-7.40	YTD	-15.05

Share Information		Dividend Information	
Shares Outstanding (millions)	41.48	Dividend Yield	3.34%
		Annual Dividend	$1.52
Market Capitalization (millions)	1,889.69	Payout Ratio	0.52
Short Ratio	10.20	Change in Payout Ratio	-0.03
Last Split Date	03/04/2008	Last Dividend Payout / Amount	12/13/2011 / $0.38

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.63	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.75	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	4.50	60 Days Ago	2.88
Next EPS Report Date	05/09/2012	90 Days Ago	2.88

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.55	vs. Previous Year	55.71%	vs. Previous Year	-9.92%
Trailing 12 Months:	15.44	vs. Previous Quarter	5,350.00%	vs. Previous Quarter:	-4.25%
PEG Ratio	3.68				

Price Ratios		ROE		ROA	
Price/Book	2.30	12/31/11	15.44	12/31/11	4.64
Price/Cash Flow	13.32	09/30/11	13.77	09/30/11	4.08
Price / Sales	0.64	06/30/11	13.74	06/30/11	4.04
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	1.03	12/31/11	0.68	12/31/11	4.18
09/30/11	1.04	09/30/11	0.61	09/30/11	3.54
06/30/11	1.18	06/30/11	0.77	06/30/11	3.52
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	5.53	12/31/11	5.53	12/31/11	19.81
09/30/11	4.22	09/30/11	4.22	09/30/11	18.73
06/30/11	4.85	06/30/11	4.85	06/30/11	19.25
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	9.90	12/31/11	0.53	12/31/11	34.47
09/30/11	9.61	09/30/11	0.55	09/30/11	35.48
06/30/11	9.08	06/30/11	0.54	06/30/11	34.97

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NORTHWEST NAT GAS CO (NYSE)

ZACKS RANK: 5 - STRONG SELL

NWN 46.13 ▲0.16 (0.35%) Vol. 48,496 13:17 ET

NW Natural is principally engaged in the distribution of natural gas.The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

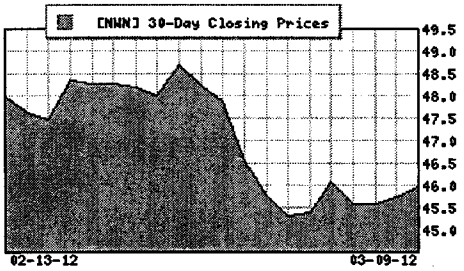
General Information

NORTHWEST NAT G
ONE PACIFIC SQUARE 220 NW SECOND AVE
PORTLAND, OR -
Phone: 5032264211
Fax: 503-273-4824
Web: http://www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	45.97
52 Week High	49.49
52 Week Low	39.63
Beta	0.31
20 Day Moving Average	111,635.20
Target Price Consensus	48.38



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.73	4 Week	-5.71
12 Week	-1.94	12 Week	-12.76
YTD	-4.09	YTD	-12.01

Share Information		Dividend Information	
Shares Outstanding (millions)	26.79	Dividend Yield	3.87%
		Annual Dividend	$1.78
Market Capitalization (millions)	1,231.63	Payout Ratio	0.70
Short Ratio	18.50	Change in Payout Ratio	0.10
Last Split Date	09/09/1996	Last Dividend Payout / Amount	01/27/2012 / $0.44

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.52	Current (1=Strong Buy, 5=Strong Sell)	2.40
Current Year EPS Consensus Estimate	2.50	30 Days Ago	2.20
Estimated Long-Term EPS Growth Rate	4.30	60 Days Ago	2.20
Next EPS Report Date	05/09/2012	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.40	vs. Previous Year	-1.80%	vs. Previous Year	1.14%
Trailing 12 Months:	17.96	vs. Previous Quarter	451.61%	vs. Previous Quarter:	190.63%
PEG Ratio	4.28				

Price Ratios **ROE** **ROA**

Price/Book	1.72	12/31/11	9.59	12/31/11	2.62
Price/Cash Flow	8.88	09/30/11	9.71	09/30/11	2.67
Price / Sales	1.45	06/30/11	9.91	06/30/11	2.73
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.84	12/31/11	0.66	12/31/11	8.05
09/30/11	0.62	09/30/11	0.41	09/30/11	8.12
06/30/11	0.60	06/30/11	0.41	06/30/11	8.20
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	12.64	12/31/11	12.64	12/31/11	26.76
09/30/11	12.77	09/30/11	12.77	09/30/11	26.11
06/30/11	12.91	06/30/11	12.91	06/30/11	26.79
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	8.27	12/31/11	0.90	12/31/11	47.32
09/30/11	8.07	09/30/11	0.86	09/30/11	46.35
06/30/11	7.93	06/30/11	0.77	06/30/11	43.57

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PIEDMONT NAT GAS INC (NYSE)

ZACKS RANK: 5 - STRONG SELL

PNY 32.21 ▼-0.11 (-0.34%) Vol. 141,094 13:17 ET

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

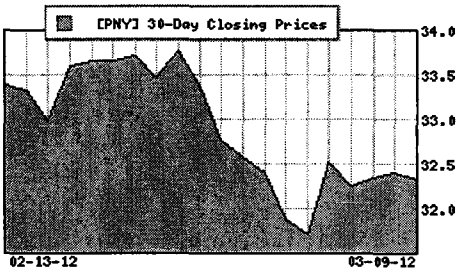
General Information

PIEDMONT NAT GA
4720 PIEDMONT ROW DR
CHARLOTTE, NC 28233
Phone: 7043643120
Fax: 704-365-3849
Web: http://www.piedmontng.com
Email: nvestorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	October
Last Completed Quarter	10/31/11
Next EPS Date	06/06/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	32.32
52 Week High	34.74
52 Week Low	25.86
Beta	0.30
20 Day Moving Average	358,200.84
Target Price Consensus	31.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.77	4 Week	-4.77
12 Week	-3.58	12 Week	-14.22
YTD	-4.89	YTD	-12.74

Share Information		Dividend Information	
Shares Outstanding (millions)	72.34	Dividend Yield	3.59%
		Annual Dividend	$1.16
Market Capitalization (millions)	2,338.09	Payout Ratio	0.79
Short Ratio	16.95	Change in Payout Ratio	0.09
Last Split Date	11/01/2004	Last Dividend Payout / Amount	12/22/2011 / $0.29

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.68	Current (1=Strong Buy, 5=Strong Sell)	3.50
Current Year EPS Consensus Estimate	1.65	30 Days Ago	3.50
Estimated Long-Term EPS Growth Rate	4.70	60 Days Ago	3.38
Next EPS Report Date	06/06/2012	90 Days Ago	2.88

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	19.54	vs. Previous Year	-9.48%	vs. Previous Year	-27.64%
Trailing 12 Months:	22.14	vs. Previous Quarter	907.69%	vs. Previous Quarter:	145.74%
PEG Ratio	4.19				

Price Ratios		ROE		ROA	
Price/Book	2.34	01/31/12	10.31	01/31/12	3.33
Price/Cash Flow	10.58	10/31/11	11.13	10/31/11	3.55
Price / Sales	1.86	07/31/11	11.26	07/31/11	3.62
Current Ratio		**Quick Ratio**		**Operating Margin**	
01/31/12	-	01/31/12	-	01/31/12	8.40
10/31/11	0.54	10/31/11	0.36	10/31/11	7.92
07/31/11	0.73	07/31/11	0.54	07/31/11	7.94
Net Margin		**Pre-Tax Margin**		**Book Value**	
01/31/12	-	01/31/12	-	01/31/12	-
10/31/11	12.96	10/31/11	12.96	10/31/11	13.81
07/31/11	13.03	07/31/11	13.03	07/31/11	14.20
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
01/31/12	-	01/31/12	-	01/31/12	-
10/31/11	11.66	10/31/11	0.68	10/31/11	40.37
07/31/11	11.25	07/31/11	0.66	07/31/11	39.77

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SOUTH JERSEY INDS INC (NYSE)

ZACKS RANK: 3 - HOLD

SJI 51.88 ▲0.29 (0.56%) Vol. 56,617 13:19 ET

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

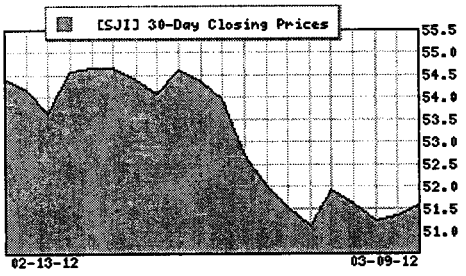
General Information

SOUTH JERSEY IN
1 SOUTH JERSEY PLAZA. ROUTE 54
FOLSOM, NJ 08037
Phone: 609-561-9000
Fax: 609-561-8225
Web: http://www.sjindustries.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/07/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	51.59
52 Week High	58.03
52 Week Low	42.85
Beta	0.34
20 Day Moving Average	147,632.55
Target Price Consensus	61.75



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.50	4 Week	-6.47
12 Week	-6.06	12 Week	-16.42
YTD	-9.19	YTD	-16.69

Share Information		Dividend Information	
Shares Outstanding (millions)	30.25	Dividend Yield	3.12%
		Annual Dividend	$1.61
Market Capitalization (millions)	1,560.60	Payout Ratio	0.56
Short Ratio	8.21	Change in Payout Ratio	0.03
Last Split Date	07/01/2005	Last Dividend Payout / Amount	03/07/2012 / $0.40

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.70	Current (1=Strong Buy, 5=Strong Sell)	1.67
Current Year EPS Consensus Estimate	3.19	30 Days Ago	1.33
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	1.33
Next EPS Report Date	05/07/2012	90 Days Ago	1.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.15	vs. Previous Year	20.69%	vs. Previous Year	-29.96%
Trailing 12 Months:	17.85	vs. Previous Quarter	10,400.00%	vs. Previous Quarter:	44.27%
PEG Ratio	2.69				

Price Ratios	ROE	ROA

Price/Book	2.49	12/31/11	14.28	12/31/11	4.14
Price/Cash Flow	11.54	09/30/11	13.66	09/30/11	3.95
Price / Sales	1.88	06/30/11	14.33	06/30/11	4.15
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.58	12/31/11	0.46	12/31/11	10.50
09/30/11	0.65	09/30/11	0.50	09/30/11	8.91
06/30/11	0.76	06/30/11	0.64	06/30/11	8.96
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	13.66	12/31/11	13.66	12/31/11	20.71
09/30/11	12.28	09/30/11	12.28	09/30/11	19.83
06/30/11	12.59	06/30/11	12.59	06/30/11	20.24
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	11.36	12/31/11	0.68	12/31/11	40.47
09/30/11	12.75	09/30/11	0.71	09/30/11	41.60
06/30/11	11.60	06/30/11	0.70	06/30/11	41.29

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SOUTHWEST GAS CORP (NYSE)

ZACKS RANK: 2 - BUY

SWX 43.23 -0.07 (0.16%) Vol. 66,711 13:21 ET

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing,transporting, and distributing natural gas in portions of Arizona, Nevada,and California. The Company also engaged in financial services activities,through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

General Information

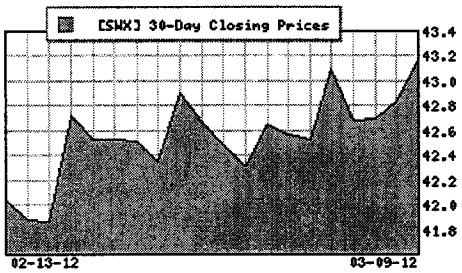
SOUTHWEST GAS
5241 SPRING MOUNTAIN . PO BOX 98510RD
LAS VEGAS, NV 89193-8510
Phone: 7028767237
Fax: 702-876-7037
Web: http://www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	12/31/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	43.16
52 Week High	43.44
52 Week Low	32.12
Beta	0.70
20 Day Moving Average	159,635.70
Target Price Consensus	40.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	2.25	4 Week	0.15
12 Week	8.14	12 Week	-3.79
YTD	1.58	YTD	-6.82

Share Information		Dividend Information	
Shares Outstanding (millions)	46.09	Dividend Yield	2.46%
		Annual Dividend	$1.06
Market Capitalization (millions)	1,989.37	Payout Ratio	0.42
Short Ratio	6.56	Change in Payout Ratio	-0.04
Last Split Date	N/A	Last Dividend Payout / Amount	02/13/2012 / $0.26

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.55	Current (1=Strong Buy, 5=Strong Sell)	2.86
Current Year EPS Consensus Estimate	2.55	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.86
Next EPS Report Date	05/09/2012	90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.92	vs. Previous Year	21.43%	vs. Previous Year	10.58%
Trailing 12 Months:	17.26	vs. Previous Quarter	695.00%	vs. Previous Quarter:	46.81%
PEG Ratio	3.22				

Price Ratios		ROE		ROA	
Price/Book	1.62	12/31/11	9.57	12/31/11	2.89

Price/Cash Flow	6.99	09/30/11	8.82	09/30/11	2.69
Price / Sales	1.05	06/30/11	10.11	06/30/11	3.07
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	0.54	12/31/11	0.54	12/31/11	6.17
09/30/11	0.42	09/30/11	0.42	09/30/11	5.77
06/30/11	0.52	06/30/11	0.52	06/30/11	6.68
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	9.28	12/31/11	9.28	12/31/11	26.68
09/30/11	8.62	09/30/11	8.62	09/30/11	25.88
06/30/11	9.49	06/30/11	9.49	06/30/11	26.66
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	-	12/31/11	0.76	12/31/11	43.18
09/30/11	-	09/30/11	0.79	09/30/11	44.10
06/30/11	-	06/30/11	0.77	06/30/11	43.51

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WGL HLDGS INC (NYSE)

ZACKS RANK: 3 - HOLD

WGL	41.50	▲0.34	(0.83%)	Vol. 141,996	13:21 ET

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

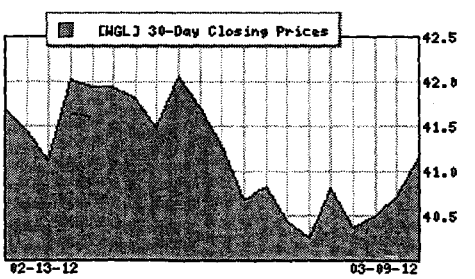
General Information

WGL HLDGS INC
101 CONSTITUTION AVE N.W.
WASHINGTON, DC 20080
Phone: 7037504440
Fax: 703-750-4828
Web: http://www.wglholdings.com
Email: robertdennis@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	09/30/11
Next EPS Date	05/09/2012

Price and Volume Information

Zacks Rank	
Yesterday's Close	41.16
52 Week High	44.99
52 Week Low	34.71
Beta	0.26
20 Day Moving Average	367,043.16
Target Price Consensus	43.86



% Price Change		% Price Change Relative to S&P 500	
4 Week	-0.96	4 Week	-3.00
12 Week	-3.31	12 Week	-13.98
YTD	-6.92	YTD	-14.61

Share Information		Dividend Information	
Shares Outstanding (millions)	51.50	Dividend Yield	3.77%
		Annual Dividend	$1.55
Market Capitalization (millions)	2,119.66	Payout Ratio	0.65
Short Ratio	11.23	Change in Payout Ratio	0.03
Last Split Date	05/02/1995	Last Dividend Payout / Amount	01/06/2012 / $0.39

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.65	Current (1=Strong Buy, 5=Strong Sell)	2.63
Current Year EPS Consensus Estimate	2.50	30 Days Ago	2.63
Estimated Long-Term EPS Growth Rate	5.20	60 Days Ago	2.75
Next EPS Report Date	05/09/2012	90 Days Ago	2.75

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.45	vs. Previous Year	10.78%	vs. Previous Year	-8.56%
Trailing 12 Months:	17.37	vs. Previous Quarter	534.62%	vs. Previous Quarter:	62.40%
PEG Ratio	3.18				

Price Ratios	ROE	ROA

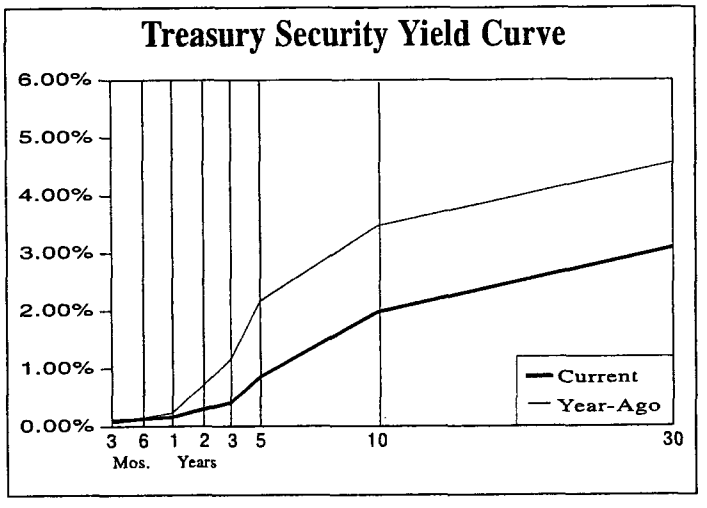
Price/Book	1.71	12/31/11	9.85	12/31/11	3.12
Price/Cash Flow	9.74	09/30/11	9.41	09/30/11	2.99
Price / Sales	0.79	06/30/11	9.39	06/30/11	2.98
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/11	1.20	12/31/11	0.79	12/31/11	4.55
09/30/11	1.26	09/30/11	0.71	09/30/11	4.21
06/30/11	1.43	06/30/11	1.03	06/30/11	4.13
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/11	6.78	12/31/11	6.78	12/31/11	24.03
09/30/11	7.47	09/30/11	7.47	09/30/11	23.44
06/30/11	7.39	06/30/11	7.39	06/30/11	24.44
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/11	8.87	12/31/11	0.47	12/31/11	31.60
09/30/11	10.19	09/30/11	0.49	09/30/11	32.30
06/30/11	10.89	06/30/11	0.47	06/30/11	31.44

ATTACHMENT D

Selected Yields

	Recent (2/29/12)	3 Months Ago (11/30/11)	Year Ago (3/2/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.33	0.60	0.24
3-month LIBOR	0.48	0.53	0.31
Bank CDs			
6-month	0.22	0.17	0.21
1-year	0.34	0.21	0.29
5-year	1.15	1.14	1.76
U.S. Treasury Securities			
3-month	0.08	0.01	0.12
6-month	0.13	0.05	0.15
1-year	0.16	0.11	0.23
5-year	0.86	0.95	2.17
10-year	1.97	2.07	3.47
10-year (inflation-protected)	-0.30	-0.01	0.90
30-year	3.09	3.06	4.56
30-year Zero	3.30	3.20	4.91

	Recent (2/29/12)	3 Months Ago (11/30/11)	Year Ago (3/2/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.38	1.35	2.75
FHLMC 5.5% (Gold)	1.96	2.31	3.33
FNMA 5.5%	1.98	2.09	3.24
FNMA ARM	2.38	2.37	2.63
Corporate Bonds			
Financial (10-year) A	3.68	4.58	4.75
Industrial (25/30-year) A	4.26	4.42	5.56
Utility (25/30-year) A	4.05	4.26	5.69
Utility (25/30-year) Baa/BBB	4.53	4.94	6.08
Foreign Bonds (10-Year)			
Canada	1.99	2.15	3.34
Germany	1.82	2.28	3.20
Japan	0.96	1.07	1.28
United Kingdom	2.15	2.31	3.64
Preferred Stocks			
Utility A	5.24	5.05	5.77
Financial A	6.14	6.32	6.54
Financial Adjustable A	5.53	5.53	5.53



	Recent (2/29/12)	3 Months Ago (11/30/11)	Year Ago (3/2/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.69	4.07	4.95
25-Bond Index (Revs)	4.75	5.06	5.57
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.24	0.40
1-year A	1.10	1.10	1.22
5-year Aaa	0.71	1.20	1.82
5-year A	2.00	2.30	2.76
10-year Aaa	1.96	2.45	3.20
10-year A	3.04	3.50	4.37
25/30-year Aaa	3.56	3.99	4.72
25/30-year A	4.99	5.36	6.25
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.45	4.62	5.18
Electric AA	4.54	4.84	5.30
Housing AA	4.87	5.54	6.28
Hospital AA	4.63	4.92	5.59
Toll Road Aaa	4.42	4.57	5.34

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/22/12	2/8/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1580856	1535738	45118	1515788	1533359	1509553
Borrowed Reserves	7992	8163	-171	8978	10163	13027
Net Free/Borrowed Reserves	1572864	1527575	45289	1506810	1523195	1496526

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	2/13/12	2/6/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2228.1	2225.3	2.9	17.5%	16.6%	19.1%
M2 (M1+savings+small time deposits)	9799.7	9771.8	27.9	8.5%	6.9%	10.1%

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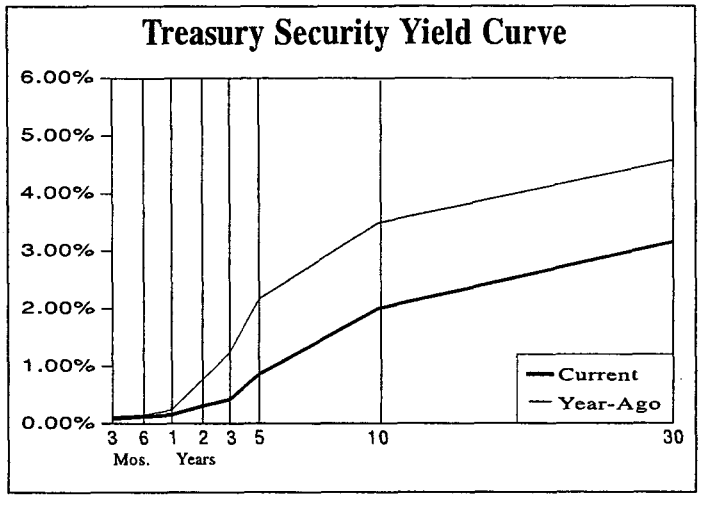
Selected Yields

	Recent (2/22/12)	3 Months Ago (11/22/11)	Year Ago (2/23/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.26	0.44	0.23
3-month LIBOR	0.49	0.50	0.31
Bank CDs			
6-month	0.22	0.17	0.21
1-year	0.34	0.21	0.29
5-year	1.15	1.14	1.65
U.S. Treasury Securities			
3-month	0.08	0.02	0.12
6-month	0.12	0.06	0.15
1-year	0.15	0.11	0.24
5-year	0.86	0.87	2.17
10-year	2.00	1.92	3.49
10-year (inflation-protected)	-0.30	0.01	0.97
30-year	3.15	2.88	4.58
30-year Zero	3.37	3.05	4.94

	Recent (2/22/12)	3 Months Ago (11/22/11)	Year Ago (2/23/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.24	1.25	2.78
FHLMC 5.5% (Gold)	1.94	2.33	3.36
FNMA 5.5%	1.89	2.05	3.27
FNMA ARM	2.37	2.43	2.66
Corporate Bonds			
Financial (10-year) A	3.88	4.45	4.73
Industrial (25/30-year) A	4.34	4.20	5.57
Utility (25/30-year) A	4.13	4.06	5.66
Utility (25/30-year) Baa/BBB	4.61	4.74	6.07
Foreign Bonds (10-Year)			
Canada	2.06	2.08	3.33
Germany	1.89	1.92	3.14
Japan	0.98	0.97	1.26
United Kingdom	2.11	2.17	3.67
Preferred Stocks			
Utility A	5.14	5.84	5.79
Financial A	6.07	6.31	6.07
Financial Adjustable A	5.52	5.52	5.52



	Recent (2/22/12)	3 Months Ago (11/22/11)	Year Ago (2/23/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.65	4.09	5.10
25-Bond Index (Revs)	4.74	5.09	5.60
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.24	0.37
1-year A	1.10	1.06	1.21
5-year Aaa	0.69	1.22	1.85
5-year A	1.99	2.33	2.80
10-year Aaa	1.95	2.48	3.36
10-year A	2.96	3.53	4.43
25/30-year Aaa	3.56	3.97	4.80
25/30-year A	4.99	5.34	6.25
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.46	4.60	5.23
Electric AA	4.55	4.82	5.37
Housing AA	4.88	5.53	6.36
Hospital AA	4.63	4.92	5.60
Toll Road Aaa	4.42	4.58	5.38

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/8/12	1/25/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1535735	1509282	26453	1508873	1534868	1491465
Borrowed Reserves	8163	8517	-354	9346	10446	13571
Net Free/Borrowed Reserves	1527572	1500765	26807	1499527	1524422	1477894

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	2/6/12	1/30/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2225.4	2225.6	-0.2	18.4%	19.7%	18.9%
M2 (M1+savings+small time deposits)	9772.3	9779.7	-7.4	7.9%	7.1%	10.0%

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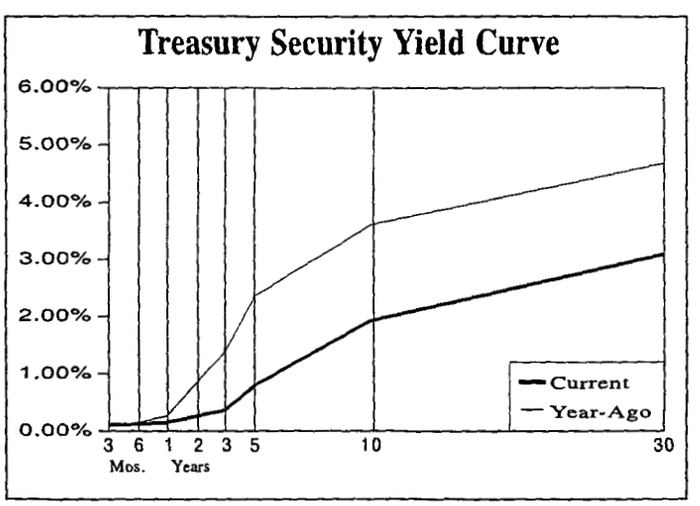
Selected Yields

	Recent (2/15/12)	3 Months Ago (11/16/11)	Year Ago (2/16/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.29	0.47	0.31
3-month LIBOR	0.50	0.47	0.31
Bank CDs			
6-month	0.22	0.17	0.21
1-year	0.35	0.21	0.29
5-year	1.15	1.14	1.65
U.S. Treasury Securities			
3-month	0.11	0.01	0.11
6-month	0.12	0.04	0.15
1-year	0.15	0.10	0.27
5-year	0.79	0.87	2.35
10-year	1.93	2.00	3.62
10-year (inflation-protected)	-0.42	0.03	1.25
30-year	3.09	3.00	4.68
30-year Zero	3.32	3.21	5.01

	Recent (2/15/12)	3 Months Ago (11/16/11)	Year Ago (2/16/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.41	1.25	2.96
FHLMC 5.5% (Gold)	1.79	2.35	3.51
FNMA 5.5%	1.82	2.09	3.45
FNMA ARM	2.37	2.43	2.66
Corporate Bonds			
Financial (10-year) A	3.91	4.38	4.85
Industrial (25/30-year) A	4.30	4.31	5.65
Utility (25/30-year) A	4.10	4.17	5.77
Utility (25/30-year) Baa/BBB	4.58	4.85	6.15
Foreign Bonds (10-Year)			
Canada	2.01	2.10	3.50
Germany	1.86	1.82	3.24
Japan	0.97	0.95	1.36
United Kingdom	2.08	2.16	3.81
Preferred Stocks			
Utility A	5.61	5.26	5.79
Financial A	6.07	6.30	6.07
Financial Adjustable A	5.51	5.52	5.52



	Recent (2/15/12)	3 Months Ago (11/16/11)	Year Ago (2/16/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.70	4.02	5.29
25-Bond Index (Revs)	4.77	5.00	5.67
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.24	0.38
1-year A	1.09	1.07	1.16
5-year Aaa	0.70	1.26	1.95
5-year A	1.98	2.33	2.87
10-year Aaa	1.95	2.50	3.52
10-year A	2.95	3.51	4.52
25/30-year Aaa	3.56	4.01	4.94
25/30-year A	4.98	5.38	6.25
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.44	4.56	5.33
Electric AA	4.53	4.89	5.48
Housing AA	4.86	5.57	6.42
Hospital AA	4.63	4.93	5.71
Toll Road Aaa	4.47	4.57	5.46

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/8/12	1/25/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1535732	1509282	26450	1508872	1534868	1491464
Borrowed Reserves	8163	8517	-354	9346	10446	13571
Net Free/Borrowed Reserves	1527569	1500765	26804	1499526	1524422	1477894

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/30/12	1/23/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2225.8	2219.8	6.0	17.7%	22.6%	19.1%
M2 (M1+savings+small time deposits)	9780.4	9768.3	12.1	8.9%	7.4%	10.1%

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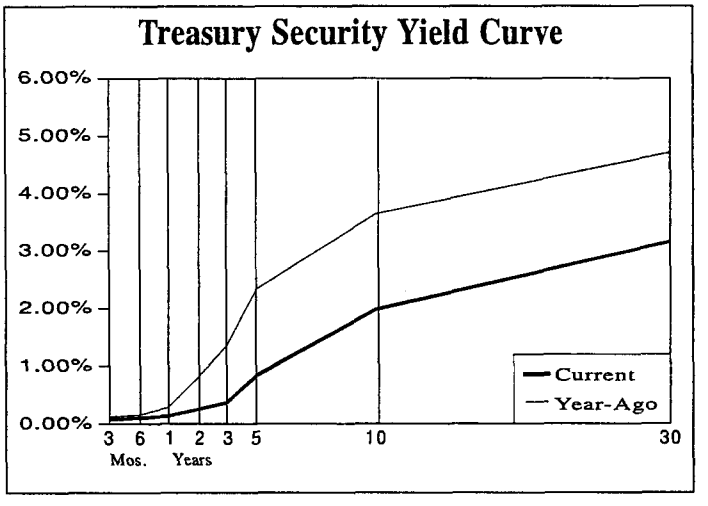
Selected Yields

	Recent (2/08/12)	3 Months Ago (11/09/11)	Year Ago (2/09/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.23	0.49	0.31
3-month LIBOR	0.51	0.45	0.31
Bank CDs			
6-month	0.22	0.17	0.21
1-year	0.34	0.21	0.29
5-year	1.16	1.14	1.65
U.S. Treasury Securities			
3-month	0.08	0.01	0.13
6-month	0.11	0.03	0.16
1-year	0.14	0.08	0.29
5-year	0.83	0.87	2.33
10-year	1.98	1.96	3.65
10-year (inflation-protected)	-0.34	-0.05	1.20
30-year	3.15	3.03	4.71
30-year Zero	3.37	3.25	5.02

	Recent (2/08/12)	3 Months Ago (11/09/11)	Year Ago (2/09/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.23	1.37	3.17
FHLMC 5.5% (Gold)	1.86	2.35	3.78
FNMA 5.5%	1.76	2.03	3.68
FNMA ARM	2.37	2.43	2.66
Corporate Bonds			
Financial (10-year) A	4.01	4.09	4.94
Industrial (25/30-year) A	4.39	4.23	5.67
Utility (25/30-year) A	4.19	4.14	5.82
Utility (25/30-year) Baa/BBB	4.67	4.83	6.22
Foreign Bonds (10-Year)			
Canada	2.07	2.09	3.45
Germany	1.98	1.72	3.31
Japan	0.99	0.98	1.34
United Kingdom	2.19	2.18	3.87
Preferred Stocks			
Utility A	5.36	5.82	5.80
Financial A	6.48	5.70	6.06
Financial Adjustable A	5.51	5.51	5.51



	Recent (2/08/12)	3 Months Ago (11/09/11)	Year Ago (2/09/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.60	4.02	5.25
25-Bond Index (Revs)	4.70	5.05	5.63
General Obligation Bonds (GOs)			
1-year Aaa	0.15	0.25	0.39
1-year A	1.08	1.06	1.16
5-year Aaa	0.71	1.27	1.96
5-year A	1.97	2.33	2.87
10-year Aaa	1.92	2.51	3.57
10-year A	2.94	3.52	4.54
25/30-year Aaa	3.56	4.01	4.97
25/30-year A	4.97	5.35	6.26
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.43	4.56	5.35
Electric AA	4.52	4.90	5.48
Housing AA	4.85	5.58	6.44
Hospital AA	4.64	4.92	5.71
Toll Road Aaa	4.47	4.55	5.48

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/25/12	1/11/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1509282	1523788	-14506	1506034	1540014	1473142
Borrowed Reserves	8517	8985	-468	9751	10742	14198
Net Free/Borrowed Reserves	1500765	1514803	-14038	1496283	1529272	1458944

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/23/12	1/16/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2221.1	2202.7	18.4	15.9%	24.6%	19.2%
M2 (M1+savings+small time deposits)	9768.3	9763.8	4.5	9.5%	10.3%	10.3%

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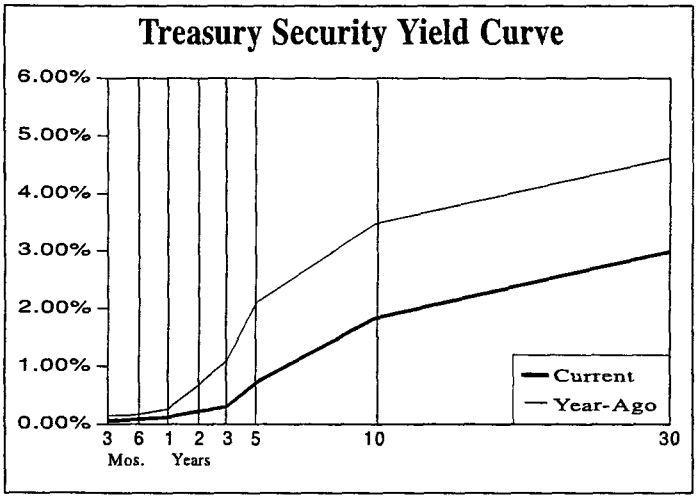
Selected Yields

	Recent (2/01/12)	3 Months Ago (11/02/11)	Year Ago (2/02/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.51	0.25
3-month LIBOR	0.54	0.43	0.31
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.16	1.14	1.59
U.S. Treasury Securities			
3-month	0.06	0.01	0.15
6-month	0.09	0.04	0.17
1-year	0.12	0.10	0.26
5-year	0.72	0.88	2.09
10-year	1.83	1.99	3.48
10-year (inflation-protected)	-0.43	-0.10	1.02
30-year	2.99	3.01	4.62
30-year Zero	3.21	3.22	4.96

	Recent (2/01/12)	3 Months Ago (11/02/11)	Year Ago (2/02/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.20	1.62	3.06
FHLMC 5.5% (Gold)	1.91	2.34	3.45
FNMA 5.5%	1.91	2.10	3.27
FNMA ARM	2.37	2.43	2.66
Corporate Bonds			
Financial (10-year) A	3.99	4.15	4.86
Industrial (25/30-year) A	4.26	4.18	5.63
Utility (25/30-year) A	4.07	4.12	5.78
Utility (25/30-year) Baa/BBB	4.55	4.76	6.18
Foreign Bonds (10-Year)			
Canada	1.90	2.17	3.38
Germany	1.85	1.83	3.26
Japan	0.96	1.00	1.23
United Kingdom	2.05	2.29	3.76
Preferred Stocks			
Utility A	5.90	5.82	5.79
Financial A	6.05	6.57	6.05
Financial Adjustable A	5.50	5.50	5.50



	Recent (2/01/12)	3 Months Ago (11/02/11)	Year Ago (2/02/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.68	4.12	5.25
25-Bond Index (Revs)	4.71	5.10	5.61
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.24	0.39
1-year A	1.03	1.05	1.17
5-year Aaa	0.79	1.28	1.90
5-year A	1.91	2.35	2.82
10-year Aaa	1.90	2.57	3.51
10-year A	2.88	3.56	4.50
25/30-year Aaa	3.53	4.03	4.92
25/30-year A	4.92	5.37	6.24
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.41	4.55	5.33
Electric AA	4.47	4.90	5.48
Housing AA	4.83	5.59	6.41
Hospital AA	4.62	4.94	5.69
Toll Road Aaa	4.45	4.55	5.46

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/25/12	1/11/12	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1509281	1523788	-14507	1506034	1540014	1473142
Borrowed Reserves	8517	8985	-468	9751	10742	14198
Net Free/Borrowed Reserves	1500764	1514803	-14039	1496283	1529272	1458944

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/16/12	1/9/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2202.7	2189.1	13.6	12.5%	24.4%	18.5%
M2 (M1+savings+small time deposits)	9763.3	9755.2	8.1	9.3%	11.2%	10.0%

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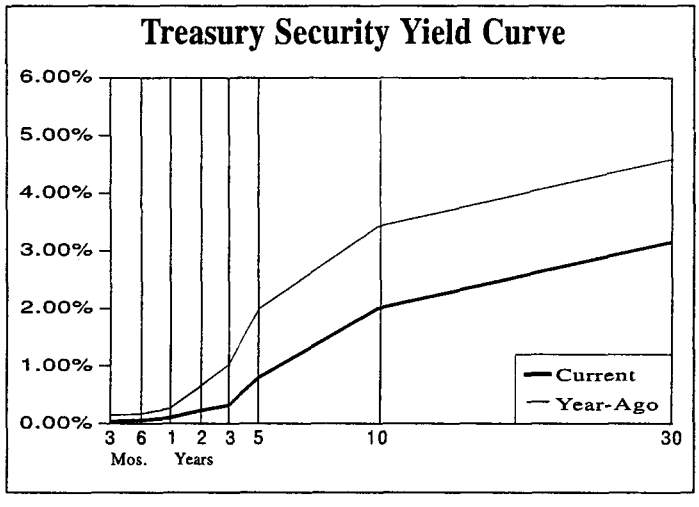
Selected Yields

	Recent (1/25/12)	3 Months Ago (10/26/11)	Year Ago (1/26/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.49	0.27
3-month LIBOR	0.56	0.42	0.30
Bank CDs			
6-month	0.22	0.17	0.31
1-year	0.34	0.21	0.49
5-year	1.15	1.14	1.65
U.S. Treasury Securities			
3-month	0.04	0.01	0.15
6-month	0.06	0.06	0.17
1-year	0.10	0.11	0.26
5-year	0.79	1.06	1.99
10-year	2.00	2.20	3.42
10-year (inflation-protected)	-0.25	0.12	1.03
30-year	3.15	3.22	4.59
30-year Zero	3.35	3.43	4.93



	Recent (1/25/12)	3 Months Ago (10/26/11)	Year Ago (1/26/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.22	1.76	2.90
FHLMC 5.5% (Gold)	2.11	2.39	3.19
FNMA 5.5%	2.01	2.19	3.06
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.15	4.41	4.73
Industrial (25/30-year) A	4.42	4.49	5.52
Utility (25/30-year) A	4.47	4.41	5.64
Utility (25/30-year) Baa/BBB	5.14	5.05	6.10
Foreign Bonds (10-Year)			
Canada	2.04	2.38	3.31
Germany	1.95	2.04	3.19
Japan	1.01	1.00	1.24
United Kingdom	2.16	2.47	3.69
Preferred Stocks			
Utility A	5.39	5.21	5.79
Financial A	6.09	6.49	6.52
Financial Adjustable A	5.50	5.50	5.50
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.60	4.08	5.41
25-Bond Index (Revs)	4.77	5.07	5.66
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.29	0.41
1-year A	1.13	1.00	1.28
5-year Aaa	0.87	1.41	1.91
5-year A	2.01	2.42	2.96
10-year Aaa	2.00	2.69	3.60
10-year A	2.98	3.60	4.49
25/30-year Aaa	3.59	4.10	5.06
25/30-year A	5.02	5.42	6.27
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.43	4.56	5.46
Electric AA	4.50	4.94	5.57
Housing AA	4.93	5.66	6.44
Hospital AA	4.64	4.97	5.75
Toll Road Aaa	4.48	4.57	5.60

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/11/12	12/28/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1523788	1471460	52328	1514963	1548942	1454626
Borrowed Reserves	8985	9328	-343	10151	11035	15534
Net Free/Borrowed Reserves	1514803	1462132	52671	1504812	1537907	1439092

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/9/12	1/2/12	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2229.9	2203.4	26.5	14.1%	27.5%	22.6%
M2 (M1+savings+small time deposits)	9756.1	9733.8	22.3	5.7%	11.4%	10.7%

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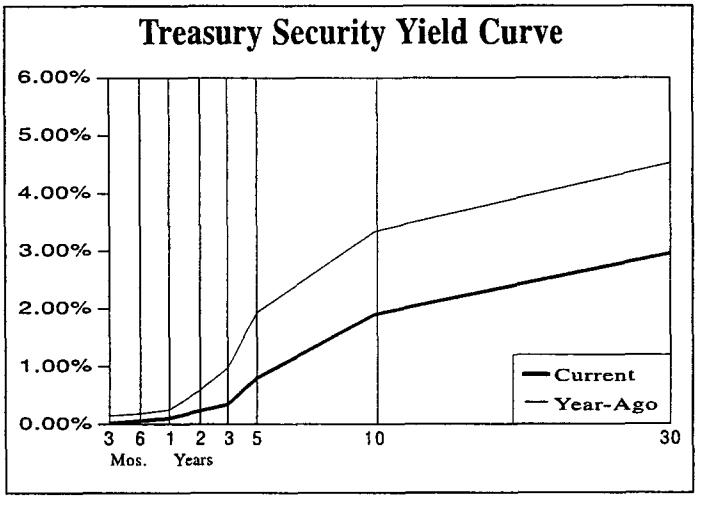
Selected Yields

	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.32	0.44	0.27
3-month LIBOR	0.56	0.41	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.16	1.14	1.60
U.S. Treasury Securities			
3-month	0.02	0.02	0.15
6-month	0.06	0.05	0.18
1-year	0.10	0.11	0.25
5-year	0.80	1.04	1.93
10-year	1.90	2.16	3.34
10-year (inflation-protected)	-0.21	0.20	0.93
30-year	2.96	3.18	4.53
30-year Zero	3.14	3.38	4.87

	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
Mortgage-Backed Securities			
GNMA 5.5%	1.07	1.84	2.38
FHLMC 5.5% (Gold)	1.94	2.36	3.03
FNMA 5.5%	1.72	2.17	2.89
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.00	4.33	4.78
Industrial (25/30-year) A	4.25	4.53	5.57
Utility (25/30-year) A	4.33	4.40	5.72
Utility (25/30-year) Baa/BBB	4.94	4.92	6.15
Foreign Bonds (10-Year)			
Canada	1.96	2.33	3.24
Germany	1.79	2.06	3.11
Japan	0.97	1.02	1.27
United Kingdom	1.96	2.47	3.64
Preferred Stocks			
Utility A	4.95	5.25	5.79
Financial A	6.18	6.69	6.04
Financial Adjustable A	5.49	5.49	5.49



	Recent (1/18/12)	3 Months Ago (10/19/11)	Year Ago (1/19/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.62	4.17	5.39
25-Bond Index (Revs)	4.74	5.06	5.60
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.25	0.39
1-year A	1.02	1.08	1.32
5-year Aaa	0.85	1.39	1.90
5-year A	1.93	2.40	3.00
10-year Aaa	1.93	2.69	3.58
10-year A	2.91	3.67	4.54
25/30-year Aaa	3.56	4.09	5.18
25/30-year A	4.96	5.45	6.31
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.40	4.56	5.56
Electric AA	4.54	4.94	5.57
Housing AA	5.01	5.64	6.42
Hospital AA	4.61	4.97	5.73
Toll Road Aaa	4.48	4.57	5.63

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/11/12	12/28/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1523791	1471462	52329	1514978	1548950	1454630
Borrowed Reserves	8985	9328	-343	10151	11035	15534
Net Free/Borrowed Reserves	1514806	1462134	52672	1504828	1537915	1439096

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	1/2/12	12/26/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2234.3	2167.9	66.4	6.8%	25.4%	22.2%
M2 (M1+savings+small time deposits)	9751.1	9665.5	85.6	6.2%	11.4%	10.8%

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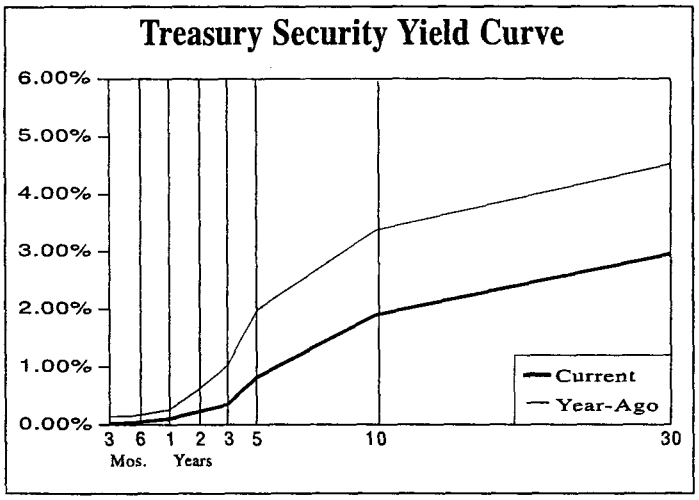
Selected Yields

	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.25	0.38	0.27
3-month LIBOR	0.58	0.40	0.30
Bank CDs			
6-month	0.22	0.17	0.30
1-year	0.34	0.21	0.48
5-year	1.17	1.14	1.57
U.S. Treasury Securities			
3-month	0.02	0.02	0.14
6-month	0.05	0.04	0.17
1-year	0.10	0.08	0.26
5-year	0.82	1.15	1.98
10-year	1.90	2.21	3.37
10-year (inflation-protected)	-0.16	0.23	0.93
30-year	2.96	3.20	4.53
30-year Zero	3.15	3.39	4.86

	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
Mortgage-Backed Securities			
GNMA 5.5%	0.91	1.89	2.61
FHLMC 5.5% (Gold)	1.91	2.32	3.14
FNMA 5.5%	1.74	2.17	2.99
FNMA ARM	2.35	2.47	2.72
Corporate Bonds			
Financial (10-year) A	4.12	4.37	4.80
Industrial (25/30-year) A	4.22	4.59	5.58
Utility (25/30-year) A	4.17	4.53	5.77
Utility (25/30-year) Baa/BBB	4.90	4.99	6.17
Foreign Bonds (10-Year)			
Canada	1.94	2.35	3.26
Germany	1.81	2.19	3.05
Japan	0.97	1.00	1.18
United Kingdom	2.01	2.64	3.64
Preferred Stocks			
Utility A	4.94	5.57	5.79
Financial A	6.27	6.81	6.03
Financial Adjustable A	5.49	5.49	5.49



	Recent (1/11/12)	3 Months Ago (10/12/11)	Year Ago (1/12/11)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.83	4.14	5.08
25-Bond Index (Revs)	4.93	5.04	5.44
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.26	0.41
1-year A	1.00	1.11	1.28
5-year Aaa	0.89	1.41	1.79
5-year A	1.98	2.43	2.92
10-year Aaa	1.99	2.63	3.38
10-year A	3.03	3.75	4.38
25/30-year Aaa	3.70	4.12	4.94
25/30-year A	5.12	5.50	5.97
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.49	4.59	5.31
Electric AA	4.63	4.97	5.30
Housing AA	5.10	5.63	6.13
Hospital AA	4.72	5.00	5.43
Toll Road Aaa	4.53	4.60	5.35

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	12/28/11	12/14/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1471463	1528581	-57118	1517529	1552068	1434904
Borrowed Reserves	9328	9841	-513	10500	11327	16880
Net Free/Borrowed Reserves	1462135	1518740	-56605	1507029	1540742	1418024

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	12/26/11	12/19/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2167.8	2137.1	30.7	3.8%	24.0%	17.9%
M2 (M1+savings+small time deposits)	9664.8	9666.7	-1.9	3.3%	11.6%	9.4%

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PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 et al.
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PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
COST OF CAPITAL SUMMARY

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 1

WEIGHTED AVERAGE COST OF CAPITAL - WATER AND WASTEWATER DIVISIONS

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	Long-Term Debt	$ 6,125,000	$ -	$ 6,125,000	22.53%	7.696%	1.73%
2	Common Equity	21,063,072	-	21,063,072	77.47%	9.400%	7.28%
3	Total Capitalization	$ 27,188,072	$ -	$ 27,188,072	100.00%		
4	**WEIGHTED AVERAGE COST OF CAPITAL**						**9.01%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): LINE 1; SCHEDULE WAR-1, PAGE 2, LINE 2; TESTIMONY WAR
COLUMN (C): COLUMN (A) x COLUMN (B), LINE 4; LINE 1 + LINE 2
COLUMN (D): COLUMN (C) LINES 1, 2 AND 3 / LINE 4
COLUMN (E): LINE 1; SCHEDULE WAR-1, PAGE 2, LINES 2 AND 3; TESTIMONY WAR
COLUMN (F): COLUMN (D) x COLUMN (E)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
COST OF CAPITAL SUMMARY

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 1

COST OF LONG-TERM DEBT

LINE NO.	LONG-TERM DEBT ISSUANCES	(A) AMOUNT OUTSTANDING	(B) ANNUAL COST	(C) INTEREST RATE
1	IDA BONDS - MARICOPA COUNTY	$ 6,125,000	$ 471,380	7.696%
2	TOTALS	$ 6,125,000	$ 471,380	7.696%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2, PAGE 1
COLUMN (B): COMPANY SCHEDULE D-2, PAGE 1
COLUMN (C): COLUMN (B) / COLUMN (A)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
COST OF CAPITAL SUMMARY

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 1

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	8.44%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.44%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	**AVERAGE OF DCF ESTIMATES**	**8.94%**	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	4.00%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	3.83%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	5.35%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	5.11%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	**AVERAGE OF CAPM ESTIMATES**	**4.58%**	(SUM OF LINES 6 THRU 9) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**6.76%**	(SUM OF LINES 4 AND 10) ÷ 2
12	**FINAL COST OF COMMON EQUITY ESTIMATE**	**9.40%**	TESTIMONY WAR

PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 et al.
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.06%	+	6.04%	=	9.10%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.34%	+	5.62%	=	8.96%
3	MSEX	MIDDLESEX WATER COMPANY	3.97%	+	4.36%	=	8.33%
4	SJW	SJW CORPORATION	2.90%	+	3.90%	=	6.81%
5	WTR	AQUA AMERICA, INC.	3.00%	+	6.01%	=	9.01%
6	**WATER COMPANY AVERAGE**						8.44%
7	GAS	AGL RESOURCES, INC.	4.51%	+	6.12%	=	10.63%
8	ATO	ATMOS ENERGY CORP.	4.36%	+	3.79%	=	8.15%
9	LG	LACLEDE GROUP, INC.	4.04%	+	4.76%	=	8.80%
10	NJR	NEW JERSEY RESOURCES CORPORATION	3.20%	+	7.01%	=	10.21%
11	NWN	NORTHWEST NATURAL GAS CO.	3.76%	+	4.87%	=	8.63%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.51%	+	3.71%	=	7.22%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	2.72%	+	10.53%	=	13.25%
14	SWX	SOUTHWEST GAS CORPORATION	2.80%	+	7.58%	=	10.38%
15	WGL	WGL HOLDINGS, INC.	3.71%	+	3.96%	=	7.67%
16	**NATURAL GAS LDC AVERAGE**						9.44%

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND YIELD CALCULATION

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	/	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	$1.12	/	$36.63	=	3.06%
2	CWT	CALIFORNIA WATER SERVICE GROUP	$0.62	/	$18.43	=	3.34%
3	MSEX	MIDDLESEX WATER COMPANY	$0.74	/	$18.65	=	3.97%
4	SJW	SJW CORPORATION	$0.69	/	$23.83		2.90%
5	WTR	AQUA AMERICA, INC.	$0.66	/	$22.01	=	3.00%
6	**WATER COMPANY AVERAGE**						**3.25%**
7	GAS	AGL RESOURCES, INC.	$1.84	/	$40.79	=	4.51%
8	ATO	ATMOS ENERGY CORP.	$1.38	/	$31.66	=	4.36%
9	LG	LACLEDE GROUP, INC.	$1.66	/	$41.09	=	4.04%
10	NJR	NEW JERSEY RESOURCES CORPORATION	$1.52	/	$47.51	=	3.20%
11	NWN	NORTHWEST NATURAL GAS CO.	$1.78	/	$47.33	=	3.76%
12	PNY	PIEDMONT NATURAL GAS COMPANY	$1.16	/	$33.04	=	3.51%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	$1.46	/	$53.61	=	2.72%
14	SWX	SOUTHWEST GAS CORPORATION	$1.18	/	$42.19	=	2.80%
15	WGL	WGL HOLDINGS, INC.	$1.56	/	$42.05	=	3.71%
16	**NATURAL GAS LDC AVERAGE**						**3.62%**

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF ADJUSTED CLOSING PRICES FROM 01/17/2012 TO 03/09/2012 STOCK QUOTES OBTAINED THROUGH YAHOO! FINANCE WEB SITE - HISTORICAL QUOTES (http://finance.yahoo.com).
COLUMN (C): COLUMN (A) DIVIDED BY COLUMN (B)

NOTE:
CLOSING STOCK PRICES ARE ADJUSTED FOR DIVIDENDS AND STOCK SPLITS.

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	5.70%	+	0.34%	=	6.04%
2	CWT	CALIFORNIA WATER SERVICE GROUP	4.70%	+	0.92%	=	5.62%
3	MSEX	MIDDLESEX WATER COMPANY	3.70%	+	0.66%	=	4.36%
4	SJW	SJW CORPORATION	2.50%	+	1.40%	=	3.90%
5	WTR	AQUA AMERICA, INC.	5.50%	+	0.51%	=	6.01%
6	**WATER COMPANY AVERAGE**						**5.19%**
7	GAS	AGL RESOURCES, INC.	6.00%	+	0.12%	=	6.12%
8	ATO	ATMOS ENERGY CORP.	3.60%	+	0.19%	=	3.79%
9	LG	LACLEDE GROUP, INC.	4.00%	+	0.76%	=	4.76%
10	NJR	NEW JERSEY RESOURCES CORPORATION	7.00%	+	0.01%	=	7.01%
11	NWN	NORTHWEST NATURAL GAS CO.	4.80%	+	0.07%	=	4.87%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.70%	+	0.01%	=	3.71%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	8.25%	+	2.28%	=	10.53%
14	SWX	SOUTHWEST GAS CORPORATION	7.00%	+	0.58%	=	7.58%
15	WGL	WGL HOLDINGS, INC.	3.75%	+	0.21%	=	3.96%
16	**NATURAL GAS LDC AVERAGE**						**5.81%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 4

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	x	(B) { [((M ÷ B) + 1) / 2] - 1 }	=	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	1.00%	x	{ [((1.68) + 1) / 2] - 1 }	=	0.34%
2	CWT	CALIFORNIA WATER SERVICE GROUP	2.70%	x	{ [((1.68) + 1) / 2] - 1 }	=	0.92%
3	MSEX	MIDDLESEX WATER COMPANY	1.80%	x	{ [((1.74) + 1) / 2] - 1 }	=	0.66%
4	SJW	SJW CORPORATION	4.00%	x	{ [((1.70) + 1) / 2] - 1 }	=	1.40%
5	WTR	AQUA AMERICA, INC.	0.70%	x	{ [((2.46) + 1) / 2] - 1 }	=	0.51%
6	**WATER COMPANY AVERAGE**						**0.77%**
7	GAS	AGL RESOURCES, INC.	0.65%	x	{ [((1.38) + 1) / 2] - 1 }	=	0.12%
8	ATO	ATMOS ENERGY CORP.	2.60%	x	{ [((1.15) + 1) / 2] - 1 }	=	0.19%
9	LG	LACLEDE GROUP, INC.	3.00%	x	{ [((1.51) + 1) / 2] - 1 }	=	0.76%
10	NJR	NEW JERSEY RESOURCES CORPORATIOI	0.01%	x	{ [((2.60) + 1) / 2] - 1 }	=	0.01%
11	NWN	NORTHWEST NATURAL GAS CO.	0.20%	x	{ [((1.68) + 1) / 2] - 1 }	=	0.07%
12	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((2.37) + 1) / 2] - 1 }	=	0.01%
13	SJI	SOUTH JERSEY INDUSTRIES, INC.	3.00%	x	{ [((2.52) + 1) / 2] - 1 }	=	2.28%
14	SWX	SOUTHWEST GAS CORPORATION	2.20%	x	{ [((1.53) + 1) / 2] - 1 }	=	0.58%
15	WGL	WGL HOLDINGS, INC.	0.60%	x	{ [((1.71) + 1) / 2] - 1 }	=	0.21%
16	**NATURAL GAS LDC AVERAGE**						**0.47%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2006	0.3158		8.10%		2.56%	16.64	17.05	
2			2007	0.4074		9.30%		3.79%	17.53	17.23	
3			2008	0.3548		8.60%		3.05%	17.95	17.30	
4			2009	0.3765		8.20%		3.09%	19.39	18.53	
5			2010	0.5315		11.00%		5.85%	20.26	18.63	
6			GROWTH 2006 - 2010					3.67%	5.00%		2.24%
7			2011	0.5111		10.50%		5.37%		18.75	0.64%
8			2012	0.4957		10.50%		5.20%		19.00	0.99%
9			2014-16	0.4923		11.50%		5.66%	0.50%	19.50	0.92%
10	CWT	CALIFORNIA WATER SERVICE GROUP	2006	0.1418		6.80%		0.96%	18.15	20.66	
11			2007	0.2267		8.10%		1.84%	18.50	20.67	
12			2008	0.3842		9.90%		3.80%	19.44	20.72	
13			2009	0.3980		9.60%		3.82%	10.13	41.53	
14			2010	0.3407		8.60%		2.93%	10.45	41.67	
15			GROWTH 2006 - 2010					2.67%	5.50%		19.17%
16			2011	0.3861		9.50%		3.67%		42.00	0.79%
17			2012	0.4182		9.50%		3.97%		45.00	3.92%
18			2014-16	0.4462		10.50%		4.68%	3.50%	47.50	2.65%
19	MSEX	MIDDLESEX WATER COMPANY	2006	0.1707		7.80%		1.33%	9.52	13.17	
20			2007	0.2069		8.70%		1.80%	10.05	13.25	
21			2008	0.2135		8.90%		1.90%	10.03	13.40	
22			2009	0.0139		7.00%		0.10%	10.33	13.52	
23			2010	0.2500		8.20%		2.05%	11.13	15.57	
24			GROWTH 2006 - 2010					1.44%	5.50%		4.27%
25			2011	0.1889		8.50%		1.61%		15.70	0.83%
26			2012	0.2600		9.00%		2.34%		16.00	1.37%
27			2014-16	0.3333		11.00%		3.67%	1.00%	17.00	1.77%
28	SJW	SJW CORPORATION	2006	0.5210		9.70%		5.05%	12.48	18.28	
29			2007	0.4135		8.20%		3.39%	12.90	18.36	
30			2008	0.3981		8.00%		3.19%	13.99	18.18	
31			2009	0.1852		6.00%		1.11%	13.66	18.50	
32			2010	0.1905		6.10%		1.16%	13.75	18.55	
33			GROWTH 2006 - 2010					2.78%	6.50%		0.37%
34			2011	0.2159		6.50%		1.40%		18.60	0.27%
35			2012	0.2600		6.00%		1.56%		21.00	6.40%
36			2014-16	0.3385		7.50%		2.54%	3.50%	22.50	3.94%
37											
38											
39											

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/20/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 5
PAGE 2 OF 5

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WTR	AQUA AMERICA, INC.	2006	0.3714		10.00%		3.71%	6.96	132.33	
2			2007	0.3239		10.00%		3.24%	7.32	133.40	
3			2008	0.3014		9.30%		2.80%	7.82	135.37	
4			2009	0.2857		9.40%		2.69%	8.12	136.49	
5			2010	0.3444		10.60%		3.65%	8.51	137.97	
6			GROWTH 2006 - 2010					3.22%	7.00%		1.05%
7			2011	0.4000		11.50%		4.60%		138.90	0.67%
8			2012	0.4000		11.50%		4.60%		139.90	0.70%
9			2014-16	0.4429		12.50%		5.54%	5.00%	142.90	0.70%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/20/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	AGL RESOURCES, INC.	2007	0.3971		12.70%		5.04%	21.74	76.40	
2			2008	0.3801		12.60%		4.79%	21.48	76.90	
3			2009	0.4028		12.50%		5.03%	22.95	77.54	
4			2010	0.4133		12.90%		5.33%	23.24	78.00	
5			2011	0.1038		5.20%		0.54%	28.54	117.00	
6			GROWTH 2007 - 2011					4.15%	5.50%		11.24%
7			2012	0.4338		11.00%		4.77%		118.00	0.85%
8			2013	0.4551		11.00%		5.01%		119.00	0.85%
9			2015-17	0.5122		12.00%		6.15%	6.00%	121.00	0.67%
10											
11	ATO	ATMOS ENERGY CORP.	2007	0.3402		8.70%		2.96%	22.01	89.33	
12			2008	0.3500		8.80%		3.08%	22.60	90.81	
13			2009	0.3299		8.30%		2.74%	23.52	92.55	
14			2010	0.3796		9.20%		3.49%	24.16	90.16	
15			2011	0.3982		8.80%		3.50%	24.98	90.30	
16			GROWTH 2007 - 2011					3.16%	4.50%		0.27%
17			2012	0.4000		8.50%		3.40%		90.50	0.22%
18			2013	0.4167		8.00%		3.33%		91.00	0.39%
19			2015-17	0.4519		8.00%		3.61%	6.00%	103.00	2.67%
20											
21	LG	LACLEDE GROUP, INC.	2007	0.3723		11.60%		4.32%	19.79	21.65	
22			2008	0.4356		11.80%		5.14%	22.12	21.99	
23			2009	0.4760		12.40%		5.90%	23.32	22.17	
24			2010	0.3539		10.10%		3.57%	24.02	22.29	
25			2011	0.4371		11.10%		4.85%	25.56	22.43	
26			GROWTH 2007 - 2011					4.76%	6.50%		0.89%
27			2012	0.3889		10.00%		3.89%		22.50	0.31%
28			2013	0.3964		10.00%		3.96%		23.00	1.26%
29			2015-17	0.4098		10.00%		4.10%	4.50%	26.00	3.00%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2007	0.3484		10.10%		3.52%	15.50	41.61	
32			2008	0.5889		15.70%		9.25%	17.28	42.06	
33			2009	0.4833		14.60%		7.06%	16.59	41.59	
34			2010	0.4472		14.00%		6.26%	17.62	41.17	
35			2011	0.4419		13.70%		6.05%	18.73	41.45	
36			GROWTH 2007 - 2011					6.43%	7.50%		-0.10%
37			2012	0.4667		16.00%		7.47%		40.00	-3.50%
38			2013	0.5175		16.50%		8.54%		40.00	-1.76%
39			2015-17	0.5130		14.00%		7.18%	5.50%	40.00	-0.71%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	NWN	NORTHWEST NATURAL GAS CO.	2007	0.4783		12.50%		5.98%	22.52	26.41	
2			2008	0.4086		10.90%		4.45%	23.71	26.50	
3			2009	0.4346		11.40%		4.95%	24.88	26.53	
4			2010	0.3846		10.50%		4.04%	26.08	26.58	
5			2011	0.2678		8.90%		2.38%	26.74	26.72	
6			GROWTH 2007 - 2011					4.36%	4.00%		0.29%
7			2012	0.3283		9.50%		3.12%		26.75	0.11%
8			2013	0.3831		10.00%		3.83%		26.80	0.15%
9			2015-17	0.4611		10.50%		4.84%	4.50%	26.95	0.17%
10											
11	PNY	PIEDMONT NATURAL GAS COMPANY	2007	0.2929		11.90%		3.49%	11.99	73.23	
12			2008	0.3087		12.40%		3.83%	12.11	73.26	
13			2009	0.3593		13.20%		4.74%	12.67	73.27	
14			2010	0.2839		11.60%		3.29%	13.35	72.28	
15			2011	0.2675		11.40%		3.05%	13.79	72.32	
16			GROWTH 2007 - 2011					3.68%	3.00%		-0.31%
17			2012	0.2788		12.00%		3.35%		71.00	-1.83%
18			2013	0.2765		12.00%		3.32%		70.00	-1.62%
19			2015-17	0.2895		13.00%		3.76%	2.00%	68.00	-1.22%
20											
21	SJI	SOUTH JERSEY INDUSTRIES, INC.	2007	0.5167		12.80%		6.61%	16.25	29.61	
22			2008	0.5110		13.10%		6.69%	17.33	29.73	
23			2009	0.4874		13.10%		6.38%	18.24	29.80	
24			2010	0.4963		14.20%		7.05%	19.08	29.87	
25			2011	0.4810		14.30%		6.88%	20.66	30.21	
26			GROWTH 2007 - 2011					6.72%	8.00%		0.50%
27			2012	0.4875		15.00%		7.31%		31.00	2.62%
28			2013	0.4857		15.50%		7.53%		32.00	2.92%
29			2015-17	0.5000		17.00%		8.50%	5.00%	35.00	2.99%
30											
31	SWX	SOUTHWEST GAS CORPORATION	2007	0.5590		8.50%		4.75%	22.98	42.81	
32			2008	0.3525		5.90%		2.08%	23.49	44.19	
33			2009	0.5103		7.90%		4.03%	24.44	45.09	
34			2010	0.5595		8.90%		4.98%	25.62	45.56	
35			2011	0.5638		9.20%		5.19%	26.68	45.96	
36			GROWTH 2007 - 2011					4.21%	5.50%		1.79%
37			2012	0.5547		9.50%		5.27%		47.00	2.26%
38			2013	0.5517		10.00%		5.52%		48.00	2.20%
39			2015-17	0.5789		12.00%		6.95%	4.50%	51.00	2.10%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WGL	WGL HOLDINGS, INC.	2007	0.3445		10.40%		3.58%	19.83	49.45	
2			2008	0.4221		10.40%		4.39%	20.99	49.92	
3			2009	0.4190		11.60%		4.86%	21.89	50.14	
4			2010	0.3392		9.90%		3.36%	22.82	50.54	
5			2011	0.3111		9.50%		2.96%	23.49	51.20	
6			GROWTH 2007 - 2011					3.83%	5.00%		0.87%
7			2012	0.3640		10.00%		3.64%		51.50	0.59%
8			2013	0.3608		10.00%		3.61%		51.75	0.54%
9			2015-17	0.3750		10.00%		3.75%	4.00%	52.00	0.31%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/09/2012
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2007 - 2011

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 et al.
GROWTH RATE COMPARISON

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) VALUE LINE PROJECTED DPS	(C) VALUE LINE PROJECTED BVPS	(D) VALUE LINE HISTORIC EPS	(D) VALUE LINE HISTORIC DPS	(D) VALUE LINE HISTORIC BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) 5 - YEAR COMPOUND HISTORY DPS	(F) 5 - YEAR COMPOUND HISTORY BVPS
1	AWR	6.04%	12.00%	6.50%	4.50%	0.50%	11.50%	2.50%	5.00%	6.07%	13.66%	3.39%	5.04%
2	CWT	5.62%	10.00%	5.50%	3.50%	3.50%	6.50%	1.00%	5.50%	5.07%	-9.22%	-15.01%	-12.89%
3	MSEX	4.36%	-	6.00%	2.00%	1.00%	4.50%	1.50%	5.50%	3.42%	4.02%	1.44%	3.98%
4	SJW	3.90%	-	6.00%	4.50%	3.50%	-1.50%	5.50%	6.50%	4.08%	-8.34%	4.51%	2.45%
5	WTR	6.01%	8.30%	10.00%	6.00%	5.00%	4.50%	8.00%	7.00%	6.97%	6.48%	7.61%	5.16%
6				6.80%	4.10%	2.70%	5.10%	3.70%	5.90%		1.32%	0.39%	0.75%
7	AVERAGES	5.19%	10.10%		4.53%			4.90%		5.12%		0.82%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) VALUE LINE PROJECTED DPS	(C) VALUE LINE PROJECTED BVPS	(D) VALUE LINE HISTORIC EPS	(D) VALUE LINE HISTORIC DPS	(D) VALUE LINE HISTORIC BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) 5 - YEAR COMPOUND HISTORY DPS	(F) 5 - YEAR COMPOUND HISTORY BVPS
1	GAS	6.12%	4.30%	5.50%	2.00%	6.00%	4.50%	7.50%	5.50%	5.04%	-6.04%	3.75%	7.04%
2	ATO	3.79%	4.70%	4.00%	1.50%	6.00%	4.00%	1.50%	4.50%	3.74%	3.89%	1.53%	3.22%
3	LG	4.76%	3.00%	2.00%	2.50%	4.50%	6.00%	2.50%	6.50%	3.86%	5.48%	2.65%	6.61%
4	NJR	7.01%	4.50%	5.50%	4.00%	5.50%	7.00%	8.00%	7.50%	6.00%	13.59%	9.27%	4.85%
5	NWN	4.87%	4.30%	4.00%	3.00%	4.50%	7.00%	4.50%	4.00%	4.47%	-3.53%	5.00%	4.39%
6	PNY	3.71%	4.70%	2.50%	3.00%	2.00%	4.50%	4.00%	3.00%	3.39%	2.91%	3.82%	3.56%
7	SJI	10.53%	6.00%	9.00%	9.00%	5.00%	9.50%	8.50%	8.00%	7.86%	8.44%	10.39%	6.19%
8	SWX	7.58%	5.30%	9.50%	8.00%	4.50%	6.50%	3.00%	5.50%	6.04%	5.66%	5.37%	3.80%
9	WGL	3.96%	5.20%	3.00%	2.50%	4.00%	3.00%	2.50%	5.00%	3.60%	1.86%	3.13%	4.33%
10				5.00%	3.94%	4.67%	5.78%	4.67%	5.50%		3.58%	4.99%	4.89%
11	AVERAGES	5.81%	4.67%		4.54%			5.31%		4.89%		4.49%	

REFERENCES:
COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 9 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/20/2012 (WATER COMPANIES) AND 03/09/2012 (NATURAL GAS LDC's)

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+	[	(A) β	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	0.81%	+	[	0.70	x	(	9.90%	-	5.40%	)]	=	3.96%
2	CWT	k	=	0.81%	+	[	0.65	x	(	9.90%	-	5.40%	)]	=	3.73%
3	MSEX	k	=	0.81%	+	[	0.70	x	(	9.90%	-	5.40%	)]	=	3.96%
4	SJW	k	=	0.81%	+	[	0.85	x	(	9.90%	-	5.40%	)]	=	4.63%
5	WTR	k	=	0.81%	+	[	0.65	x	(	9.90%	-	5.40%	)]	=	3.73%
6	**WATER COMPANY AVERAGE**						0.71								**4.00%**
7	GAS	k	=	0.81%	+	[	0.75	x	(	9.90%	-	5.40%	)]	=	4.18%
8	ATO	k	=	0.81%	+	[	0.70	x	(	9.90%	-	5.40%	)]	=	3.96%
9	LG	k	=	0.81%	+	[	0.60	x	(	9.90%	-	5.40%	)]	=	3.51%
10	NJR	k	=	0.81%	+	[	0.65	x	(	9.90%	-	5.40%	)]	=	3.73%
11	NWN	k	=	0.81%	+	[	0.60	x	(	9.90%	-	5.40%	)]	=	3.51%
12	PNY	k	=	0.81%	+	[	0.70	x	(	9.90%	-	5.40%	)]	=	3.96%
13	SJI	k	=	0.81%	+	[	0.65	x	(	9.90%	-	5.40%	)]	=	3.73%
14	SWX	k	=	0.81%	+	[	0.75	x	(	9.90%	-	5.40%	)]	=	4.18%
15	WGL	k	=	0.81%	+	[	0.65	x	(	9.90%	-	5.40%	)]	=	3.73%
16	**NATURAL GAS LDC AVERAGE**						0.67								**3.83%**

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
β = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 01/20/2012 THROUGH 03/09/2012 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2010 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PERIC THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2011 YEARBOOK.

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) β	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	0.81%	+ [	0.70	x	(	11.90%	-	5.50%	)]	=	5.29%
2	CWT	k	=	0.81%	+ [	0.65	x	(	11.90%	-	5.50%	)]	=	4.97%
3	MSEX	k	=	0.81%	+ [	0.70	x	(	11.90%	-	5.50%	)]	=	5.29%
4	SJW	k	=	0.81%	+ [	0.85	x	(	11.90%	-	5.50%	)]	=	6.25%
5	WTR	k	=	0.81%	+ [	0.65	x	(	11.90%	-	5.50%	)]	=	4.97%
6	WATER COMPANY AVERAGE					0.71								5.35%
7	GAS	k	=	0.81%	+ [	0.75	x	(	11.90%	-	5.50%	)]	=	5.61%
8	ATO	k	=	0.81%	+ [	0.70	x	(	11.90%	-	5.50%	)]	=	5.29%
9	LG	k	=	0.81%	+ [	0.60	x	(	11.90%	-	5.50%	)]	=	4.65%
10	NJR	k	=	0.81%	+ [	0.65	x	(	11.90%	-	5.50%	)]	=	4.97%
11	NWN	k	=	0.81%	+ [	0.60	x	(	11.90%	-	5.50%	)]	=	4.65%
12	PNY	k	=	0.81%	+ [	0.70	x	(	11.90%	-	5.50%	)]	=	5.29%
13	SJI	k	=	0.81%	+ [	0.65	x	(	11.90%	-	5.50%	)]	=	4.97%
14	SWX	k	=	0.81%	+ [	0.75	x	(	11.90%	-	5.50%	)]	=	5.61%
15	WGL	k	=	0.81%	+ [	0.65	x	(	11.90%	-	5.50%	)]	=	4.97%
16	NATURAL GAS LDC AVERAGE					0.67								5.11%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\beta (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
β = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 01/20/2012 THROUGH 03/09/2012 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2010 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2011 YEARBOOK

PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 et al.
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.90%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.84%	-6.80%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	2009	-0.36%	5.00%	3.25%	0.50%	0.00% - 0.25%	0.15%	4.08%	5.84%	6.87%
21	2010	1.64%	2.80%	3.25%	0.72%	0.00% - 0.25%	0.13%	4.25%	5.50%	5.98%
22	2011	3.00%	1.70%	3.25%	0.75%	0.00-0.25%	0.05%	3.93%	5.06%	5.58%
23	CURRENT	2.90%	2.80%	3.25%	0.75%	0.00% - 0.25%	0.08%	3.09%	4.05%	4.53%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/09/2012

COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/09/2012
COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
COLUMN (H) THROUGH (I): 2003 MERGENT NEWS REPORTS

PIMA UTILITY COMPANY
TEST YEAR ENDED DECEMBER 31, 2010
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-02199A-11-0329 et al.
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES (000's)

LINE NO.		AWR	PCT.	CWT	PCT.	SJW	PCT.	WTR	PCT.	MSEX	PCT.
1	DEBT	$ 299.8	44.3%	$ 479.2	52.4%	$ 295.7	53.7%	$ 1,532.0	56.6%	$ 133.8	43.1%
2											
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	3.4	1.1%
4											
5	COMMON EQUITY	377.5	55.7%	435.5	47.6%	255.0	46.3%	1,174.3	43.4%	173.3	55.8%
6											
7	TOTALS	$ 677.4	100%	$ 914.7	100%	$ 550.7	100%	$ 2,706.2	100%	$ 310.5	100%
8											

		WATER COMPANY AVERAGE	PCT.
9			
10			
11			
12	DEBT	$ 548.1	53.1%
13			
14	PREFERRED STOCK	0.7	0.1%
15			
16	COMMON EQUITY	483.1	46.8%
17			
18	TOTALS	$ 1,031.9	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES (000's)

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
1											
2											
3	DEBT	$ 1,673.0	47.7%	$ 1,809.6	45.4%	$ 364.3	47.0%	$ 428.9	37.2%	$ 591.7	46.1%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
6											
7	COMMON EQUITY	1,836.0	52.3%	2,178.3	54.6%	411.3	53.0%	725.5	62.8%	693.1	53.9%
8											
9	TOTALS	$ 3,509.0	100%	$ 3,987.9	100%	$ 775.6	100%	$ 1,154.4	100%	$ 1,284.8	100%
10											
11											

		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	NATURAL GAS LDC AVERAGE	PCT.
12											
13											
14	DEBT	$ 671.9	41.0%	$ 340.0	37.4%	$ 1,169.4	49.3%	$ 592.9	33.4%	$ 849.1	43.9%
15											
16	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	100.0	4.2%	28.2	1.6%	$ 14.2	0.7%
17											
18	COMMON EQUITY	964.9	59.0%	570.1	62.6%	1,102.1	46.5%	1,153.4	65.0%	1,070.5	55.4%
19											
20	TOTALS	$ 1,636.9	100%	$ 910.1	100%	$ 2,371.4	100%	$1,774.4	100%	$ 1,933.8	100%
21											

		WATER & LDC AVERAGE	PCT.
22			
23			
24			
25	DEBT	$ 698.6	47.1%
26			
27	PREFERRED STOCK	7.1	0.5%
28			
29	COMMON EQUITY	776.8	52.4%
30			
31	TOTALS	$ 1,482.5	100%

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS