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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

April 27, 2012

EXHIBIT
A-8
ADMITTED

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF PIMA'S REBUTTAL POSITION 1

III. RATE BASE 4

A. Water Division Rate Base 4

1. Plant-in-Service (PIS) and Accumulated Depreciation (A/D) 4

2. Advances-in-Aid of Construction (AIAC) and Contributions-in- Aid of Construction (CIAC) 6

B. Wastewater Division Rate Base 6

1. PIS and A/D 6

2. AIAC and CIAC 9

IV. INCOME STATEMENT 9

A. Revenue and Expenses – Water and Wastewater Divisions 9

1. Depreciation Expense 9

2. Property Taxes 11

3. Rate Case Expense 12

4. Salaries and Wages 17

5. Employee Pensions and Benefits 18

6. Office Supplies and Expense 18

7. Repairs and Maintenance/ Materials and Supplies 18

8. Contractual Services – Engineering 19

9. Contractual Services – Testing 19

10. Contractual Services – Other 20

11. Miscellaneous Expense 20

12. Interest Synchronization 21

13. Income Taxes 21

V. RATE DESIGN 26

A. Water Division 26

1. Proposed Rates – Water Division 26

2. Comments on Staff Rate Design 28

3. Comments on RUCO Rate Design 35

4. Miscellaneous Charges – Water Division 37
5. Cost of Service Study – Water Rates 37
B. Wastewater Division 39
1. Proposed Rates – Wastewater Division 39
2. Comments on Staff and RUCO Rate Designs 40
3. Miscellaneous Charges – Wastewater Division 41

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. I am testifying in this proceeding on behalf of the applicant, Pima Utility Company, ("Pima" or the "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?

A. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. To respond to the direct filings by Staff and RUCO. More specifically, this first volume of my rebuttal testimony relates to rate base, income statement and rate design for Pima. In a second, separate volume of my rebuttal testimony, I present an update to the Company's requested cost of capital as well as provide responses to Staff and RUCO on the cost of capital, the rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF PIMA'S REBUTTAL POSITION

Q. WHAT ARE THE REVENUE INCREASES FOR THE WATER AND WASTEWATER DIVISIONS THAT THE COMPANY IS PROPOSING IN THIS REBUTTAL TESTIMONY?

A. For the water division, the Company is proposing a total revenue requirement of $2,691,108, which constitutes an increase in revenues of $713,480, or 36.08% over adjusted test year revenues. For the wastewater division, Pima is proposing a total

revenue requirement of $3,514,104, which constitutes an increase in revenues of $417,329, or 13.48% over adjusted test year revenues.

Q. HOW DO THESE COMPARE WITH THE COMPANY'S DIRECT FILING?

A. They are both lower. In the direct filing for the water division, the Company requested a total revenue requirement of $3,001,192, which required an increase in revenues of $1,023,565, or 51.76%. In the direct filing for the wastewater division, the Company requested a total revenue requirement of $3,787,985, which required an increase in revenues of $691,210, or 22.32%. For the two divisions, the necessary revenue increase has decreased by just under $584,000.

Q. WHAT'S DIFFERENT?

A. In its rebuttal filing, Pima has adopted a number of adjustments recommended by Staff and/or RUCO, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year, including an updated debt cost that has significantly reduced the Company's costs of service.

For the water division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $109,232, from $1,845,067 in the direct filing to $1,735,835; and a net decrease of $24,205 in rate base from the direct filing of $9,097,529 to $9,073,324.

For the wastewater division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $74,824, from $2,654,991 in the direct filing to $2,580,167; and a net decrease of $30,472 in rate base from the direct filing of $9,863,271 to $9,832,800.

The Company continues to recommend a cost of equity of 10.5%. The Company now proposes a reduction in the cost of debt to 4.25% from a recommendation of 7.182% in its direct filing. In addition, the Company proposes

a capital structure consisting of 35.36% debt and 64.64% equity compared to its direct filing of 31.1% debt and 68.9% equity. Based on the Company's rebuttal recommendation regarding the cost of debt, cost of equity, and the capital structure, the overall recommended weighted cost of capital (rate of return) has been reduced to 8.29% from a recommendation of 9.47% in its direct filing.

Q. THOSE ARE VERY SIGNIFICANT CHANGES IN THE CAPITAL STRUCTURE AND COST OF DEBT, MR. BOURASSA. HOW DID THEY COME ABOUT?

A. The Company received approval in March 2012 to borrow over $8 million.[1] The loan has not closed but it will in the near future, and the Company's ability to secure debt financing at such a low interest rate reflects a substantial cost savings to Pima and its customers.

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

A. For the water division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$3,001,192	$1,023,565	51.76%
Staff	$2,457,559	$ 479,932	24.27%
RUCO	$2,543,675	$ 566,048	28.62%
Company Rebuttal	$2,691,108	$ 713,480	36.08%

[1] *See* Decision No. 73078 (April 5, 2012).

For the wastewater division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct	$3,787,985	$ 691,210	22.32%
Staff	$3,096,775	$ 170,345	5.50%
RUCO	$3,328,981	$ 232,207	7.50%
Company Rebuttal	$3,514,104	$ 417,329	13.48%

III. RATE BASE

A. Water Division Rate Base

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WATER DIVISION?

A. Yes, for the water division the rate bases proposed by the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Direct	$ 9,097,529	$ 9,097,529
Staff	$ 9,122,677	$ 9,122,677
RUCO	$ 9,073,286	$ 9,073,286
Company Rebuttal	$ 9,073,324	$ 9,073,324

1. Plant-in-Service (PIS) and Accumulated Depreciation (A/D)

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE FOR THE WATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company's rebuttal rate base adjustments to the water division's OCRB are detailed on Rebuttal Schedules B-2, pages 3 through 5. Rebuttal Schedule B-2,

page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page 2, consists of one adjustment labeled as "A" on Rebuttal Schedule B-2, page 3.

Adjustment A reflects the capitalization of certain test year operating expenses. All three parties now propose to capitalize certain test year expenses totaling $25,531.[2] There are no other proposed adjustments to PIS leaving all parties in agreement of the PIS balance of $14,571,659 at this stage of the proceeding.

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ACCUMULATED DEPRECIATION.

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of one adjustment labeled as "A" on Rebuttal Schedule B-2, page 4.

Adjustment A reflects additional accumulated depreciation of $383 related to the PIS adjustment reflected in Adjustment A on Rebuttal Schedule B-2, page 3. All three parties are in agreement on this adjustment.[3] There are no other proposed adjustments to A/D and all parties are in agreement of the PIS balance of $4,788,552 at this stage of the proceeding.[4]

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[2] Direct Testimony of Crystal S. Brown ("Brown Dt.") at 12; Direct Testimony of Robert B. Mease ("Mease Dt.") at 10.

[3] Brown Dt. at 13; Mease Dt. at 10.

[4] RUCO A/D balance is $4,788,550 - $2 less than Staff and the Company. This difference is due to rounding.

2. **Advances-in-Aid of Construction (AIAC) and Contributions-in-Aid of Construction (CIAC)**

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ADVANCES-IN-AID OF CONSTRUCTION AND CONTRIBUTIONS-IN-AID OF CONSTRUCTION.

A. In rebuttal B-2 adjustment 3, as shown on Schedule B-2, page 2, the Company adopted RUCO's proposed adjustments to AIAC and CIAC—a decrease to AIAC of $374,236 and an increase to CIAC of $423,589.[5] The Company and RUCO are in agreement of the balance of AIAC ($0) and net CIAC ($709,783) at this stage of the proceeding. Staff has not proposed any adjustments to AIAC or CIAC.

B. Wastewater Division Rate Base

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WASTEWATER DIVISION?

A. Yes, for the wastewater division the rate bases proposed by the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Direct	$ 9,863,271	$ 9,863,271
Staff	$ 9,642,163	$ 9,642,163
RUCO	$ 9,832,800	$ 9,832,800
Company Rebuttal	$ 9,832,800	$ 9,832,800

1. **PIS and A/D**

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION.

A. The Company's rebuttal rate base adjustments to the wastewater division's OCRB

[5] Mease Dt. at 9.

are detailed on Rebuttal Schedules B-2, pages 3 through 5. Rebuttal Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

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

Adjustment A reflects the capitalization of certain test year operating expenses by the Company, Staff and RUCO totaling $22,391.[6] However, there is a difference between the Company and Staff with respect to which plant accounts are adjusted. The Company proposes a $9,179 to plant account 371.1 Pumping Equipment – Lift Stations and a $13,212 adjustment to plant account 380 Treatment and Disposal Equipment totaling $22,391 while Staff proposes a $22,391 adjustment to plant account 371.1 Pumping Equipment – Lift Stations.

Adjustment B reflects the removal of certain plant costs that were not included in the sewer division's prior rate case and reflects the adoption of RUCO's proposed adjustment to PIS. Although the Company does not agree with RUCO's rationale, the Company has adopted RUCO's proposal to remove $37,858 of plant costs from PIS in order to eliminate issues between the parties.[7]

The Company is not proposing any other proposed adjustments to PIS. The Company and RUCO agree to a PIS balance of $22,039,554 (including a $3 rounding difference). Staff's recommended PIS balance is $21,478,941, which is $560,613 lower than the Company's recommended PIS balance.

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[6] *See* Direct Testimony of Timothy J. Coley ("Coley Dt.") at 13; Brown Dt. at 12.

[7] Coley Dt. at 13.

Q. WHAT ARE THE REASONS FOR THE DIFFERENCE IN THE PIS BALANCES BETWEEN THE COMPANY AND STAFF?

A. Two reasons. First, Staff's PIS balance does not reflect the RUCO proposed adjustment of $37,858 discussed above. Second, Staff is proposing to remove $598,468 for excess capacity related to wastewater treatment.[8] The Company disagrees with Staff's proposal for the reasons explained by Mr. Jones in his rebuttal testimony.

Q. OKAY. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ACCUMULATED DEPRECIATION.

A. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2, consists of one adjustment labeled as "A" and "B" on Rebuttal Schedule B-2, page 4.

Adjustment A reflects the additional accumulated depreciation of $383 and is related to the PIS adjustment reflected in Adjustment A on Rebuttal Schedule B-2, page 3. All three parties are in agreement on this adjustment.[9]

Adjustment B reflects the removal of $43,881 of accumulated depreciation and is related to the PIS adjustment reflected in Adjustment B on Rebuttal Schedule B-2, page 3. RUCO proposes a similar adjustment totaling $43,884 – a difference of $3, which is due to rounding. Since Staff has not proposed an adjustment to PIS for prior rate case plant costs, Staff does not have any corresponding adjustment of this nature.

There are no other proposed adjustments to A/D. The Company and RUCO are in agreement on the A/D balance of approximately $11,503,741.[10] Staff's

[8] Brown Dt. at 7.
[9] Brown Dt. at 13; Mease Dt. at 10.
[10] RUCO A/D balance is $11,503,738 - $3 less than the Company. This difference is due to rounding.

recommended A/D balance of $11,191,864 is lower than the Company's recommended balance by $311,877. This difference is the result of: 1) Staff's A/D not including the $43,881 upward adjustment to A/D for prior rate case plant costs as reflected in the Company's proposed adjustment "B" discussed above; and, 2) Staff's proposed $356,088 downward adjustment to A/D related to its recommended disallowance of excess capacity plant costs.[11]

2. AIAC and CIAC

Q. PLEASE DISCUSS THE COMPANY'S ADJUSTMENT TO ADVANCES-IN-AID OF CONSTRUCTION AND CONTRIBUTIONS-IN-AID OF CONSTRUCTION.

A. In rebuttal B-2 adjustment 3, as shown on Rebuttal Schedule B-2, page 2, the Company adopted RUCO's proposed adjustments to AIAC and CIAC—a decrease to AIAC of $285,313 and an increase to CIAC of $343,412.[12] The Company and RUCO are in agreement of the balance of AIAC ($0) and net CIAC ($703,013) at this stage of the proceeding. Staff has not proposed any adjustments to AIAC or CIAC at this stage of the proceeding.

IV. INCOME STATEMENT

A. Revenue and Expenses – Water and Wastewater Divisions

1. Depreciation Expense

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ADJUSTMENTS TO REVENUES AND EXPENSES FOR THE WATER AND WASTEWATER DIVISION AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A. The Company rebuttal adjustments for the Water Division are detailed on Rebuttal

[11] Brown Dt. at 7.
[12] Coley Dt. at 11.

Schedule C-2, pages 1-13. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2. The Company rebuttal adjustments for the Wastewater Division are detailed on Rebuttal Schedule C-2, pages 1-13. The rebuttal income statement with adjustments is summarized on Rebuttal Schedule C-1, page 1-2.

Rebuttal adjustment 1 reduces depreciation expense for the Water Division and increases depreciation expense for the Wastewater Division.

Depreciation expense for the Water Division is lower, primarily due to the impacts of the Company's proposed rebuttal adjustments to plant-in-service. The Company and RUCO are in substantial agreement on the computed level of depreciation expense for the Water Division. Staff's proposed depreciation expense is higher than the Company's. The difference in depreciation expense compared to Staff is due to a difference in the respective party's balance of PIS, CIAC, and in the CIAC amortization rate. For example, Staff's CIAC balance does not reflect the Company proposed adjustments to CIAC and, therefore, CIAC is lower and CIAC amortization is also lower, resulting in a lower level of depreciation expense.

Depreciation expense for the Wastewater Division is slightly higher, primarily due to the impacts of the Company's proposed rebuttal adjustments to plant-in-service. The Company and RUCO are in substantial agreement on the computed level of depreciation expense for the Wastewater Division. As mentioned, the Company has not adopted Staff's excess capacity adjustment so the related depreciation is absent from Staff recommended depreciation balance. Similar to the Water Division, Staff's CIAC balance is lower as it does not reflect the RUCO proposed adjustment to CIAC mentioned earlier.

2. **Property Taxes**

Q. **PLEASE CONTINUE.**

A. Rebuttal adjustment number 2 reduces property tax expense for both the Water Division and the Wastewater Division. The reduction is primarily due to the removal of tax on parcels, a correction to the licensed vehicles amount (Wastewater Division), and a correction to the CWIP balance (Wastewater Division). The corrections were based upon RUCO's comments.[13] The exclusion of tax on parcels reflects the balances for licensed vehicles, and CWIP now reflects the positions of RUCO and the Company.[14] Staff's licensed vehicle and CWIP balance for the Water Division are the same as the Company's.[15] However, Staff's licensed vehicle and CWIP balance for the Wastewater Division are different than the Company's.[16] The CWIP balance is different because Staff's schedules do not reflect the RUCO proposed adjustment to CWIP for capitalized expense.[17] The licensed vehicle balance is different because Staff utilizes the Company direct filing proposed balance. All the parties are in agreement on the method of computing property taxes, including the assessment ratio (20%). Staff and the Company agree on the property tax rate (10.445%) for the Water Division, whereas RUCO is recommending a property tax rate of 9.9552%.[18] Staff and the Company agree on the property tax rate (10.0552%) for the Wastewater Division, whereas RUCO is recommending a property tax rate of 10.0445%.[19] RUCO's

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[13] Coley Dt. at 17 – 19.

[14] *See* Company Rebuttal Water and Wastewater Schedule C-2, page 3; RUCO Wastewater Schedule RBM-11; RUCO Wastewater Schedule TJC-10.

[15] *See* Company Rebuttal Water Schedule C-2, page 3; Staff Water Schedule CSB-17.

[16] *See* Company Rebuttal Wastewater Schedule C-2, page 3; Staff Wastewater Schedule CSB-18.

[17] Coley Dt. at 14.

[18] *See* Company Rebuttal Water Schedule C-2, page 3; Staff Water Schedule CSB-17; RUCO Schedule RBM-11.

[19] *See* Company Wastewater Schedule C-2, page 3; Staff Wastewater Schedule CSB-18; RUCO Schedule TJC-10.

recommended level of adjusted test year property taxes is lower than the Company's due to the lower tax rate.

Q. WHY ARE RUCO'S PROPERTY TAX RATES DIFFERENT?

A. RUCO's property tax rates appear to be based, in part, on property taxes related to parcels (land) that are assessed differently (10% and 16% assessment ratios) but which should not be included in the calculation.[20] The primary reason for excluding parcel (land) information is that taxes on parcels (land) are not revenue based like the majority of the Company's property tax expense. As a result, RUCO has understated property tax expense for both the Water Division and Wastewater Division.

Q. SHOULDN'T ALL WATER AND WASTEWATER UTILITY OPERATING PROPERTY BE CENTRALLY VALUED BASED ON REVENUES?

A. In theory, yes. However, in many cases utilities also receive tax bills on parcels that are not centrally valued or revenue-based; rather these tax bills are based on the county's assessment of value. Therefore, the property tax rates for bills on parcels based on value have to be excluded from the calculation of the property tax rate for revenue-based, centrally-valued properties. RUCO failed to do so and its calculation is in error.

3. Rate Case Expense

Q. PLEASE CONTINUE.

A. For both the water and wastewater divisions, rebuttal adjustment number 3 removes all rate case expense from operating expenses. The Company still seeks to recover rate cases expense, but proposes to recover Staff's recommended level of rate case expense via a surcharge as recommended by RUCO.

[20] After examination of RUCO's work papers it appears RUCO includes parcels in its computation of the property tax rate.

Q. WHY A SURCHARGE?

A. Because a surcharge recovery mechanism eliminates concerns surrounding the over or under recovery of rate case expense. It is time the Commission stopped treating it as a "normalized" operating expense.

Q. WHAT DO YOU MEAN BY A "NORMALIZED EXPENSE"?

A. Normalization refers to setting an expense level at an amount expected to be incurred on an annual basis. The actual expense incurred may be higher or lower than the normalization amount, but over time it is assumed that average actual expense will converge to the normalized level.

Q. BUT RATE CASE EXPENSE IS NOT INCURRED ON AN ANNUAL BASIS.

A. Exactly. Rate case expense is not incurred every year in connection with day-to-day operations of the utility. The vast majority of it is incurred outside a test year for the specific purpose of obtaining new rates from the Commission. And 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. Amortization refers the "expensing" of an asset over the expected benefit period and this ensures the proper matching of expenses with revenues.

Q. WHY IS THE DIFFERENCE BETWEEN "NORMALIZING" AND "AMORTIZING" RATE CASE EXPENSE RELEVANT?

A. Because Staff and RUCO have convinced the Commission to use a normalization approach to preclude a utility from recovering unrecovered rate case expense if it seeks new rates sooner than the assumed normalization period. For example, if a utility's annual rate cases expense was amortized over 5 years and it sought and received new rates before the end of 5 years, recovery of this unrecovered amount would be forfeited.

Q. BUT DOESN'T THAT PROBLEM WORK BOTH WAYS?

A. Yes. Conversely, if the utility waited longer than 5 years to get new rates, it would over recover rate case expense. That's why we are adopting RUCO's recommended surcharge. A surcharge mechanism not only solves the issue of potential over or under recovery of rate case expense, it is entirely consistent with GAAP.

Q. WHY DOES RUCO RECOMMEND A SURCHARGE?

A. According to RUCO, the traditional rate recovery for rate case expense is an inequitable solution. This is so, RUCO argues, because Pima is "not likely" to come in for new rates for another "15-20 years."[21]

Q. DO YOU AGREE WITH RUCO THE COMPANY WILL FILE LESS OFTEN BECAUSE IT HAS REACHED FULL BUILDOUT?

A. No. RUCO witnesses, Mr. Mease and Mr. Coley, actually have it backwards. Sometimes the need to file for new rates can be delayed when a utility's customer growth and corresponding revenue growth keep pace with increases in the cost of service. In fact, steady growth in the past did help Pima avoid the need for rate increases.[22] However, when a utility reaches full build out, revenues can only grow to keep up with increases in the cost of service by filing for new rates. Mr. Mease and Mr. Coley ignore this, as well as evidence that Pima's systems have aged and some facilities have reached the end of their useful lives.[23] In his rebuttal testimony, Mr. Soriano explains further why Pima will be required to seek regular rate increases going-forward.[24]

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[21] Mease Dt. at 19; Coley Dt. at 26.

[22] *See* Direct Testimony of Steven Soriano ("Soriano Dt.") at 5.

[23] *Id.* at 5 – 6.

[24] *Id.*

Q. IF YOU AND MR. SORIANO BOTH REJECT RUCO'S REASONING, WHY IS THE COMPANY ADOPTING ITS RECOMMENDED RATE CASE EXPENSE SURCHARGE?

A. Because RUCO is right that the typical normalization of rate case expense doesn't work well, for Pima or any other utility. Given the nature of this expense, as I discussed above, and the fact that it lends itself to recovery in a specific amount over a time certain, RUCO's recommended surcharge is the right remedy, despite its being offered for flawed reasons. It is also the only one of RUCO's several alternatives that is not unreasonable.

Q. BUT WHY FIVE YEARS IF PIMA EXPECTS TO COME IN ON A MORE REGULAR BASIS?

A. We have used a five-year recovery period because Staff recommends five years as its normalization period.[25] Of course, by using a surcharge, it won't really matter when Pima comes in again for new rates.

Q. WHY IS THAT, MR. BOURASSA?

A. Because a surcharge will ensure the utility recovers only the amount it is authorized to recover, no more and no less. Again, rate case expense will no longer be "normalized."

Q. WHAT WOULD BE THE AMOUNT OF THE SURCHARGE IF THE COMPANY'S RECOMMENDATION WERE ADOPTED?

A. Based on an annual rate case expense of $40,000 and the year-end number of customers of 10,188, the surcharge would be $0.33 per monthly customer bill per division ($40,000 divided by 10,188 divided by 12). The surcharge would cease once the entire rate cases expense is recovered.

[25] Brown Dt. at 23.

Q. WHAT ABOUT RUCO'S RECOMMENDED LEVEL OF RATE CASE EXPENSE?

A. RUCO recommends rate case expense of $150,000 amortized over four years, or $37,500 annually for each division.[26] RUCO bases its recommendation on comparisons to levels of rate case expense authorized in other rate cases. RUCO witnesses, Mr. Mease and Mr. Coley, make reference to the recent Sunrise Water Company rate case and to pending Arizona Water Company and UNS Gas rate cases.[27]

Q. WHAT'S WRONG WITH RUCO'S COMPARISON?

A. RUCO has failed to adequately consider the obvious differences between the proceedings used as comparables. Sunrise is roughly 1/20 the size of Pima and serves only water. Arizona Water Company and UNS Gas, while much larger, both have in-house rate case staff.

Q. ARE THERE OTHER COMPARABLES YOU WOULD USE?

A. Yes, but with caution. In the recent Chaparral City Water Company (CCWC) rate case (Decision No. 68176 (September 30, 2005)), the Commission authorized $285,000 of rate case expense amortized over 4 years, or approximately $71,250 annually. CCWC is about 25% larger than Pima's water division, but does not have a sewer division. In the recent Litchfield Park Service Company (LPSCO) rate case (Decision No. 72026 (December 10, 2010)), the Commission authorized $420,000 of rate case expense ($210,000 for its water division and $210,000 for its wastewater division) amortized over 3 years, or approximately $70,000 annually for each division. LPSCO is 1.4 times larger than Pima. Like Pima, both LPSCO

[26] Mease Dt. at 14; Coley Dt. at 22.
[27] Mease Dt. at 15; Coley Dt. at 22.

and CCWC lack internal regulatory staff, which staff reduce the cost of rate case. Of course, labor costs are still recovered, just not as rate case expense.

Q. WHY DO YOU ADVISE CAUTION WHEN COMPARING RATE CASE EXPENSE BETWEEN UTILITIES?

A. Because the amount of rate case expense a company incurs can vary substantially on a case-by-case basis for a variety of reasons.[28] And the best indicator of rate case expense is the amount actually incurred unless it is plainly unreasonable. Moreover, in this case, two of the three parties agree on the amount of this expense and adopting RUCO's lower number would end up creating a dispute that has the perverse impact of increasing the very expense at issue.

In the end, $200,000 amortized over 5 years, or $40,000 per year per division, to be collected via a surcharge until recovered is clearly just and reasonable.

4. <u>Salaries and Wages</u>

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S REBUTTAL REVENUE AND EXPENSE ADJUSTMENTS.

A. For both the water and wastewater divisions, rebuttal adjustment number 4 reduces salaries and wages for officers and directors by $50,096 to $40,198.

Q. WHAT ARE THE POSITIONS OF THE OTHER PARTIES WITH RESPECT TO WAGES AND SALARIES FOR OFFICERS AND DIRECTORS?

A. RUCO reduces this expense by $83,209 to $7,085.[29] Staff reduces this expense by $76,608 to $13,686.[30] The Company disagrees with both adjustments and believes

[28] Direct Testimony of Thomas J. Bourassa ("Bourassa Dt.") at 13.
[29] Mease Dt. at 21 – 22; Coley Dt. at 30.
[30] Brown Dt. at 17.

the level of salaries and wages for officers and directors is reasonable given the level authorized in the last rate case for Mr. Robson, and the value of the services provided by Mr. Robson. The Company's response to Staff's recommendation is discussed in more detail in the rebuttal testimony of Mr. Soriano.

5. Employee Pensions and Benefits

Q. DID STAFF ALSO REDUCE EMPLOYEE PENSION AND BENEFITS EXPENSE?

A. Yes. Staff also reduced employee benefits expense by $1,378 for amounts related to its adjustment to salaries and wages for officers and directors for both divisions.[31] The Company proposes no adjustment to employee pensions and benefits for either division. An adjustment to employee pensions and benefits is not warranted because there are no employee pension and benefit costs related to Mr. Robson's salary in the expense.

6. Office Supplies and Expense

Q. PLEASE CONTINUE.

A. For both the water and wastewater divisions, adjustment number 5 reduces office supplies and expense by $460. These adjustments reflect the adoption of Staff's proposed adjustment to this expense.[32] RUCO has not proposed a similar adjustment.

7. Repairs and Maintenance/ Materials and Supplies

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO REPAIRS AND MAINTENANCE FOR THE WATER DIVISION AND MATERIALS AND SUPPLIES FOR THE WASTEWATER DIVISION.

A. For the Water Division, rebuttal adjustment 6 reduces repairs and maintenance

[31] Brown Dt. at 18.
[32] Brown Dt. at 20.

expense by $29,489. Of this amount $21,629 relates to capitalized expenses. Both RUCO and Staff propose similar adjustments.[33] The remaining $7,680 is to reduce expense related to normalizing tree removal costs. The $7,680 reduction reflects the adoption of Staff's proposed tree removal normalization.[34]

For the Wastewater Division, rebuttal adjustment 6 reduces materials and supplies expense by $22,391 related to capitalized expenses. Both RUCO and Staff propose similar adjustments.[35]

8. <u>Contractual Services – Engineering</u>

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO CONTRACTUAL SERVICES – ENGINEERING.

A. For the Water Division, rebuttal adjustment 7 reduces contractual services - engineering by $3,902 and reflects the adoption of Staff's proposed adjustment to capitalize expenses.[36] RUCO proposes a similar adjustment.[37]

For the Wastewater Division, rebuttal adjustment 7 reduces contractual services - engineering by $19,524 and reflects the adoption of Staff's proposed adjustment to capitalize expenses.[38] RUCO proposes a similar adjustment.[39]

9. <u>Contractual Services – Testing</u>

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO CONTRACTUAL SERVICES – TESTING.

A. For the Water Division, rebuttal adjustment 8 reduces contractual services – water testing by $9,812 in order to reflect Staff's recommended level of testing

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[33] Mease Dt. at 13, Brown Dt. at 19.
[34] Brown Dt. at 19.
[35] Coley Dt. at 20, Brown Dt. at 19.
[36] Brown Dt. at 21.
[37] Mease Dt. at 5.
[38] Brown Dt. at 21.
[39] Coley Dt. at 21.

expense.[40] RUCO has not proposed a similar adjustment.

For the Wastewater Division, rebuttal adjustment 8 increases contractual services – water testing by $12,157 in order to reflect Staff's recommended level of testing expense.[41] RUCO has not proposed a similar adjustment.

10. Contractual Services – Other

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO CONTRACTUAL SERVICES – TESTING.

A. For the Water Division, rebuttal adjustment 9 reduces contractual services – other by $415 for bonuses and reflects the adoption of Staff's proposed adjustment.[42] RUCO has not proposed a similar adjustment.

For the Wastewater Division, rebuttal adjustment 9 reduces contractual services - other by $7,138 for bonuses ($438) and bond fees ($6,700) and reflects the adoption of Staff's proposed adjustment.[43] RUCO has not proposed a similar adjustment.

11. Miscellaneous Expense

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO MISCELLANEOUS EXPENSE.

A. For the Water Division, rebuttal adjustment 10 reduces miscellaneous expense by $6,354 for wastewater related bank fees. This adjustment reflects the adoption of RUCO's proposed adjustment.[44] Staff has not made a similar adjustment.

For the Wastewater Division, rebuttal adjustment 10 increases miscellaneous expense by $6,354 for wastewater related bank fees recorded in the Water Division

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[40] Brown Dt. at 23.
[41] Brown Dt. at 23.
[42] Brown Dt. at 22.
[43] *Id.*
[44] Mease Dt. at 20.

expenses. This adjustment reflects the adoption of RUCO's proposed adjustment.[45] Staff has not made a similar adjustment.

12. Interest Synchronization

Q. PLEASE DISCUSS THE COMPANY PROPOSED INTEREST SYNCHRONIZATION ADJUSTMENTS TO INTEREST EXPENSE.

A. For both the water and wastewater divisions, rebuttal adjustment 11 synchronizes interest expense with rate base. The resulting interest expense impacts the income tax computation for each division. Staff and RUCO do not propose to interest synchronize.

13. Income Taxes

Q. PLEASE DISCUSS THE COMPANY PROPOSED INCOME TAX ALLOWANCE.

A. For both the water and wastewater divisions, rebuttal adjustment 13 adjusts income taxes to the computed taxes on the Company adjusted level of income subject to tax. The income tax computation utilizes the synchronized interest expense deduction discussed above in the computation. The Company continues to recommend that the effective income tax rate be based on the actual effective tax rates for individuals and entities along with their proportionate share of income at proposed revenues using the applicable federal and state tax rates. Staff and RUCO do not propose an income tax allowance and therefore make no adjustment for income taxes.

Q. WHY DON'T RUCO AND STAFF INCLUDE AN INCOME TAX ALLOWANCE IN RATES?

A. The primary reason is that tax pass-through entities like Subchapter S corporations

[45] Coley Dt. at 28.

do not actually pay the income taxes generated from their income, their shareholders do.[46] Pima is an S corporation.

Q. IS ACTUAL PAYMENT IN THE AMOUNT OF THE EXPENSE A PREREQUISITE TO RECOVERY?

A. No. First, Marc Spitzer, a former ACC and FERC Commissioner, is testifying in this case and as he explains, what matters is the tax liability, not the tax payment.[47]

Q. ISN'T THIS UNUSUAL IN RATEMAKING THOUGH – USING AN EXPENSE THAT ISN'T AN ACTUAL EXPENSE OF THE UTILITY?

A. No, it is how the entire process works actually. In Arizona, the Commission utilizes an historical test year – a snapshot of the utility presumed to reflect the normal level of revenue and expenses expected during the period rates will be in effect.[48] However, actual revenues and expenses are almost always going to be different than the levels estimated during a rate case. This can be for a variety of reasons, but in the simplest terms, all operating expenses used in determining a revenue requirement are estimates. Then, in some cases, the Commission includes purely hypothetical levels of expense in the determination of a revenue requirement.

Q. CAN YOU PROVIDE EXAMPLES TO ILLUSTRATE WHAT YOU MEAN REGARDING ESTIMATING EXPENSES AND HYPOTHETICAL EXPENSES?

A. Yes. Purchased water and purchased power are good examples. While these two major expenses are often adjusted to reflect <u>known and measurable</u> changes in the rates for water or for electric power from the utility's providers (e.g. the Central

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[46] Brown Dt. 25 – 26; Direct Testimony of William A. Rigsby ("Rigsby Dt.") at. 5.
[47] Rebuttal Testimony of Marc L. Spitzer at 10 – 12.
[48] *See* Arizona Administrative Code R-14-2-103.

Arizona Project or APS), the increases in the rates charged by the providers that occur between rate cases are not captured in rates. Utilities often incur and pay levels of these expenses that are much greater than the estimated amounts used to make rates. Another example is salaries and wages.

Again, the objective during a rate case is to capture the full annualized wages of all employees in rates. But, subsequent to the rate case, the utility may lose an employee for various reasons and the position may be vacant for several months. All things remaining equal, the utility would pay less for salaries and wages in a given year due to vacancies. The opposite is also true. A utility may need to add positions that result in increased costs or it may fill positions with personnel who demand higher pay. Annual wages increases between rate cases are also not captured in rates.

The use of estimates is a basic function of the ratemaking process all geared toward providing a utility a reasonable opportunity (not a guarantee) to recover its reasonable costs of providing service and to earn its authorized return on its investments. The actual revenues and expenses may turn out to be different than the estimates. With rare exception, the rates are not adjusted retrospectively to true-up for the revenues and expenses actually incurred.

Q. PLEASE CONTINUE.

A. With respect to hypothetical expenses, in the recent Gold Canyon Sewer Company ("GCSC") rate case,[49] the Commission adopted RUCO's recommendation to use a hypothetical capital structure, hypothetical debt cost, and a hypothetical interest expense deduction through interest synchronization. GCSC did not have any actual debt in its capital structure, had no interest deduction for tax purposes, and its

[49] *See Gold Canyon Sewer Company*, Decision 70624 (November 19, 2008).

actual income taxes would be much greater than the income tax allowance included in the ratemaking equation.[50] But, as Mr. Rigsby explained in that case, the inclusion of a purely hypothetical interest expense provided a "savings" to ratepayers of $278,000.[51] This is not the only rate case in which the Commission has used a purely hypothetical expense to set rates.

Given the fact that "actual" payments have no role in setting a revenue requirement, and that estimates and hypotheticals are perfectly fine, I find Staff and RUCO's argument that Pima does not actually pay income taxes to be a smoke screen and of little merit, except to obfuscate the real issue.

Q. WHAT IS THE REAL ISSUE, MR. BOURASSA?

A. That Pima's provision of water and wastewater utility service undeniably gives rise to an annual actual or potential tax liability. Neither Staff nor RUCO dispute this fact.[52]

Q. BUT THE LIABILITY IS ON THE SHAREHOLDERS, CORRECT?

A. Yes, but so what? But for the utility service rendered by Pima, there would be no tax liability. Therefore, the tax liability is a cost of service just like depreciation, salaries and wages, and purchased power. Staff recognized this to be true more than 20 years ago.[53]

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[50] *See* Rehearing Testimony of Thomas J. Bourassa (filed October 30, 2007, Docket SW-02519A-06-0015) at 12 – 17.

[51] *See* Rehearing Testimony of William A. Rigsby (filed September 28, 2007, Docket SW-02519A-06-0015) at 30.

[52] Rigsby Dt. at 4; Brown Dt. at 26.

[53] *See* Staff's Exceptions to Hearing Officer's Proposed Opinion and Order (filed December 29, 1987, in *Consolidated Water Utilities, Ltd.*, Docket Nos. E-1009-86-216, E-1009-86-217 & E-1009-86-332 (consolidated)) at 6:18-22.

Q. BUT ALLOWING AN INCOME TAX ALLOWANCE WOULD RESULT IN HIGHER RATES COMPARED TO NO INCOME TAX ALLOWANCE. CORRECT?

A. Sure, and allowing recovery of power expense would make rates higher than if recovery of purchased power were denied. Again, the question is whether the expense is a legitimate cost of service and, if so, whether the amount to be included in rates is known and measurable and reasonable and prudent.

Q. BUT MR. BOURASSA, IF THE COMPANY DOES NOT PAY THE TAX, HOW CAN YOU ENSURE THAT THE AMOUNT OF EXPENSE INCLUDED IS REASONABLE AND PRUDENT?

A. Just as we do in every case for computing the income tax allowance for a C corporation—compute the effective tax rate based upon the income that is subject to tax and then provide for an income tax allowance based upon that effective tax rate. To achieve a similar outcome for an S corporation the income tax allowance computation requires first drilling down to the ownership level until a taxable or nontaxable entity is reached, then establishing a marginal tax rate for each taxable entity, and finally calculating a weighted average tax rate for the combined ownership and applying that tax rate for calculating income tax allowance. This is exactly the approach taken by the Company in this case.[54]

[54] Bourassa Dt. at 17.

V. RATE DESIGN

A. Water Division

1. Proposed Rates – Water Division

Q. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$ 6.75
3/4" Meter	$ 6.75
1" Meter	$ 18.94
1 1/2" Meter	$ 24.86
2" Meter	$ 30.78
3" Meter	$ 47.36
4" Meter	$ 61.57
6" Meter	$118.40
Irrigation	$200.00
Gallons in minimum (all classes, except irrigation)	0
Gallons in minimum (irrigation)	0

COMMODITY RATES

5/8"X3/4" Meter – Res.	1 to 4,000	$ 0.93
	4,001 to 10,000	$ 1.28
	Over 10,000	$ 1.68
5/8"X3/4" Meter – Com.	1 to 10,000	$ 1.28
	Over 10,000	$ 1.68

3/4" Meter – Res.	1 to 4,000	$ 0.93
	4,001 to 10,000	$ 1.28
	Over 10,000	$ 1.68
3/4" Meter – Com.	1 to 10,000	$ 1.28
	Over 10,000	$ 1.68
1" Meter – Res., Com.	1 to 25,000	$ 1.28
	Over 25,000	$ 1.68
1 ½" Meter – Res., Com.	1 to 50,000	$ 1.28
	Over 50,000	$ 1.68
2" Meter – Res., Com.	1 to 80,000	$ 1.28
	Over 80,000	$ 1.68
3" Meter – Res., Com.	1 to 160,000	$ 1.28
	Over 160,000	$ 1.68
4" Meter – Res., Com.	1 to 250,000	$ 1.28
	Over 250,000	$ 1.68
6" Meter – Res., Com.	1 to 500,000	$ 1.28
	Over 500,000	$ 1.68
Irrigation – all meter sizes	All gallons	$ 0.55
Standpipe (bulk)	All gallons	$ 1.68

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

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch residential customer using an average 6,395 gallons is $13.52—a $2.86 increase over the present monthly bill or a 26.82 percent increase.

2. **Comments on Staff Rate Design**

Q. **PLEASE COMMENT ON THE PROPOSED RATE DESIGN OF STAFF.**

A. Like the Company, Staff is proposing an inverted three tier design for the 5/8 inch metered customers and an inverted two tier design for the 3/4 inch and larger metered customers. Staff's break-over points increase with meter size, but Staff's are different than the Company's. The Company's proposed break-over points are scaled on the meter size relative to a 5/8x3/4 inch meter. It is not clear how Staff determined their proposed break-over points as Staff has not provided an explanation.

Q. **DO YOU AGREE WITH STAFF'S BREAK-OVER POINTS?**

A. No. I will explain further by providing a few examples referring to Staff Water Schedule CSB-19. For starters, Staff's break-over points for the 5/8x3/4 inch metered residential customers are 4,000 gallons and 10,000 gallons respectively. This is a typical design for the small residential meters like the 5/8x3/4 inch and the 3/4 inch residential meters. However, the break-over points for the 3/4 inch metered residential customers are 4,000 gallons and 21,000 gallons. Because both of these customer classes have the same monthly minimum, they should have the same break-over points. Otherwise the 3/4 inch residential customer receives a more favorable rate design. Unless there is a very compelling reason for the more favorable rate design, which Staff does not provide, the break-over point should be the same.

Moving on, the 21,000 gallon second tier for the 3/4 inch metered residential customers also conflicts with the design for the break-over points for the 5/8 x3/4 inch and the 3/4 inch metered commercial customers which is 10,000 gallons. Let me explain. As is typical for rate designs adopted by this Commission, the commercial customers are on a two-tier inverted rate design. It is

also typical to set the first tier of the small commercial meters (5/8x3/4 inch and 3/4 inch meters) at the second tier level of the 5/8x3/4 inch residential meters; in this case, 10,000 gallons. This is true particularly when the monthly minimums for the small residential meters and the small commercial meters are the same, which they are. The residential customers have a somewhat more favorable rate design than the small commercial meters in that the small residential meters are afforded the lowest priced commodity rate for the first 4,000, but this advantage is somewhat offset by providing more gallons in the first tier of the small commercial meters. On balance, the typical rate design for small residential (inverted three-tier) and small commercial customers (inverted two-tier) is considered fair; assuming of course the differential between the lowest priced commodity rate and the higher priced commodity rates are reasonable.

Moving on to the larger meter sizes, there is only a 5,000 gallon differential between the break-over points for the 1 inch, 1½ inch and 2 inch metered customers (residential and commercial): the 1 inch break-over point is set at 21,000 gallons; the 1½ inch meter break-over point is set at 26,000 gallons; and the 2 inch meter break-over point is set at 31,000 gallons. Unless there is a compelling reason for the narrow differentials between the break-over points for these size meters points it makes little sense to adopt them. Typically, the break-over points for the larger meters are scaled on the flows of a 5/8x3/4 meter. The result is something like the Company recommended break-over points, *e.g.* 25,000 gallons for the 1 inch meters (a flow factor of 2.5 times the 10,000 gallons second tier break-over point for the 5/8x3/4 inch meters), 50,000 gallons for the 1.5 inch meters (a flow factor of 5 times the 10,000 gallons second tier break-over point for the 5/8x3/4 inch meters), and 80,000 gallons for the 2 inch meters (a flow factor of 5 times the 10,000 gallons second tier break-over point for the 5/8x3/4 inch meters).

Q. WHAT IS THE RATIONALE BEHIND PROVIDING MORE GALLONS IN THE FIRST TIER FOR THE LARGER METERS?

A. The larger metered customers pay more than the smaller metered customers for their respective monthly minimums and should be afforded more gallons in the first tier.

Q. DOESN'T STAFF'S BREAK-OVER POINTS AND MONTHLY MINIMUMS INCREASE WITH METER SIZE?

A. Yes, except that Staff's break-over points are neither set relative to the meter flows of a 5/8x3/4 inch meter nor are they set relative to the monthly minimum of the 5/8x3/4 inch metered customers, which would make more sense absent some compelling reason to do otherwise. But Staff has not explained or provided a rationale for its proposed break-over points.

Q. WHAT ABOUT STAFF'S COMMODITY RATES?

A. Like, the Company's commodity rates, the first tier commodity rate for 3/4 inch and larger metered commercial customers is the same as the second tier of the 5/8x3/4 inch metered residential customers. The second tier of the 3/4 inch and larger metered commercial customers is the same as the third tier of the 5/8 inch metered commercial customers. The primary difference between the Company and Staff is that Staff provides a very low first tier commodity rate.

Q. WHAT CONCERNS DO YOU HAVE WITH STAFF'S PROPOSED COMMODITY RATES?

A. Staff is <u>discounting</u> water service and generating a subsidy (i.e., selling water well far below cost in the first rate block) for the 5/8x3/4 inch metered residential customers, the largest customer class. Further, larger metered customers reach the highest priced commodity rates sooner due to the relatively low break-over points. As a result, customers that use large amounts of water for various residential and

non-residential purposes will be required to pay much more than the cost of service which ends up providing a significant subsidy for the low use residential customers.

Q. WHAT IS WRONG WITH THIS?

A. To begin with, Staff is pricing water far below the current $0.92 rate. As a result, Staff is sending the wrong price signal for conservation to customers. Staff is recommending an overall increase in water revenues of about 24 percent, yet Staff's recommended commodity rate for the first tier is decreased by 18.4 percent to $0.75 per thousand. The commodity rate in the second tier is increased by only about 5.8 percent over the current commodity rate. In contrast to the first and second tier increases, the commodity rate in the third tier will be increased by about 59 percent.

Apparently Staff no longer believes it necessary to send a price signal to customers falling in the first and second tiers because after nearly 20 years, the cost of water is little changed, or worse, it is cheaper than it was in 1992. Sadly, this is the illogical end-result of Staff's revenue shifting run-amok. No longer does Staff just want to make water cheap for small residential users. It appears Staff no longer believes that anyone but the largest users need to conserve. I can only hope the ALJ and Commission realize that it is not just the utilities crying over the increased risk of revenue erosion. Instead, left to Staff's devices, rate design is now more of a social tool than a ratemaking one.

In my view, the water conservation goal is important but it is equally important to provide revenue stability to the utility in order to have financially healthy utilities. These two goals often conflict with each other. The ultimate objective should be to find a reasonable balance between the two. In my view, the Staff rate design is unbalanced and should not be adopted.

Q. HAVE YOU PREPARED ANY SCHEDULES TO ILLUSTRATE THE UNBALANCED NATURE OF STAFF'S RATE DESIGN?

A. Yes. Included as Rebuttal Exhibit TJB-RB1 is a schedule similar to the Company's H-1. This schedule shows the revenues recovered from each customer class under present rates and the Staff proposed rates. As the schedule shows, under the current rates, approximately 64.5 percent of revenues are provided by the 5/8x3/4 inch metered residential customers. Under Staff's proposed rates, the proportion of total revenues recovered from this customer class drops to about 55.8 percent. There is a dramatic shift in revenue recovery away from the 5/8x3/4 inch metered residential customers. Remember, the 5/8x3/4 inch metered residential customers represent the largest customer class (96 percent of total customers).

In contrast, as shown on Rebuttal Schedule H-1, the Company's proposed rates recover approximately 61.9 percent of revenues from this class compared to current rates at 64.5 percent. This shift is less dramatic.

Q. TO WHICH CUSTOMER CLASS IS THE REVENUE RECOVERY PRIMARILY SHIFTED TO UNDER THE STAFF RATES?

A. The most dramatic increase in the revenue recovery to a customer class occurs with the irrigation class. Under current rates, approximately 15.7 percent of revenues are recovered from the irrigation class. Under Staff's proposed rates approximately 24.3 percent of revenues are recovered from the irrigation class. Contrast this with the Company's rate design which recovers approximately 17.6 percent of revenues from the irrigation class under the proposed rates.

Q. HAVE YOU PREPARED ANY SCHEDULES TO DEMONSTRATE HOW STAFF'S RATE DESIGN IMPACTS THE AVERAGE CUSTOMERS?

A. Yes, Rebuttal Exhibit TJB-RB2 is similar to the H-2 schedule contained in the Company's rebuttal filing. The H-2 shows the average bill at present and proposed

rates. Staff is recommending an overall revenue increase of about 24 percent. But, as shown on the schedule, Staff is providing only a 7.3 percent increase on the average 5/8x3/4 inch metered residential customers—less than about one-third of the overall percent increase of 24 percent. In contrast, as shown on the Company's Rebuttal Schedule H-2, the average 5/8x3/4 inch metered residential customers will see a 26.8 percent increase, about three-quarters of the overall percent increase of 38 percent.

Q. DO YOU HAVE ANY OTHER SCHEDULES DEMONSTRATING THE UNBALANCED NATURE OF STAFF'S RATE DESIGN?

A. Yes, attached as Rebuttal Exhibit TJB-RB3. At page 3 of this exhibit is a breakdown of the revenue recovery from the monthly minimums and the commodity rates. Under present rates, approximately 38.8 percent of revenues are derived from the monthly minimums. This is shown on page 1 of the exhibit. However, under Staff's proposed rates, the percentage drops to 29.6 percent. This shift results in more revenue instability as less revenue from the monthly minimums exposes the Company to less revenues when water sales are affected by conservation

In contrast, as shown on page 2 of the exhibit, the Company's proposed rate design derives approximately 33.8 percent revenue recovery from the monthly minimums. I should note that based upon my experience, Staff typically recommends revenue recovery between 30 and 40 percent of the monthly minimums. In my view, it should be closer to 40 percent and preferably between 40 percent and 50 percent. So, Pima's current rate design is already riskier than most that I have seen. Shifting revenue recovery further away from the monthly minimums will only increase revenue instability and the Commission should not go too far in light of this.

Finally, from a cost of service standpoint, the Staff rates provide more subsidization than does the Company's. I will discuss the results of my cost of service (Rebuttal G schedules) updates and associated exhibits a bit later. For now, the unbalanced subsidization occurring under Staff's rate design is another reason Staff's rate design should not be adopted.

Q. ANY OTHER CONCERNS ABOUT THE STAFF PROPOSED RATES?

A. Yes, Staff recommends a monthly minimum for the irrigation customer class that is different than the monthly minimum for effluent sales for the wastewater division, while at the same time recommending the same commodity rates for irrigation water (recovered effluent) for the water division and effluent water for the wastewater division. The Company recommends that both the monthly minimums and the commodity rates be the same, as this design is a reflection of the integrated nature of the water and wastewater operations with respect to irrigation water.[55]

Q. IN REBUTTAL EXHIBIT TJB-RB1, STAFF'S RATES PRODUCE ABOUT $137,000 MORE REVENUE THAN IS REQUIRED FOR STAFF'S REVENUE REQUIREMENT. PLEASE COMMENT.

A. Yes, that's true. You will find the approximately $137,000 on line 31. It appears as a reconciling amount to balance to the Staff proposed revenue requirement. I have contacted Staff to try to resolve this issue.

Q. DOES THIS ERROR IMPACT YOUR COMMENTS REGARDING STAFF'S RATE DESIGN?

A. No.

[55] Bourassa Dt. at 22; Soriano Dt. at 4.

3. Comments on RUCO Rate Design

Q. THANK YOU, CAN YOU PLEASE COMMENT ON RUCO'S RATE DESIGN?

A. RUCO is proposing an inverted three tier design for the 5/8 inch metered residential, and an inverted two tier design for the 3/4 inch and larger metered customers.[56] RUCO's break-over points are the same under present rates and the same as proposed by the Company.

Like the Company's rate design, RUCO's rate design spreads the rate increase more evenly than Staff's rate design, and while RUCO's rate design does shift revenue from the monthly minimums, it is less of a shift than Staff's rate design and is closer to the Company's rate design.

Q. HAVE YOU PREPARED A SCHEDULE TO SHOW THIS?

A. Yes, included as Rebuttal Exhibit TJB-RB4 is a schedule similar to the Company's H-1 which shows the revenues recovered from each customer class under present rates and RUCO's proposed rates. As shown, the percentage of revenues recovered from the 5/8x3/4 inch metered residential customers under RUCO's proposed rates is about 62 percent. Compare this to the 62.7 percent recovered from the 5/8x3/4 inch metered residential customers under the Company's proposed rates.

Q. HAVE YOU PREPARED A SCHEDULE TO ILLUSTRATE THE AVERAGE INCREASE BY CUSTOMER CLASS UNDER RUCO'S PROPOSED RATES?

A. Yes. Rebuttal Exhibit TJB-RB5 is similar to the H-2 schedule contained in the Company's rebuttal filing. The H-2 shows the average bill at present and proposed rates. RUCO is recommending a revenue increase of about 29 percent. As shown on the schedule, RUCO is providing a 19.6 percent increase on the average

[56] *See* RUCO Schedule RBM-RD2.

5/8 inch residential metered customers; about two-thirds of RUCO's recommend overall increase of 29 percent.

Q. WHAT CONCERNS DO YOU HAVE WITH RUCO'S PROPOSED RATE DESIGN?

A. While RUCO's rate design is more balanced than Staff's rate design, it is too complicated. In my view the complication is unnecessary. Let me explain. RUCO has proposed different monthly minimums for the residential and commercial customers. Further, RUCO has proposed different commodity rates for the residential and commercial customers. This complicates the rate design and it is unnecessary. Complicated rate designs are difficult to explain and for customers to understand. Further, RUCO has not explained the reasons or provided a complete analysis to justify the differences in the monthly minimums and the commodity rates between the residential and commercial classes.

Q. ARE THERE OTHER CONCERNS?

A. Yes. There is clearly a problem with the 3/4 inch meter commercial commodity. RUCO proposes a two-tier inverted block rate for this customer class as does the Company. However, the first tier commodity rate is the first tier commodity rate for the 3/4 inch metered residential customer, and the second tier commodity rate is the second tier commodity rate for 3/4 inch metered residential customer. The 3/4 inch metered residential customers have a three-tier inverted block rate. As is typical, the first tier commodity rate for the 3/4 inch metered commercial customers is the second tier of the 3/4 inch metered residential customers, and the second tier is for the 3/4 inch metered commercial customers is the third tier of the 3/4 inch metered residential customers.

There is also a problem with the 3/4 inch metered residential customers commodity rates. The first tier commodity rate for the 3/4 inch metered residential

customer is less than that of the first tier commodity rate of the 5/8x3/4 inch metered residential customer. The second tier commodity rate is less than the second tier commodity rate of the 5/8x3/4 inch metered residential customer. RUCO proposes the same monthly minimum and same break-over points for both of these customer classes and under the circumstances there is no apparent justification for different commodity rates.

Finally, RUCO recommends a monthly minimum and commodity rate for the irrigation customer class that is different than the monthly minimum and commodity rate for effluent sales for the wastewater division and irrigation water (recovered effluent) for the water division. The Company recommends that both the monthly minimums and the commodity rates be the same as this design is a reflection of the integrated nature of the water and wastewater operations with respect to irrigation water.[57]

4. <u>Miscellaneous Charges – Water Division</u>

Q. ARE THERE ANY DISAGREEMENTS WITH RESPECT TO THE MISCELLANEOUS CHARGES?

A. No.

5. <u>Cost of Service Study – Water Rates</u>

Q. HAVE YOU UPDATED YOUR COST OF SERVICE STUDY?

A. Yes. I have updated my cost of service study to reflect the changes to rate base, revenues and expenses contained in the Company's rebuttal filing. As shown on Rebuttal Schedule G-2, the returns at the rebuttal proposed rates continue to vary substantially between the various meter sizes. While all the returns are positive, the 5/8x3/4 inch customer classes provide returns below the 8.29 percent requested

[57] Bourassa Dt. at 22; Soriano Dt. at 4.

in the instant case at 4.22 percent. The larger sized meters, such as the 1 inch, 2 inch, 3 inch customer classes are providing much higher returns at about 23 percent, 23.6 percent, and 44 percent, respectively. The irrigation class provided for about a 39 percent return. This indicates that the larger meter customer classes as well as the irrigation class continue to subsidize the 5/8 inch and 3/4 inch customer classes under the rebuttal proposed rates. However, consistent with the concept of gradualism, there is improvement in eliminating existing subsidization under the Company's proposed rates.

Q. HAVE YOU PREPARED A SCHEDULE TO SHOW THE RESULTS OF A COST OF SERVICE STUDY USING THE STAFF RECOMMENDATIONS?

A. Yes. Rebuttal Exhibit TJB-RB6 shows the cost of service study results using the Staff recommendations for rate base, revenues and expenses, and proposed rates. This schedule is similar to the G-2 schedule in my cost of service study. Keep in mind I believe the Staff rates produce too much revenue. That said, as shown on the schedule, all of the returns from the various customer size classes are positive. The 5/8x3/4 inch customer classes provide a return of just 0.45 percent, far below the Company's 4.43 percent and well below the 7.80 percent recommended by Staff. The larger sized meters, such as the 1 inch, 2 inch, and 3 inch customer classes are providing much higher returns at about 26 percent, 30 percent, and 61 percent, respectively. The irrigation class provides for a nearly 81 percent return. This demonstrates that the larger meter and irrigation class customer classes subsidize the 5/8 inch and 3/4 inch customer classes to a much greater extent under the Staff proposed rates than does the Company's.

B. **Wastewater Division**

1. **Proposed Rates – Wastewater Division**

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

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" meters	$ 25.97
3/4" Meters	$ 40.36
1" Meters	$ 67.78
1 1/2" Meters	$ 134.05
2" Meters	$ 214.02
3" Meter	$ 415.50
4" Meters	$ 649.23
6" Meter	$1,298.45
Effluent Sales	
Monthly minimum	$ 200.00
Gallons in minimum	0
Commodity Rate	$ 0.55

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

A. As shown on Wastewater Schedule H-2, page 1, the monthly bill under proposed rates for a 5/8 inch residential customer is $25.97—a $3.24 increase from the present monthly bill or a 14.25 percent increase.

2. Comments on Staff and RUCO Rate Designs

Q. PLEASE COMMENT ON THE PROPOSED RATE DESIGNS OF STAFF AND RUCO?

A. All of the parties recommend similar flat rate designs for the wastewater division. In addition, all of the parties recommend a monthly minimum for effluent sales and a commodity rate for all gallons.

Q. WHAT ARE THE DIFFERENCES IN DESIGNS BETWEEN THE COMPANY AND RUCO?

A. Let's begin with the Staff rate design. Staff only recommends an increase to the monthly minimums for the 5/8x3/4 inch metered residential customers. The larger meter monthly minimums are the same as under current rates. Since Staff does not explain why this is the case, in my view this is not fair and reasonable. I should also note the Staff rates produce too much revenue on the order of about $28,000. I have contacted Staff about this issue.

On the other hand, RUCO scales the monthly minimums based on the flows of a 5/8x3/4 inch water meter to set the monthly minimums for the various size meter classes.[58] This results in less of an increase to the larger metered classes than the increase on the 5/8x3/4 inch meter class. The Company proposes to increase the monthly minimums by the same percentage so that the increase in revenues is shared more equitably among the classes.

Q. IS IT NECESSARY TO SCALE THE MONTHLY MINIMUMS IN THE INSTANT CASE?

A. No. The monthly minimums already increase as the size of the water meter and the minimums are close to where they would be if scaling the minimums were employed. As a result and for the reason that I believe that the increase in revenues

[58] Coley Dt. at 32.

should be shared more equitably in the instant case, there is no basis to scale the minimums at this time.

Q. DO YOU HAVE ANY COMMENTS OR CONCERNS ON THE RUCO PROPOSED RATES?

A. Yes, I have two comments. First, I believe the RUCO proposed rates produce too little revenue - on the order of approximately $90,000. I have contacted RUCO to investigate the discrepancy. Second, as I mentioned earlier, RUCO recommends a monthly minimum and commodity rate for the irrigation customer class that is different than the monthly minimum and commodity rate for effluent sales for the wastewater division and irrigation water (recovered effluent) for the water division. The Company recommends that both the monthly minimums and the commodity rates be the same as this design is a reflection of the integrated nature of the water and wastewater operations with respect to irrigation water.[59]

3. <u>Miscellaneous Charges – Wastewater Division</u>

Q. ARE THERE ANY DISAGREEMENTS WITH RESPECT TO THE MISCELLANEOUS CHARGES?

A. No.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

[59] Bourassa Dt. at 22; Soriano Dt. at 4.

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB1

Pima Utility Company - Water Division - Staff Rates
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Schedule H-1

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,447,517	$ 172,605	13.54%	64.47%	58.90%
2	1 Inch	Residential	116,781	146,019	29,238	25.04%	5.91%	5.94%
3								
4	5/8x3/4 Inch	Commercial	$ 25,431	$ 37,415	$ 11,984	47.12%	1.29%	1.52%
5	3/4 Inch	Commercial	1,819	2,717	898	49.36%	0.09%	0.11%
6	1 Inch	Commercial	28,761	38,613	9,852	34.25%	1.45%	1.57%
7	1 1/2 Inch	Commercial	10,567	14,223	3,656	34.59%	0.53%	0.58%
8	2 Inch	Commercial	208,085	301,793	93,707	45.03%	10.52%	12.28%
9								
10	Irrigation		310,134	597,738	287,604	92.74%	15.68%	24.32%
11	Irrigation - recovered effluent		7,324	7,324	-	0.00%	0.37%	0.30%
12								
13	**Subtotals of Revenues**		$ 1,983,814	$ 2,593,359	$ 609,544	30.73%	100.31%	105.53%
14	**Revenue Annualizations:**							
15	5/8x3/4 Inch	Residential	$ (464)	$ (494)	$ (29)	6.30%	-0.02%	-0.02%
16	1 Inch	Residential	1,345	1,612	267	19.82%	0.07%	0.07%
17								
18	5/8x3/4 Inch	Commercial	$ (343)	$ (490)	$ (147)	42.74%	-0.02%	-0.02%
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
20	1 Inch	Commercial	390	511	121	31.13%	0.02%	0.02%
21	1 1/2 Inch	Commercial	(127)	(155)	(28)	22.45%	-0.01%	-0.01%
22	2 Inch	Commercial	381	453	72	19.03%	0.02%	0.02%
23								
24	Irrigation - recovered effluent		(7,324)	(7,324)	-	0.00%	-0.37%	-0.30%
25	(belongs to Wastewater Division)							
26								
27	**Subtotal Revenue Annualization**		(6,142)	(5,886)	256	-4.17%	-0.31%	-0.30%
28								
29	**Total Revenues w/ Annualization**		$ 1,977,673	$ 2,587,473	$ 609,800	30.83%	100.00%	105.29%
30	**Misc Revenues**		7,261	7,261	-	0.00%	0.37%	0.30%
31	**Reconciling Amount**		(7,306)	(137,175)	(129,869)	1777.57%	-0.37%	-5.58%
32	**Total Revenues**		$ 1,977,628	$ 2,457,559	$ 479,931	24.27%	100.00%	100.00%
33								
34								

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB2

Pima Utility Company - Water Division - Staff Rates
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	6,395	$ 10.66	$ 11.44	$ 0.77	7.26%	95.87%
2	1 Inch	Residential	220	28,258	44.00	52.48	8.48	19.28%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	27,442	$ 32.82	47.11	14.30	43.56%	0.62%
5	3/4 Inch	Commercial	4	31,484	37.18	54.06	16.88	45.39%	0.04%
6	1 Inch	Commercial	46	35,570	51.90	65.05	13.15	25.35%	0.45%
7	1 1/2 Inch	Commercial	11	55,541	78.46	101.50	23.03	29.36%	0.11%
8	2 Inch	Commercial	72	51,537	79.14	96.74	17.60	22.23%	0.71%
9									
10	Irrigation		4	15,854,381	$ 5,851.58	$ 11,278.07	$ 5,426.49	92.74%	0.04%
11									
12									
13									
14									
15									
16									
17									
18	Totals		10,167						100.00%
19									
20	Actual Year End Number								
21	of Customers:		10,188						
22									
23									
24									
25									

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB3

Pima Utility Company - Water Division
Revenue Breakdown Summary
Present Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 666,421	$ 468,773	$ 139,254	$ -	$ 1,274,448
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 42,816	$ 19,994	$ 55,316	$ -	$ 118,126
Subtotal		$ 709,237	$ 488,767	$ 194,570	$ -	$ 1,392,574
		36.00%	24.81%	9.87%	0.00%	70.68%
5/8x3/4 Inch	Commercial	$ 4,241	$ 3,355	$ 17,492	$ -	$ 25,088
3/4 Inch	Commercial	$ 274	$ 203	$ 1,343	$ -	$ 1,819
1 Inch	Commercial	$ 8,832	$ 2,703	$ 17,616	$ -	$ 29,151
1 1/2 Inch	Commercial	$ 2,772	$ 866	$ 6,803	$ -	$ 10,440
2 Inch	Commercial	$ 30,264	$ 8,165	$ 170,037	$ -	$ 208,466
Subtotal		$ 46,382	$ 15,292	$ 213,291	$ -	$ 274,965
		2.35%	0.78%	10.83%	0.00%	13.96%
Irrigation		$ 9,540	$ 300,594	$ -	$ -	$ 310,134
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 765,160	$ 797,328	$ 407,861	$ -	$ 1,970,349
	Percent of Total	38.83%	40.47%	20.70%	0.00%	100.00%
	Cummulative %	38.83%	79.30%	100.00%	100.00%	

Pima Utility Company - Water Division
Revenue Breakdown Summary
Company Proposed Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 789,043	$ 350,254	$ 308,594	$ 216,387	$ 1,664,278
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 50,694	$ 62,265	$ 45,058	$ -	$ 158,018
Subtotal		$ 839,737	$ 412,519	$ 353,652	$ 216,387	$ 1,822,295
		31.38%	15.41%	13.21%	8.09%	68.09%
5/8x3/4 Inch	Commercial	$ 5,021	$ 5,416	$ 27,181	$ -	$ 37,618
3/4 Inch	Commercial	$ 324	$ 343	$ 2,086	$ -	$ 2,753
1 Inch	Commercial	$ 10,457	$ 9,137	$ 21,077	$ -	$ 40,671
1 1/2 Inch	Commercial	$ 3,282	$ 4,844	$ 5,991	$ -	$ 14,117
2 Inch	Commercial	$ 35,833	$ 74,757	$ 182,842	$ -	$ 293,431
Subtotal		$ 54,917	$ 94,496	$ 239,177	$ -	$ 388,589
		2.05%	3.53%	8.94%	0.00%	14.52%
Irrigation		$ 10,600	$ 462,155	$ -	$ -	$ 472,755
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 905,254	$ 961,846	$ 592,829	$ 216,387	$ 2,676,316
	Percent of Total	33.82%	35.94%	22.15%	8.09%	100.00%
	Cummulative %	33.82%	69.76%	91.91%	100.00%	

Pima Utility Company - Water Division - Staff Rates
Revenue Breakdown Summary
Proposed Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 666,421	$ 283,007	$ 275,950	$ 221,646	$ 1,447,024
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 42,816	$ 49,758	$ 55,057	$ -	$ 147,631
Subtotal		$ 709,237	$ 332,765	$ 331,007	$ 221,646	$ 1,594,655
		27.49%	12.90%	12.83%	8.59%	61.80%
5/8x3/4 Inch	Commercial	$ 4,241	$ 4,843	$ 27,841	$ -	$ 36,925
3/4 Inch	Commercial	$ 274	$ 306	$ 2,137	$ -	$ 2,717
1 Inch	Commercial	$ 8,832	$ 7,112	$ 23,180	$ -	$ 39,124
1 1/2 Inch	Commercial	$ 2,772	$ 2,689	$ 8,607	$ -	$ 14,068
2 Inch	Commercial	$ 30,264	$ 31,431	$ 240,551	$ -	$ 302,246
Subtotal		$ 46,382	$ 46,382	$ 302,316	$ -	$ 395,080
		1.80%	1.80%	11.72%	0.00%	15.31%
Irrigation		$ 9,540	$ 588,198	$ -	$ -	$ 597,738
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 765,160	$ 960,021	$ 633,323	$ 221,646	$ 2,580,149
	Percent of Total	29.66%	37.21%	24.55%	8.59%	100.00%
	Cummulative %	29.66%	66.86%	91.41%	100.00%	

Pima Utility Company - Water Division - RUCO Rates
Revenue Breakdown Summary
Proposed Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 721,372	$ 343,382	$ 296,954	$ 215,328	$ 1,577,035
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 46,750	$ 60,891	$ 44,838	$ -	$ 152,478
Subtotal		$ 768,121	$ 404,272	$ 341,792	$ 215,328	$ 1,729,513
		30.39%	15.99%	13.52%	8.52%	68.42%
5/8x3/4 Inch	Commercial	$ 4,643	$ 5,169	$ 26,724	$ -	$ 36,536
3/4 Inch	Commercial	$ 300	$ 239	$ 1,517	$ -	$ 2,055
1 Inch	Commercial	$ 9,671	$ 8,720	$ 20,723	$ -	$ 39,114
1 1/2 Inch	Commercial	$ 3,035	$ 4,623	$ 5,890	$ -	$ 13,548
2 Inch	Commercial	$ 33,139	$ 71,352	$ 179,768	$ -	$ 284,259
Subtotal		$ 50,787	$ 90,104	$ 234,621	$ -	$ 375,512
		2.01%	3.56%	9.28%	0.00%	14.85%
Irrigation		$ 10,070	$ 420,141	$ -	$ -	$ 430,211
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 828,978	$ 907,193	$ 576,413	$ 215,328	$ 2,527,912
	Percent of Total	32.79%	35.89%	22.80%	8.52%	100.00%
	Cummulative %	32.79%	68.68%	91.48%	100.00%	

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB4

Pima Utility Company - Water Division - RUCO Rates
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Schedule H-1

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,577,587	$ 302,675	23.74%	64.47%	62.02%
2	1 Inch	Residential	116,781	150,796	34,015	29.13%	5.91%	5.93%
3								
4	5/8x3/4 Inch	Commercial	$ 25,431	$ 37,028	$ 11,597	45.60%	1.29%	1.46%
5	3/4 Inch	Commercial	1,819	2,055	236	12.95%	0.09%	0.08%
6	1 Inch	Commercial	28,761	38,609	9,848	34.24%	1.45%	1.52%
7	1 1/2 Inch	Commercial	10,567	13,699	3,132	29.63%	0.53%	0.54%
8	2 Inch	Commercial	208,085	283,819	75,733	36.40%	10.52%	11.16%
9								
10	Irrigation		310,134	430,211	120,078	38.72%	15.68%	16.91%
11	Irrigation - recovered effluent		7,324	7,324	-	0.00%	0.37%	0.29%
12								
13	**Subtotals of Revenues**		$ 1,983,814	$ 2,541,127	$ 557,313	28.09%	100.31%	99.90%
14	**Revenue Annualizations:**							
15	5/8x3/4 Inch	Residential	$ (464)	$ (552)	$ (87)	18.83%	-0.02%	-0.02%
16	1 Inch	Residential	1,345	1,682	337	25.04%	0.07%	0.07%
17								
18	5/8x3/4 Inch	Commercial	$ (343)	$ (492)	$ (149)	43.42%	-0.02%	-0.02%
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%
20	1 Inch	Commercial	390	505	115	29.60%	0.02%	0.02%
21	1 1/2 Inch	Commercial	(127)	(151)	(24)	18.87%	-0.01%	-0.01%
22	2 Inch	Commercial	381	440	59	15.52%	0.02%	0.02%
23								
24	Irrigation - recovered effluent		(7,324)	(7,324)	-	0.00%	-0.37%	-0.29%
25	(belongs to Wastewater Division)							
26								
27	**Subtotal Revenue Annualization**		(6,142)	(5,891)	251	-4.09%	-0.31%	-0.30%
28								
29	**Total Revenues w/ Annualization**		$ 1,977,673	$ 2,535,236	$ 557,564	28.19%	100.00%	99.67%
30	**Misc Revenues**		7,261	7,261	-	0.00%	0.37%	0.29%
31	**Reconciling Amount**		(7,306)	1,177	8,483	-116.11%	-0.37%	0.05%
32	**Total Revenues**		$ 1,977,628	$ 2,543,675	$ 566,047	28.62%	100.00%	100.00%
33								
34								

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB5

Pima Utility Company - Water Division - RUCO Rates
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	6,395	$ 10.66	$ 12.76	$ 2.09	19.62%	95.87%
2	1 Inch	Residential	220	28,258	44.00	54.16	10.16	23.10%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	27,442	$ 32.82	47.22	14.40	43.89%	0.62%
5	3/4 Inch	Commercial	4	31,484	37.18	41.35	4.17	11.21%	0.04%
6	1 Inch	Commercial	46	35,570	51.90	65.46	13.56	26.14%	0.45%
7	1 1/2 Inch	Commercial	11	55,541	78.46	93.13	14.67	18.69%	0.11%
8	2 Inch	Commercial	72	51,537	79.14	91.34	12.21	15.42%	0.71%
9									
10	Irrigation		4	15,854,381	$ 5,851.58	$ 8,117.19	$ 2,265.61	38.72%	0.04%
11									
12									
13									
14									
15									
16									
17									
18	Totals		10,167						100.00%
19									
20	Actual Year End Number								
21	of Customers:		10,188						
22									
23									
24									
25									

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Rate Base)

Exhibit TJB-RB6

Pima Utility Company - Water Division - Staff Proposed Rates
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 1

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 2,593,359	$ 1,484,932	$ 2,717	$ 184,632	$ 14,223	$ 301,793	$ 605,061
2	Revenue Annualizations	(5,886)	(983)	-	2,123	(155)	453	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(137,715)	(132,538)	(54)	(3,609)	(149)	(1,311)	(54)
5	Total Revenues	$ 2,457,019	$ 1,358,399	$ 2,666	$ 183,337	$ 13,927	$ 301,004	$ 597,686
6								
7	Operating Expenses[2]	$ 969,804	$ 703,352	$ 592	$ 45,095	$ 3,301	$ 32,355	$ 185,110
8	Depreciation and							
9	Amortization[2]	688,387	571,246	355	32,129	2,360	34,757	47,540
10	Property Tax[3]	87,799	48,541	95	6,551	498	10,756	21,358
11	Income Tax[4]	-	-	-	-	-	-	-
12	Total Operating Expenses	$ 1,745,990	$ 1,323,138	$ 1,042	$ 83,775	$ 6,159	$ 77,868	$ 254,008
13	Operating Income	$ 711,029	$ 35,261	$ 1,624	$ 99,562	$ 7,768	$ 223,136	$ 343,679
14	Interest Expense[5]	137,090	118,993	65	5,704	389	5,537	6,402
15	Net Income	$ 573,939	$ (83,732)	$ 1,559	$ 93,857	$ 7,378	$ 217,600	$ 337,277
16	Rate Base[6]	$ 9,122,677	$ 7,918,397	$ 4,332	$ 379,599	$ 25,902	$ 368,437	$ 426,010
17	Return on Rate Base[7]	7.79%	0.45%	37.48%	26.23%	29.99%	60.56%	80.67%
18								
19	**Percent of Total Customers**		96.241%	0.039%	2.621%	0.108%	0.952%	0.039%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29

Pima Utility Company

Water Division Schedules

Schedules A through C, G, and H

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,073,324
2			
3	Adjusted Operating Income		241,792
4			
5	Current Rate of Return		2.66%
6			
7	Required Operating Income	$	752,179
8			
9	Required Rate of Return on Fair Value Rate Base		8.29%
10			
11	Operating Income Deficiency	$	510,386
12			
13	Gross Revenue Conversion Factor		1.3979
14			
15	Increase in Gross Revenue		
16	Requirement	$	713,480
17			
18	Adjusted Test Year Revenues	$	1,977,627
19	Increase in Gross Revenue Revenue Requirement	$	713,480
20	Proposed Revenue Requirement	$	2,691,108
21	% Increase		36.08%

Line No.	Customer Classification (Residential Commercial, Irrigation)		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
26	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,664,864	$ 389,952	30.59%
27	1 Inch	Residential	116,781	156,268	39,486	33.81%
28						
29	5/8x3/4 Inch	Commercial	25,431	38,127	12,696	49.92%
30	3/4 Inch	Commercial	1,819	2,753	934	51.33%
31	1 Inch	Commercial	28,761	40,144	11,383	39.58%
32	1 1/2 Inch	Commercial	10,567	14,276	3,709	35.10%
33	2 Inch	Commercial	208,085	292,965	84,880	40.79%
34						
35	Irrigation		317,458	480,079	162,622	51.23%
36						
37	Revenue Annualization		(6,142)	(5,835)	307	-5.00%
38						
39	**Subtotal**		$ 1,977,673	$ 2,683,640	$ 705,967	35.70%
40						
41	Other Water Revenues		7,261	7,261	-	0.00%
42	Reconciling Amount		(7,306)	207	7,513	-102.83%
43	Rounding				-	0.00%
44	**Total of Water Revenues**		$ 1,977,628	$ 2,691,108	$ 713,480	36.08%

47 SUPPORTING SCHEDULES:
48 B-1
49 C-1
50 C-3
51 H-1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 14,571,659	$ 14,571,659
3	Less: Accumulated Depreciation	4,788,552	4,788,552
4			
5	Net Utility Plant in Service	$ 9,783,107	$ 9,783,107
6			
7	Less:		
8	Advances in Aid of Construction	(0)	(0)
9			
10	Contributions in Aid of Construction	1,056,007	1,056,007
11			
12	Accumulated Amortization of CIAC	(346,223)	(346,223)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 9,073,324	$ 9,073,324
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 14,546,128	25,531	$ 14,571,659
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	4,788,169	383	4,788,552
7				
8				
9	Net Utility Plant			
10	in Service	$ 9,757,959		$ 9,783,107
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	374,236	(374,236)	(0)
15				
16	Contributions in Aid of			
17	Construction - Gross	632,418	423,589	1,056,007
18				
19	Accumulated Amortization of CIAC	(346,223)	-	(346,223)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 9,097,529		$ 9,073,324
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 AIAC/ CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 14,546,128	25,531					$ 14,571,659
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	4,788,169		383				4,788,552
7								
8								
9	Net Utility Plant							
10	in Service	$ 9,757,959	$ 25,531	$ (383)	$ -	$ -	$ -	$ 9,783,107
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	374,236			(374,236)			(0)
15								
16	Contributions in Aid of							
17	Construction (CIAC)	632,418			423,589			1,056,007
18								
19	Accumulated Amort of CIAC	(346,223)			-			(346,223)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-			-			-
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments							
29	Materials and Supplies							
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 9,097,529	$ 25,531	$ (383)	$ (49,353)	$ -	$ -	$ 9,073,324
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	A Capitalized Expenses	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Original Cost
6	301	Organization Cost	-						-
7	302	Franchise Cost	-						-
8	303	Land and Land Rights	97,637						97,637
9	304	Structures and Improvements	315,125						315,125
10	305	Collecting and Impounding Res.	-						-
11	306	Lake River and Other Intakes	-						-
12	307	Wells and Springs	606,699	3,902					610,601
13	308	Infiltration Galleries and Tunnels	-						-
14	309	Supply Mains	-						-
15	310	Power Generation Equipment	-						-
16	311	Electric Pumping Equipment	2,263,801	5,937					2,269,738
17	320	Water Treatment Equipment	-						-
18	320.1	Water Treatment Plant	-						-
19	320.2	Chemical Solution Feeders	58,255						58,255
20	330	Dist. Reservoirs & Standpipe	-						-
21	330.1	Storage tanks	1,102,197						1,102,197
22	330.2	Pressure Tanks	73,937						73,937
23	331	Trans. and Dist. Mains	2,916,048						2,916,048
24	333	Services	4,709,148	15,692					4,724,840
25	334	Meters	923,202						923,202
26	335	Hydrants	887,381						887,381
27	336	Backflow Prevention Devices	-						-
28	339	Other Plant and Misc. Equip.	-						-
29	340	Office Furniture and Fixtures	4,239						4,239
30	340.1	Computers and Software	28,479						28,479
31	341	Transportation Equipment	61,635						61,635
32	342	Stores Equipment	-						-
33	343	Tools and Work Equipment	134,506						134,506
34	344	Laboratory Equipment	-						-
35	345	Power Operated Equipment	124,899						124,899
36	346	Communications Equipment	238,939						238,939
37	347	Miscellaneous Equipment	-						-
38	348	Other Tangible Plant	-						-
39			-						-
40		TOTALS	$ 14,546,128	$ 25,531	$ -	$ -	$ -	$ -	$ 14,571,659
41									
42		Plant-in-Service per Direct							$ 14,546,128
43									
44		Increase (decrease) in Plant-in-Service							$ 25,531
45									
46		Adjustment to Plant-in-Service							$ 25,531
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 3.1							
50		B-2, pages 3.2-3.19							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - A
Capitalized Expenses

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	307	Wells and Springs	$	3,902
2	311	Electric Pumping Equipment		5,937
3	333	Services		15,692
4				
5		Total	$	25,531
6				
7				
8	Increase in Plant-in-Service		$	25,531
9				
10				
11				
12				
13				
14				
15				
16	Reference/Supporting Schedule			
17	Staff Rate Base Adjustment No. 1, Schedule CSB-4			
18				
19				
20				
21				
22				
23				
24				
25				

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Jones/Bourassa

				Per Decision No. 58743 (1993 Account Numbers)				Current Books		Conform to Decision No. 58743		
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Company Plant at 12/31/1992	Order Adopted Adjustments	Order Plant at 12/31/1992	Accum. Deprec. At 12/31/1992	G/L Plant at 12/31/1992	NARUC Plant at 12/31/1992	Correction to Plant Balance	Corrected Plant at 12/31/1992	Accum. Deprec. At 12/31/1992
1	301	Organization Cost	0.00%			-		-	-		-	-
2	302	Franchise Cost	0.00%			-		-	-		-	-
3	303	Land and Land Rights	0.00%	92,551		92,551		92,551	92,551		92,551	-
4	304	Structures & Improvements	3.00%	63,366		63,366		63,366	63,366		63,366	27,823
5	305	Collecting & Impounding Reservoirs	3.00%			-		-	-		-	-
6	306	Lake, River, Canal Intakes	3.00%			-		-	-		-	-
7	307	Wells & Springs	3.00%	153,447		153,447		153,447	153,447		153,447	67,375
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%	111,953		111,953		116,953	204,563		204,563	89,819
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		19,839	8,711
15	330	Distribution Reservoirs & Standpipes	3.00%	300,045	13,200	313,245		310,605	-		-	-
16	330.1	Storage Tanks	3.00%			-		-	215,634		215,634	94,681
17	330.2	Pressure Tanks	3.00%			-		-	10,000		10,000	4,391
18	331	Transmission & Distribution Mains	3.00%	1,080,106	2,640	1,082,746		1,082,746	1,100,025		1,100,025	482,998
19	333	Services	3.00%	521,965	5,280	527,245		521,965	527,245		527,245	231,502
20	334	Meters	3.00%	162,498		162,498		167,778	162,498		162,498	71,350
21	335	Hydrants	3.00%	425,810	2,640	428,450		428,450	428,450		428,450	188,123
22	336	Backflow Prevention Devices	3.00%			-		-	-		-	-
23	339	Other Plant & Misc Equipment	3.00%			-		-	-		-	-
24	340	Office Furniture & Equipment	3.00%		2,640	2,640		84,981	2,640		2,640	1,159
25	340.1	Computers & Software	3.00%			-		-	-		-	-
26	341	Transportation Equipment	3.00%	34,947		34,947		-	14,826		14,826	6,510
27	342	Stores Equipment	3.00%			-		-	-		-	-
28	343	Tools, Shop & Garage Equipment	3.00%	64,874		64,874		-	26,196	15,121	41,317	18,141
29	344	Laboratory Equipment	3.00%			-		-	-		-	-
30	345	Power Operated Equipment	3.00%			-		-	-		-	-
31	346	Communication Equipment	3.00%			-		-	1,561		1,561	686
32	347	Miscellaneous Equipment	3.00%			-		-	-		-	-
33	348	Other Tangible Plant	3.00%			-		-	-		-	-
34		Const. Work in Progress		147,000	(147,000)	-						
35												
36		TOTALS		3,158,562	(120,600)	3,037,962	1,293,269	3,022,841	3,022,841	15,121	3,037,962	1,293,269

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1993 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	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	29,724
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	71,978
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%	-	-	-	-	-	-	-	6,137	204,563	95,956
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	595	19,839	9,306
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	101,150
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,691
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	33,001	1,100,025	515,999
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	247,319
20	334	Meters	3.00%	8,444	-	8,444	-	-	-	-	5,002	170,942	76,352
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	12,853	428,450	200,976
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,238
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	9,759	-	9,759	-	-	-	-	591	24,585	7,101
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	7,700	7,700	-	1,124	33,617	11,565
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	47	1,561	733
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		18,202	-	18,202	-	7,700	7,700	-	88,520	3,048,464	1,374,089

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1994 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	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	31,625
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	76,582
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%	68,234	(10,847)	57,388	-	5,672	5,672	-	6,913	256,278	97,197
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	3,439	3,439	-	544	16,400	6,411
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	107,619
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,991
18	331	Transmission & Distribution Mains	3.00%	96,895	-	96,895	-	-	-	-	34,454	1,196,920	550,453
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	263,137
20	334	Meters	3.00%	39,118	-	39,118	-	-	-	-	5,715	210,060	82,067
21	335	Hydrants	3.00%	14,400	-	14,400	-	-	-	-	13,069	442,850	214,046
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,317
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	7,839
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	22,414	-	22,414	-	-	-	-	1,345	56,031	12,910
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	1,649	-	1,649	-	-	-	-	72	3,210	804
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		242,710	(10,847)	231,863	-	9,111	9,111	-	92,019	3,271,216	1,456,997

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1995 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%	5,086	-	5,086	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	95,415	-	95,415	-	-	-	-	3,332	158,781	34,957
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	205,071	-	205,071	-	-	-	-	7,679	358,517	84,261
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%	531,947	(16,125)	515,822	-	22,955	22,955	-	15,081	749,145	89,323
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	8,948	-	8,948	-	-	-	-	626	25,348	7,037
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	211,912	-	211,912	-	-	-	-	9,648	427,546	117,267
17	330.2	Pressure Tanks	3.00%	40,924	-	40,924	-	-	-	-	914	50,924	5,905
18	331	Transmission & Distribution Mains	3.00%	117,738	-	117,738	-	-	-	-	37,674	1,314,658	588,127
19	333	Services	3.00%	42,162	-	42,162	-	-	-	-	16,450	569,407	279,586
20	334	Meters	3.00%	16,795	-	16,795	-	-	-	-	6,554	226,855	88,620
21	335	Hydrants	3.00%	34,000	-	34,000	-	-	-	-	13,795	476,850	227,841
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,397
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	8,576
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	954	-	954	-	-	-	-	1,695	56,985	14,605
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	901
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,310,951	(16,125)	1,294,827	-	22,955	22,955	-	114,362	4,543,088	1,548,403

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1996 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,033	-	10,033	-	-	-	-	4,914	168,814	39,871
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,895	-	5,895	-	-	-	-	10,844	364,412	95,105
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%	64,372	(9,461)	54,911	-	-	-	-	23,298	804,056	112,621
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	7,797
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	1,520	-	1,520	-	-	-	-	12,849	429,066	130,116
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	7,433
18	331	Transmission & Distribution Mains	3.00%	70,621	-	70,621	-	-	-	-	40,499	1,385,279	628,626
19	333	Services	3.00%	28,729	-	28,729	-	-	-	-	17,513	598,136	297,100
20	334	Meters	3.00%	50,337	-	50,337	-	-	-	-	7,561	277,192	96,181
21	335	Hydrants	3.00%	11,550	-	11,550	-	-	-	-	14,479	488,400	242,320
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,476
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	8,000	-	8,000	-	-	-	-	858	32,585	9,434
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,211	(1,423)	2,787	-	-	-	-	1,751	59,772	16,356
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,125	-	2,125	-	-	-	-	32	2,125	32
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	997
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		257,393	(10,884)	246,509	-	-	-	-	137,061	4,789,597	1,685,464

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1997 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,064	168,814	44,936
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,932	364,412	106,038
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%	75,492	-	75,492	-	52,540	52,540	-	24,466	827,008	84,547
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	8,558
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	142,988
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	8,960
18	331	Transmission & Distribution Mains	3.00%	263,564	-	263,564	-	-	-	-	45,512	1,648,843	674,137
19	333	Services	3.00%	117,056	-	117,056	-	-	-	-	19,700	715,192	316,800
20	334	Meters	3.00%	35,468	-	35,468	-	-	-	-	8,848	312,660	105,029
21	335	Hydrants	3.00%	58,630	-	58,630	-	-	-	-	15,531	547,030	257,852
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,555
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	17,108	-	17,108	-	-	-	-	1,234	49,693	10,668
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	928	-	928	-	-	-	-	1,807	60,700	18,163
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	64	2,125	96
31	346	Communication Equipment	3.00%	99,380	-	99,380	-	-	-	-	1,587	102,591	2,584
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		667,626	-	667,626	-	52,540	52,540	-	149,985	5,404,683	1,782,910

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	218,067	(200,000)	18,067	-	-	-	-	5,335	186,881	50,271
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	500,000	(500,000)	-	-	17,772	17,772	-	10,666	346,640	98,931
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%	876,040	(838,888)	37,153	-	1,453	1,453	-	25,346	862,708	108,440
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,163	-	1,163	-	-	-	-	778	26,511	9,336
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	155,860
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	10,488
18	331	Transmission & Distribution Mains	3.00%	17,011	-	17,011	-	-	-	-	49,720	1,665,854	723,858
19	333	Services	3.00%	37,577	-	37,577	-	-	-	-	22,019	752,769	338,819
20	334	Meters	3.00%	31,733	-	31,733	-	-	-	-	9,856	344,393	114,885
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	16,411	547,030	274,263
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,634
25	340.1	Computers & Software	3.00%	866	-	866	-	-	-	-	13	866	13
26	341	Transportation Equipment	3.00%	14,132	-	14,132	13,223	-	13,223	-	1,504	50,602	(1,051)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,868	-	2,868	-	-	-	-	1,864	63,568	20,027
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,226	-	2,226	-	-	-	-	97	4,352	193
31	346	Communication Equipment	3.00%	101,552	-	101,552	-	-	-	-	4,601	204,142	7,185
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,803,236	(1,538,888)	264,348	13,223	19,225	32,448	-	162,690	5,636,583	1,913,151

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1999 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,606	186,881	55,877
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,399	346,640	109,331
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%	196,797	(82,615)	114,183	-	5,250	5,250	-	27,515	971,641	130,705
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,825	-	2,825	-	-	-	-	838	29,336	10,173
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	168,732
17	330.2	Pressure Tanks	3.00%	957	-	957	-	-	-	-	1,542	51,881	12,030
18	331	Transmission & Distribution Mains	3.00%	327,584	-	327,584	-	-	-	-	54,889	1,993,437	778,747
19	333	Services	3.00%	86,486	-	86,486	-	-	-	-	23,880	839,255	362,699
20	334	Meters	3.00%	42,708	-	42,708	-	-	-	-	10,972	387,101	125,857
21	335	Hydrants	3.00%	65,970	-	65,970	-	-	-	-	17,400	613,000	291,663
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,713
25	340.1	Computers & Software	3.00%	4,148	-	4,148	-	-	-	-	88	5,015	101
26	341	Transportation Equipment	3.00%	1,855	-	1,855	-	-	-	-	1,546	52,457	495
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,595	-	4,595	-	-	-	-	1,976	68,163	22,003
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	623	-	623	-	-	-	-	140	4,974	333
31	346	Communication Equipment	3.00%	3,986	-	3,986	-	-	-	-	6,184	208,129	13,369
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		738,535	(82,615)	655,920	-	5,250	5,250	-	175,928	6,287,253	2,083,829

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2000 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	73,854	-	73,854	-	-	-	-	6,714	260,735	62,592
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	191,797	-	191,797	-	10,713	10,713	-	13,115	527,724	111,733
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%	605,426	(20,717)	584,708	-	45,099	45,099	-	37,243	1,511,250	122,849
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,707	-	2,707	-	1,388	1,388	-	900	30,655	9,685
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	522,695	-	522,695	-	-	-	-	20,712	951,761	189,444
17	330.2	Pressure Tanks	3.00%	30,624	-	30,624	-	10,000	10,000	-	1,866	72,505	3,896
18	331	Transmission & Distribution Mains	3.00%	3,631	-	3,631	-	-	-	-	59,858	1,997,069	838,605
19	333	Services	3.00%	504,769	-	504,769	105,370	-	105,370	-	31,169	1,238,654	288,498
20	334	Meters	3.00%	68,383	-	68,383	-	-	-	-	12,639	455,484	138,496
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	310,053
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,483	-	1,483	-	-	-	-	101	4,123	1,815
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	252
26	341	Transportation Equipment	3.00%	17,787	-	17,787	-	-	-	-	1,841	70,244	2,335
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	2,056	2,056	-	2,014	66,107	21,961
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	52,116	-	52,116	-	-	-	-	931	57,091	1,264
31	346	Communication Equipment	3.00%	3,464	-	3,464	-	-	-	-	6,296	211,592	19,665
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		2,078,734	(20,717)	2,058,017	105,370	69,256	174,626	-	213,939	8,170,644	2,123,143

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2001 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	7,822	260,735	70,414
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,438	(5,438)	-	-	-	-	-	15,832	527,724	127,565
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%	95,274	(47,141)	48,134	-	500	500	-	46,052	1,558,883	168,401
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	713	(713)	-	-	-	-	-	920	30,655	10,605
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,553	951,761	217,997
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	6,071
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	59,912	1,997,069	898,517
19	333	Services	3.00%	740,222	-	740,222	117,178	-	117,178	-	46,505	1,861,698	217,825
20	334	Meters	3.00%	83,430	-	83,430	-	-	-	-	14,916	538,914	153,412
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	328,443
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	1,939
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	402
26	341	Transportation Equipment	3.00%	2,907	-	2,907	-	-	-	-	2,151	73,150	4,486
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	16,665	-	16,665	-	-	-	-	2,233	82,771	24,195
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	53,455	-	53,455	-	-	-	-	2,515	110,546	3,778
31	346	Communication Equipment	3.00%	3,844	-	3,844	-	-	-	-	6,405	215,437	26,070
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,001,949	(53,292)	948,657	117,178	500	117,678	-	254,655	9,001,623	2,260,120

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2002 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	1,500	-	1,500	-	-	-	-	7,845	262,235	78,258
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	287,579	(287,579)	-	-	-	-	-	15,832	527,724	143,396
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%	92,280	(16,178)	76,103	-	27,211	27,211	-	47,500	1,607,775	188,690
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	920	30,655	11,525
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	6,814	-	6,814	-	-	-	-	28,655	958,575	246,652
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	8,246
18	331	Transmission & Distribution Mains	3.00%	230,254	-	230,254	-	-	-	-	63,366	2,227,323	961,883
19	333	Services	3.00%	574,324	-	574,324	71,094	-	71,094	-	63,399	2,364,928	210,131
20	334	Meters	3.00%	61,979	-	61,979	-	-	-	-	17,097	600,893	170,509
21	335	Hydrants	3.00%	89,449	-	89,449	-	2,000	2,000	-	19,702	700,449	346,145
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,062
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	553
26	341	Transportation Equipment	3.00%	61,853	-	61,853	60,613	2,179	62,792	38,000	2,180	72,211	(18,125)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,572	-	1,572	-	-	-	-	2,507	84,343	26,701
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	7,095
31	346	Communication Equipment	3.00%	2,144	-	2,144	-	6,976	6,976	-	6,391	210,604	25,485
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,409,747	(303,756)	1,105,991	131,707	38,366	170,073	38,000	281,158	9,937,541	2,409,205

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2003 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	6,520	(2,570)	3,950	-	-	-	-	7,926	266,185	86,185
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	15,832	527,724	159,228
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%	132,687	(34,500)	98,188	-	47,250	47,250	-	48,997	1,658,713	190,437
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,987	-	1,987	-	-	-	-	949	32,642	12,474
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	1,000	1,000	-	28,742	957,575	274,394
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	10,421
18	331	Transmission & Distribution Mains	3.00%	290,233	-	290,233	-	-	-	-	71,173	2,517,556	1,033,056
19	333	Services	3.00%	435,687	-	435,687	49,692	-	49,692	-	76,738	2,750,923	237,176
20	334	Meters	3.00%	64,897	-	64,897	-	-	-	-	19,000	665,790	189,509
21	335	Hydrants	3.00%	120,601	-	120,601	-	500	500	-	22,815	820,550	368,460
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,186
25	340.1	Computers & Software	3.00%	2,631	-	2,631	-	-	-	-	190	7,646	742
26	341	Transportation Equipment	3.00%	24,945	-	24,945	2,000	5,533	7,533	-	2,428	89,623	(23,231)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,337	-	2,337	-	928	928	-	2,551	85,752	28,325
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	10,411
31	346	Communication Equipment	3.00%	4,287	-	4,287	-	-	-	-	6,382	214,891	31,867
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,086,811	(37,070)	1,049,742	51,692	55,211	106,903	-	309,340	10,880,380	2,611,642

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2004 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	5,091	-	5,091	-	2,600	2,600	-	8,023	268,677	91,608
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	15,832	527,724	175,060
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%	64,740	(24,716)	40,024	-	11,686	11,686	-	50,186	1,687,051	228,938
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	14,326	-	14,326	-	1,319	1,319	-	1,174	45,649	12,329
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	303,122
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	12,597
18	331	Transmission & Distribution Mains	3.00%	27,203	-	27,203	-	-	-	-	75,935	2,544,759	1,108,991
19	333	Services	3.00%	332,191	-	332,191	35,998	-	35,998	-	86,971	3,047,116	288,149
20	334	Meters	3.00%	50,270	-	50,270	-	-	-	-	20,728	716,060	210,237
21	335	Hydrants	3.00%	8,282	-	8,282	-	500	500	-	24,733	828,332	392,693
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,500	-	1,500	-	-	-	-	146	5,623	2,332
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	229	7,646	972
26	341	Transportation Equipment	3.00%	11,372	-	11,372	16,536	2,431	18,967	9,425	2,575	82,027	(30,198)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,964	-	1,964	-	-	-	-	2,602	87,716	30,927
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	13,727
31	346	Communication Equipment	3.00%	9,716	-	9,716	-	-	-	-	6,592	224,607	38,460
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		526,656	(24,716)	501,939	52,534	18,536	71,070	9,425	329,945	11,311,249	2,879,942

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	99,668
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	33,092	-	33,092	-	15,457	15,457	-	16,096	545,359	175,699
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%	83,364	(71,431)	11,933	-	-	-	-	50,791	1,698,984	279,728
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	4,531	-	4,531	-	5,988	5,988	-	1,348	44,192	7,689
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	331,849
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	14,772
18	331	Transmission & Distribution Mains	3.00%	344,940	-	344,940	-	-	-	-	81,517	2,889,700	1,190,508
19	333	Services	3.00%	472,257	-	472,257	37,474	-	37,474	-	97,935	3,481,899	348,610
20	334	Meters	3.00%	79,639	-	79,639	-	-	-	-	22,676	795,699	232,913
21	335	Hydrants	3.00%	43,480	-	43,480	-	-	-	-	25,502	871,811	418,195
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,501
25	340.1	Computers & Software	3.00%	15,827	-	15,827	-	-	-	-	467	23,473	1,439
26	341	Transportation Equipment	3.00%	750	-	750	-	7,521	7,521	-	2,359	75,256	(35,360)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,200	-	1,200	-	-	-	-	2,649	88,916	33,576
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	17,044
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,738	224,607	45,198
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,079,081	(71,431)	1,007,650	37,474	28,966	66,440	-	350,527	12,252,458	3,164,028

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	107,728
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	16,361	545,359	192,060
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%	89,679	(58,153)	31,527	-	6,714	6,714	-	51,342	1,723,797	324,356
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	6,347	-	6,347	-	-	-	-	1,421	50,539	9,110
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	360,576
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	16,947
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	86,691	2,889,700	1,277,199
19	333	Services	3.00%	357,742	-	357,742	29,274	-	29,274	-	109,384	3,810,367	428,720
20	334	Meters	3.00%	34,418	(3,089)	31,329	-	-	-	-	24,341	827,028	257,254
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,154	871,811	444,349
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,669
25	340.1	Computers & Software	3.00%	431	-	431	-	-	-	-	711	23,903	2,149
26	341	Transportation Equipment	3.00%	-	-	-	-	908	908	-	2,244	74,348	(34,024)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	8,050	8,050	-	2,547	80,866	28,073
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	20,360
31	346	Communication Equipment	3.00%	4,243	-	4,243	-	3,150	3,150	-	6,755	225,700	48,803
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		492,861	(61,242)	431,619	29,274	18,822	48,096	-	370,397	12,635,981	3,486,330

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	115,788
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	16,361	545,359	208,421
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%	272,215	(21,213)	251,002	-	43,805	43,805	-	54,822	1,930,993	335,373
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	1,516	50,539	10,626
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	136,912	-	136,912	-	-	-	-	30,781	1,094,487	391,357
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	19,122
18	331	Transmission & Distribution Mains	3.00%	1,879	-	1,879	-	-	-	-	86,719	2,891,578	1,363,918
19	333	Services	3.00%	275,451	-	275,451	23,698	-	23,698	-	118,087	4,062,120	523,109
20	334	Meters	3.00%	19,990	-	19,990	-	-	-	-	25,111	847,018	282,365
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,154	871,811	470,504
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	204	-	204	-	-	-	-	172	5,826	2,841
25	340.1	Computers & Software	3.00%	3,082	-	3,082	-	-	-	-	763	26,985	2,913
26	341	Transportation Equipment	3.00%	14,300	-	14,300	21,162	-	21,162	1,851	2,128	67,486	(51,208)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	5,900	5,900	-	2,337	74,966	24,510
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	23,676
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	55,574
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		724,033	(21,213)	702,819	44,860	49,705	94,565	1,851	385,274	13,244,236	3,778,890

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	83,986	(44,313)	39,673	-	-	-	-	8,655	308,350	124,444
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	229,783	(179,493)	50,290	-	-	-	-	17,115	595,649	225,536
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%	375,212	(262,374)	112,838	-	15,295	15,295	-	59,393	2,028,536	379,471
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	5,165	-	5,165	-	3,500	3,500	-	1,541	52,205	8,667
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	32,835	1,094,487	424,192
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	21,297
18	331	Transmission & Distribution Mains	3.00%	20,188	-	20,188	-	-	-	-	87,050	2,911,766	1,450,968
19	333	Services	3.00%	293,123	(6,613)	286,510	20,664	-	20,664	-	125,851	4,327,966	628,297
20	334	Meters	3.00%	20,720	(2,055)	18,666	-	-	-	-	25,691	865,684	308,055
21	335	Hydrants	3.00%	15,570	-	15,570	-	-	-	-	26,388	887,381	496,892
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,600	-	1,600	1,500	-	1,500	-	176	5,926	1,517
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	810	26,985	3,722
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	2,025	67,486	(49,183)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	35,000	-	35,000	-	-	-	-	2,774	109,966	27,284
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	26,993
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	62,345
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,080,346	(494,847)	585,499	22,164	18,795	40,959	-	402,566	13,788,776	4,140,497

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.19
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,576	-	10,576	-	3,800	3,800	-	9,352	315,125	129,996
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	17,869	595,649	243,405
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%	226,802	(21,325)	205,476	-	61,631	61,631	-	63,014	2,172,382	380,854
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	1,566	52,205	10,233
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	7,710	-	7,710	-	-	-	-	32,950	1,102,197	457,142
17	330.2	Pressure Tanks	3.00%	1,431	-	1,431	-	-	-	-	2,197	73,937	23,494
18	331	Transmission & Distribution Mains	3.00%	4,282	-	4,282	-	-	-	-	87,417	2,916,048	1,538,385
19	333	Services	3.00%	220,238	-	220,238	17,958	-	17,958	-	132,873	4,530,246	743,212
20	334	Meters	3.00%	27,743	-	27,743	-	-	-	-	26,387	893,426	334,442
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,621	887,381	523,513
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	1,687	1,687	-	152	4,239	(17)
25	340.1	Computers & Software	3.00%	2,641	-	2,641	-	5,014	5,014	-	774	24,613	(518)
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	2,025	67,486	(47,158)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	-	-	-	3,299	109,966	30,583
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	9,115	-	9,115	-	-	-	-	3,453	119,660	30,446
31	346	Communication Equipment	3.00%	13,239	-	13,239	-	-	-	-	6,970	238,939	69,314
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		523,776	(21,325)	502,451	17,958	72,132	90,090	-	416,920	14,201,137	4,467,326

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.20
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Rate Case 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%	-	-		-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-		-	-	-	-	-	9,454	315,125	139,450
5	305	Collecting & Impounding Reservoirs	3.00%	-	-		-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-		-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	11,050	-	3,902	14,952	-	-	-	-	18,094	610,601	261,499
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%	220,917	(52,091)	5,937	174,763	-	77,407	77,407	-	66,632	2,269,738	370,078
12	320	Water Treatment Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-		-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	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%	-	-		-	-	-	-	-	33,066	1,102,197	490,208
17	330.2	Pressure Tanks	3.00%	1,433	-		1,433	-	1,433	1,433	-	2,218	73,937	24,279
18	331	Transmission & Distribution Mains	3.00%	-	-		-	-	-	-	-	87,481	2,916,048	1,625,867
19	333	Services	3.00%	199,648	-	15,692	215,340	20,746	-	20,746	-	138,826	4,724,840	861,292
20	334	Meters	3.00%	29,776	-		29,776	-	-	-	-	27,249	923,202	361,692
21	335	Hydrants	3.00%	-	-		-	-	-	-	-	26,621	887,381	550,134
22	336	Backflow Prevention Devices	3.00%	-	-		-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-		-	-	-	-	-	127	4,239	110
25	340.1	Computers & Software	3.00%	3,867	-		3,867	-	-	-	-	796	28,479	278
26	341	Transportation Equipment	3.00%	-	-		-	5,851	-	5,851	-	1,937	61,635	(51,073)
27	342	Stores Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	24,539	-		24,539	-	-	-	-	3,667	134,506	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%	-	-		-	-	-	-	-	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		504,520	(52,091)	25,531	477,960	26,597	80,840	107,437	-	428,663	14,571,659	4,788,552

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Adjusted Accum. Depr.	A Depr. Related to Capitalized Expenses	B Difference to Computed Balance	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	301	Organization Cost	-		-				-
7	302	Franchise Cost	-		-				-
8	303	Land and Land Rights	-		-				-
9	304	Structures and Improvements	139,450		-				139,450
10	305	Collecting and Impounding Res.	-		-				-
11	306	Lake River and Other Intakes	-		-				-
12	307	Wells and Springs	261,440	59	-				261,499
13	308	Infiltration Galleries and Tunnels	-		-				-
14	309	Supply Mains	-		-				-
15	310	Power Generation Equipment	-		-				-
16	311	Electric Pumping Equipment	369,989	89	-				370,078
17	320	Water Treatment Equipment	-		-				-
18	320.1	Water Treatment Plant	-		-				-
19	320.2	Chemical Solution Feeders	9,890		-				9,890
20	330	Dist. Reservoirs & Standpipe	-		-				-
21	330.1	Storage tanks	490,208		-				490,208
22	330.2	Pressure Tanks	24,279		-				24,279
23	331	Trans. and Dist. Mains	1,625,867		-				1,625,867
24	333	Services	861,057	235	-				861,292
25	334	Meters	361,692		-				361,692
26	335	Hydrants	550,134		-				550,134
27	336	Backflow Prevention Devices	-		-				-
28	339	Other Plant and Misc. Equip.	-		-				-
29	340	Office Furniture and Fixtures	110		(0)				110
30	340.1	Computers and Software	278		-				278
31	341	Transportation Equipment	(51,073)		-				(51,073)
32	342	Stores Equipment	-		-				-
33	343	Tools and Work Equipment	34,251		-				34,251
34	344	Laboratory Equipment	-		-				-
35	345	Power Operated Equipment	34,114		-				34,114
36	346	Communications Equipment	76,482		-				76,482
37	347	Miscellaneous Equipment	-		-				-
38	348	Other Tangible Plant	-		-				-
39			-						-
40		TOTALS	$ 4,788,169	$ 383	$ (0)	$ -	$ -	$ -	$ 4,788,552
41									
42	Accumulated Depreciation per Direct								$ 4,788,169
43									
44	Increase (decrease) in Accumulated Depreciation								$ 383
45									
46	Adjustment to Accumulated Depreciation								$ 383
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 4.1								
50	B-2, pages 3.2 to 3.19								

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - A
Depreciation Related to Capitalized Expenses

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Plant Acct	Description	Amount	Depr Rate	Years	Depreciation
1	307	Wells and Springs	$ 3,902	3.00%	0.5	$ 59
2	311	Electric Pumping Equipment	5,937	3.00%	0.5	89
3	333	Services	15,692	3.00%	0.5	235
4						
5		Total				$ 383
6						
7						
8	Increase in Accumulated Depreciation					$ 383
9						
10						
11						
12						
13						
14						
15						
16	Reference/Supporting Schedule					
17	Staff Rate Base Adjustment No. 2, Schedule CSB-5					
18						
19						
20						
21						
22						
23						
24						
25						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 3
Reclassify AIAC to CIAC

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	Advances-in-aid of Construction related to bankrupt developer	$ 374,236
2	Unrefunded AIAC related to bankrupt developer	49,353
3		
4	Total	$ 423,589
5		
6		
7	Increase (Decrease) in AIAC	$ (374,236)
8		
9		
10	Increase (Decrease) in CIAC	$ 423,589
11		
12		
13		
14		
15	Reference/Supporting Schedule	
16	RUCO Rate Base Adjustment No. 1, Schedule RBM-6	
17		
18		
19		
20		
21		
22		
23		
24		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	87,361
3	Pumping Power (1/24 of Pumping Power)		10,519
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	97,880
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	1,735,835
19	Less:		
20	Income Tax	$	39,984
21	Property Tax		77,191
22	Depreciation		667,320
23	Purchased Water		-
24	Pumping Power		252,453
25	Allowable Expenses	$	698,886
26	1/8 of allowable expenses	$	87,361
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Direct Adjusted Results	Adjustment	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 1,970,366	$ -	$ 1,970,366	$ 713,480	$ 2,683,846
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	7,261	-	7,261		7,261
5		$ 1,977,627	$ -	$ 1,977,627	$ 713,480	$ 2,691,108
6	**Operating Expenses**					
7	Salaries and Wages	$ 220,827	-	$ 220,827		$ 220,827
8	Salaries and Wages - Off. and Dir.	90,294	(50,096)	40,198		40,198
9	Employee Pensions and Benefits	64,900	-	64,900		64,900
10	Purchased Water	-	-	-		-
11	Purchased Power	252,453	-	252,453		252,453
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	(460)	66,861		66,861
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	(415)	54,382		54,382
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	Reg. Comm. Exp.	3,671	-	3,671		3,671
26	Reg. Comm. Exp. - Rate Case	50,000	(50,000)	-		-
27	Bad Debt Expense	4,766	-	4,766		4,766
28	Miscellaneous Expense	15,934	(6,354)	9,580		9,580
29	Depreciation Expense	686,998	(19,677)	667,320		667,320
30	Taxes Other Than Income	40,883	-	40,883		40,883
31	Property Taxes	83,358	(6,167)	77,191	9,555	86,746
32	Income Tax	(27,157)	67,141	39,984	193,539	233,523
33			-	-		-
34	**Total Operating Expenses**	$ 1,845,067	$ (109,232)	$ 1,735,835	$ 203,094	$ 1,938,929
35	**Operating Income**	$ 132,560	$ 109,232	$ 241,792	$ 510,386	$ 752,178
36	**Other Income (Expense)**					
37	Interest Income	48,219	-	48,219		48,219
38	Other income	1,254	-	1,254		1,254
39	Interest Expense	(203,041)	66,693	(136,349)		(136,349)
40	Other Expense	(1,692)	-	(1,692)		(1,692)
41		(758)	-	(758)		(758)
42	**Total Other Income (Expense)**	$ (156,017)	$ 66,693	$ (89,325)	$ -	$ (89,325)
43	**Net Profit (Loss)**	$ (23,457)	$ 175,924	$ 152,467	$ 510,386	$ 662,853
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Direct Adjusted Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Repairs & Maintenance	7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other
1	**Revenues**										
2	Metered Water Revenues	$ 1,970,366									
3	Unmetered Water Revenues	-									
4	Other Water Revenues	7,261									
5		$ 1,977,627	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	Salaries and Wages	$ 220,827									
8	Salaries and Wages - Off. and Dir.	90,294				(50,096)					
9	Employee Pensions and Benefits	64,900									
10	Purchased Water	-									
11	Purchased Power	252,453									
12	Chemicals	16,721									
13	Repairs and Maintenance	100,885						(29,489)			
14	Office Supplies and Expense	67,321					(460)				
15	Contractual Services - Engineering	5,283							(3,902)		
16	Contractual Services - Accounting	3,067									
17	Contractual Services - Legal	14,175									(415)
18	Contractual Services - Other	54,797								(9,812)	
19	Contr. Services - Water Testing	18,737									
20	Rents - Equipment	3,203									
21	Transportation Expenses	44,637									
22	Insurance - Vehicle	17,464									
23	Insurance - General Liability	10,840									
24	Insurance - Worker's Comp	1,009									
25	Reg. Comm. Exp.	3,671									
26	Reg. Comm. Exp. - Rate Case	50,000			(50,000)						
27	Bad Debt Expense	4,766									
28	Miscellaneous Expense	15,934									
29	Depreciation Expense	686,998	(19,677)								
30	Taxes Other Than Income	40,883									
31	Property Taxes	83,358		(6,167)							
32	Income Tax	(27,157)									
33											
34	**Total Operating Expenses**	$ 1,845,067	$ (19,677)	$ (6,167)	$ (50,000)	$ (50,096)	$ (460)	$ (29,489)	$ (3,902)	$ (9,812)	$ (415)
35	**Operating Income**	$ 132,560	$ 19,677	$ 6,167	$ 50,000	$ 50,096	$ 460	$ 29,489	$ 3,902	$ 9,812	$ 415
36	**Other Income (Expense)**										
37	Interest Income	48,219									
38	Other income	1,254									
39	Interest Expense	(203,041)									
40	Other Expense	(1,692)									
41	Gain/Loss on Disposal	(758)									
42	**Total Other Income (Expense)**	$ (156,017)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	**Net Profit (Loss)**	$ (23,457)	$ 19,677	$ 6,167	$ 50,000	$ 50,096	$ 460	$ 29,489	$ 3,902	$ 9,812	$ 415
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Intentionally Left Blank	15 Interest Synch.	16 Income tax	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**								$ 1,970,366	$ 713,480	$ 2,683,846
2	Metered Water Revenues								-		-
3	Unmetered Water Revenues								7,261		7,261
4	Other Water Revenues										
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,977,627	$ 713,480	$ 2,691,108
6	**Operating Expenses**								$ 220,827		$ 220,827
7	Salaries and Wages								40,198		40,198
8	Salaries and Wages - Off. and Dir.								64,900		64,900
9	Employee Pensions and Benefits								-		-
10	Purchased Water								252,453		252,453
11	Purchased Power								16,721		16,721
12	Chemicals								71,396		71,396
13	Repairs and Maintenance								66,861		66,861
14	Office Supplies and Expense								1,381		1,381
15	Contractual Services - Engineering								3,067		3,067
16	Contractual Services - Accounting								14,175		14,175
17	Contractual Services - Legal								54,382		54,382
18	Contractual Services - Other								8,925		8,925
19	Contr. Services - Water Testing								3,203		3,203
20	Rents - Equipment								44,637		44,637
21	Transportation Expenses								17,464		17,464
22	Insurance - Vehicle								10,840		10,840
23	Insurance - General Liability								1,009		1,009
24	Insurance - Worker's Comp								3,671		3,671
25	Reg. Comm. Exp.								-		-
26	Reg. Comm. Exp. - Rate Case								4,766		4,766
27	Bad Debt Expense								9,580		9,580
28	Miscellaneous Expense	(6,354)							667,320		667,320
29	Depreciation Expense								40,883		40,883
30	Taxes Other Than Income								77,191	9,555	86,746
31	Property Taxes							67,141	39,984	193,539	233,523
32	Income Tax										
33											
34	**Total Operating Expenses**	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ 67,141	$ 1,735,835	$ 203,094	$ 1,938,929
35	**Operating Income**	$ 6,354	$ -	$ -	$ -	$ -	$ -	$ (67,141)	$ 241,792	$ 510,386	$ 752,178
36	**Other Income (Expense)**										
37	Interest Income								48,219		48,219
38	Other income								1,254		1,254
39	Interest Expense						66,693		(136,349)		(136,349)
40	Other Expense								(1,692)		(1,692)
41	Gain/Loss on Disposal								(758)		(758)
42	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ 66,693	$ -	$ (89,325)	$ -	$ (89,325)
43	**Net Profit (Loss)**	$ 6,354	$ -	$ -	$ -	$ -	$ 66,693	$ (67,141)	$ 152,467	$ 510,386	$ 662,853
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses 1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Repairs & Maintenance	Subtotal
4	Revenues							-
6	Expenses	(19,677)	(6,167)	(50,000)	(50,096)	(460)	(29,489)	(155,890)
9	Operating Income	19,677	6,167	50,000	50,096	460	29,489	155,890
12	Interest Expense							-
14	Other Income /						-	-
15	Expense							
17	Net Income	19,677	6,167	50,000	50,096	460	29,489	155,890

Line No.		Adjustments to Revenues and Expenses 7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other	10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	Subtotal
25	Revenues							-
27	Expenses	(3,902)	(9,812)	(415)	(6,354)			(176,373)
30	Operating Income	3,902	9,812	415	6,354	-	-	176,373
33	Interest Expense	-						-
35	Other Income /							-
36	Expense							
38	Net Income	3,902	9,812	415	6,354	-	-	176,373

Line No.		Adjustments to Revenues and Expenses 13 Intentionally Left Blank	14 Intentionally Left Blank	15 Interest Synch.	16 Income Taxes	17 Intentionally Left Blank	18 Intentionally Left Blank	Total
46	Revenues							-
48	Expenses				67,141			(109,232)
51	Operating Income	-	-	-	(67,141)	-	-	109,232
54	Interest Expense			66,693				66,693
56	Other Income /							-
57	Expense							
59	Net Income	-	-	66,693	(67,141)	-	-	175,924

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3	Acct.		Adjusted Original	Proposed	Depreciation
4	No.	Description	Cost	Rates	Expense
5	301	Organization Cost	-	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	97,637	0.00%	-
8	304	Structures and Improvements	315,125	3.33%	10,494
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	610,601	3.33%	20,333
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	2,269,738	12.50%	283,717
16	320	Water Treatment Equipment	-	3.33%	-
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	58,255	20.00%	11,651
19	330	Dist. Reservoirs & Standpipe	-	2.22%	-
20	330.1	Storage tanks	1,102,197	2.22%	24,469
21	330.2	Pressure Tanks	73,937	5.00%	3,697
22	331	Trans. and Dist. Mains	2,916,048	2.00%	58,321
23	333	Services	4,724,840	3.33%	157,337
24	334	Meters	923,202	8.33%	76,903
25	335	Hydrants	887,381	2.00%	17,748
26	336	Backflow Prevention Devices	-	6.67%	-
27	339	Other Plant and Misc. Equip.	-	6.67%	-
28	340	Office Furniture and Fixtures	4,239	6.67%	283
29	340.1	Computers and Software	28,479	20.00%	5,696
30	341	Transportation Equipment	61,635	20.00%	12,327
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	134,506	5.00%	6,725
33	344	Laboratory Equipment	-	10.00%	-
34	345	Power Operated Equipment	124,899	5.00%	6,245
35	346	Communications Equipment	238,939	10.00%	23,894
36	347	Miscellaneous Equipment	-	10.00%	-
37	348	Other Tangible Plant	-	10.00%	-
38		TOTALS	$ 14,571,659		$ 719,839
39					
40			Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions		$ 1,056,007	4.9733%	$ (52,519)
42	Total Depreciation Expense				$ 667,320
43					
44	Adjusted Test Year Depreciation Expense				686,998
45					
46	Increase (decrease) in Depreciation Expense				(19,677)
47					
48	Adjustment to Revenues and/or Expenses				$ (19,677)
49					
50	SUPPORTING SCHEDULE				
51	B-2, page 3				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 1,977,627	$ 1,977,627
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,955,255	3,955,255
4	Company Recommended Revenue	1,977,627	2,691,108
5	Subtotal (Line 4 + Line 5)	5,932,882	6,646,363
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,977,627	2,215,454
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 • Line 8)	3,955,255	4,430,908
10	Plus: 10% of CWIP - 2010	-	-
11	Less: Net Book Value of Licensed Vehicles	112,708	112,708
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,842,547	4,318,200
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 • Line 13)	768,509	863,640
15	Composite Property Tax Rate - Obtained from ADOR	10.0442%	10.0442%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 77,191	$ 86,746
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 77,191	
19	Test Year Property Taxes	$ 83,358	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (6,167)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 86,746
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 77,191
24	Increase in Property Tax Due to Increase in Revenue Requiremenl		**$ 9,555**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 9,555
27	Increase in Revenue Requirement		$ 713,480
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.33923%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
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Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3			
4			
5			
6			
7	Annual Rate Case Expense per Direct	$	50,000
8			
9	Amount to include in operating expenses	$	-
10			
11			
12	Increase(decrease) Rate Case Expense	$	(50,000)
13			
14	Adjustment to Revenue and/or Expense	$	(50,000)
15			
16			
17			
18			
19	REFERENCE		
20	See Testimony		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Salaries and Wages - Offices and Directors

Line No.			
1			
2	Proposed Salaries and Wages for Officers and Directors	$	40,198
3			
4	Test Year Salaries and Wages - Officers and Directors	$	90,294
5			
6	Increase (decrease) in Salaries and Wages - Officers and Directors	$	(50,096)
7			
8			
9	Adjustment to Revenue and/or Expense	$	(50,096)
10			
11			
12			
13	REFERENCE		
14	Testimony		
15			
16			
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20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Office Supplies and Expense

Line No.			
1			
2			
3			
4	Remove coffee service expense	$	460
5			
6			
7			
8	Increase (decrease) in Office Supplies and Expense	$	(460)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(460)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 4, Schedule CSB-11		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Repairs and Maintenance

Line No.			
1			
2			
3	Remove capitalized expenses from Repairs and Maintenance	$	21,629
4	Normalization adjustment for tree removal costs		7,860
5	Total	$	29,489
6			
7			
8	Increase (decrease) in Repairs and Maintenance	$	(29,489)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(29,489)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 3, Schedule CSB-10		
15			
16			
17			
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Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Contractual Services - Engineering

Line No.			
1			
2	Remove capitalized expenses from Contractual Services - Eng.	$	3,902
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Eng.	$	(3,902)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(3,902)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 5, Schedule CSB-12		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Contractual Services - Testing

Line No.			
1			
2	Staff Recommended Testing Expenses	$	8,925
3			
4	Test Year Testing Expenses	$	18,737
5			
6	Increase (decrease) in Testing Expense	$	(9,812)
7			
8			
9		$	(9,812)
10			
11			
12			
13			
14			
15			
16	REFERENCE/SUPPORTING SCHEDULES		
17	Staff Adjustment No. 6, Schedule CSB-13		
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Contractual Services - Other

Line No.			
1			
2	Remove expenses from Contractual Services -Other	$	415
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Other	$	(415)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(415)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 7, Schedule CSB-14		
14			
15			
16			
17			
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19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2			
3			
4	WW Division bank fees recorded on Water Division's books	$	6,354
5			
6			
7			
8	Increase (decrease) in Miscellaneous Expense	$	(6,354)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(6,354)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	RUCO Adjustment No. 6, Schedule RBM-15		
15			
16			
17			
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19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 15

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,073,324	
5	Weighted Cost of Debt	1.50%	
6	Interest Expense		$ 136,349
7			
8	Test Year Interest Expense		$ 203,041
9			
10	Increase (decrease) in Interest Expense		(66,693)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 66,693
15			
16			
17	Weighted Cost of Debt Computation		

18					Weighted
19		Amount	Percent	Cost	Cost
20	Debt	$ 8,370,000	35.36%	4.25%	1.50%
21	Equity	$ 15,301,736	64.64%	10.50%	6.79%
22	Total	$ 23,671,736	100.00%		8.29%

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Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Rebuttal Schedule C-2
Page 13
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 1,977,627	$ 2,691,108
7	Operating Expenses Excluding Income Taxes		1,695,851	1,705,406
8	Synchronized Interest		136,349	136,349
9				
10	Income Before Taxes		$ 145,428	$ 849,353
11				
12	Arizona Income Before Taxes		$ 145,428	$ 849,353
13				
14	Less: Effective Arizona Income Tax		$ 6,433	$ 37,573
15	Rate =	4.4237% [1]		
16				
17				
18				
19				
20	Federal Income Before Taxes		$ 145,428	$ 849,353
21				
22	Less Arizona Income Taxes		$ 6,433	$ 37,573
23				
24	Federal Taxable Income		$ 138,994	$ 811,780
25				
26				
27				
28	FEDERAL INCOME TAXES:			
29	Effective Federal Tax Rate =	24.1383% [1]	$ 33,551	$ 195,950
30				
31				
32				
33				
34				
35	Federal Income Taxes		$ 33,551	$ 195,950
36				
37				
38	Total Income Tax		$ 39,984	$ 233,523
39				
40	Overall Tax Rate		27.49%	27.49%
41				
42	Income Tax		$ 39,984	$ 233,523
43	Test Year Income tax Expense		(27,157)	39,984
44	Adjustment to Income Tax Expense		$ 67,141	$ 193,538
45				
46				
47	[1] See work papers/testimony			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.494%
2		
3	Property Taxes	0.971%
4		
5		
6	Total Tax Percentage	28.465%
7		
8	Operating Income % = 100% - Tax Percentage	71.535%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.3979
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
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Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.4652%					
5	Subtotal (L3 - L4)	71.5348%					
6	**Revenue Conversion Factor (L1 / L5)**	1.397921					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	27.4942%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.5058%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.4237%					
14	Federal Taxable Income (L12 - L13)	95.5763%					
15	Applicable Federal Income Tax Rate (Line 54)	24.1383%					
16	Effective Federal Income Tax Rate (L14 x L15)	23.0705%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.4942%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.4942%					
20	*One Minus Combined Income Tax Rate* (L18-L19)	72.5058%					
21	Property Tax Factor	1.3392%					
22	Effective Property Tax Factor (L20*L21)		0.9710%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			28.4652%			
24	Required Operating Income	$ 752,179					
25	AdjustedTest Year Operating Income (Loss)	$ 241,792					
26	Required Increase in Operating Income (L24 - L25)		$ 510,386				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 233,523					
28	Income Taxes on Test Year Revenue (Col. (F), L52)	$ 39,984					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 193,539				
`0	Recommended Revenue Requirement	$ 2,691,108					
1	Uncollectible Rate (Line 10)	0.0000%					
2	Uncollectible Expense on Recommended Revenue (L30 * L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 86,746					
36	Property Tax on Test Year Revenue	$ 77,191					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 9,555				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 713,480				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total	Pima UtilityCompany - Water Division		Total	Pima UtilityCompany - Water Division	
	Calculation of Income Tax:						
39	Revenue	$ 1,977,627	$ 1,977,627		$ 2,691,108	$ 2,691,108	
40	Operating Expenses Excluding Income Taxes	$ 1,695,851	$ 1,695,851		$ 1,705,406	$ 1,705,406	
41	Synchronized Interest (L58)	$ 136,349	$ 136,349	$ -	$ 136,349	$ 136,349	
42	Arizona Taxable Income (L39 - L40 - L41)	$ 145,428	$ 145,428	$ -	$ 849,354	$ 849,354	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%
44	Arizona Income Tax (L42 x L43)	$ 6,433	$ 6,433	$ -	$ 37,573	$ 37,573	$ -
45	Federal Taxable Income (L42 - L44)	$ 138,994	$ 138,994	$ -	$ 811,781	$ 811,781	$ -
46	Effective Tax Rate (see work papers)	24.1383%	24.1383%		24.1383%	24.1383%	
47	Federal Income Tax (L45 x L46)	$ 33,551	$ 33,551		$ 195,950	$ 195,950	
48		$ -			$ -		
49		$ -			$ -		
50		$ -			$ -		
51	Total Federal Income Tax	$ 33,551	$ 33,551	$ -	$ 195,950	$ 195,950	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 39,984	$ 39,984	$ -	$ 233,523	$ 233,523	$ -

53	COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45]	24.1383%	
54	WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]		24.1383%
55			

	Calculation of Interest Synchronization:		N/A
56	Rate Base	$ 9,073,324	$ -
57	Weighted Average Cost of Debt	*1.5027%*	*0.0000%*
58	Synchronized Interest (L56 x L57)	$ 136,349	$ -

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 1,983,814	$ 1,300,343	$ 1,819	$ 145,542	$ 10,567	$ 208,085	$ 317,458
2	Revenue Annualizations	(6,142)	(807)	-	1,735	(127)	381	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(7,306)	(7,031)	(3)	(191)	(8)	(70)	(3)
5	Total Revenues	$ 1,977,628	$ 1,299,493	$ 1,819	$ 147,276	$ 10,440	$ 208,466	$ 310,134
6								
7	Operating Expenses[2]	$ 951,340	$ 685,896	$ 584	$ 44,011	$ 3,210	$ 30,868	$ 186,771
8	Depreciation and							
9	Amortization[2]	667,320	554,518	343	30,939	2,263	33,453	45,805
10	Property Tax[3]	77,191	50,722	71	5,748	408	8,137	12,105
11	Income Tax[4]	39,984	(30,256)	208	16,748	1,148	35,885	16,252
12	Total Operating Expenses	$ 1,735,835	$ 1,260,879	$ 1,207	$ 97,446	$ 7,028	$ 108,342	$ 260,934
13	Operating Income	$ 241,793	$ 38,614	$ 613	$ 49,830	$ 3,413	$ 100,124	$ 49,200
14	Interest Expense[5]	136,349	118,404	65	5,662	386	5,491	6,341
15	Net Income	$ 105,444	$ (79,790)	$ 548	$ 44,167	$ 3,027	$ 94,633	$ 42,859
16	Rate Base[6]	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945
17	Return on Rate Base[7]	2.66%	0.49%	14.23%	13.22%	13.29%	27.40%	11.66%
18								
19	**Percent of Total Customers**		96.24%	0.04%	2.62%	0.11%	0.95%	0.04%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Present Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29
30

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 2,689,474	$ 1,702,990	$ 2,753	$ 196,411	$ 14,276	$ 292,965	$ 480,079
2	Revenue Annualizations	(5,835)	(1,095)	-	2,277	(159)	466	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	207	199	0	5	0	2	0
5	Total Revenues	$ 2,691,108	$ 1,709,083	$ 2,756	$ 198,884	$ 14,125	$ 293,502	$ 472,758
6								
7	Operating Expenses[2]	$ 951,340	$ 685,896	$ 584	$ 44,011	$ 3,210	$ 30,868	$ 186,771
8	Depreciation and							
9	Amortization[2]	667,320	554,518	343	30,939	2,263	33,453	45,805
10	Property Tax[3]	86,746	55,091	89	6,411	455	9,461	15,239
11	Income Tax[4]	233,523	81,156	460	30,755	2,148	58,901	60,103
12	Total Operating Expenses	$ 1,938,929	$ 1,376,661	$ 1,477	$ 112,116	$ 8,075	$ 132,682	$ 307,918
13	Operating Income	$ 752,179	$ 332,423	$ 1,279	$ 86,768	$ 6,049	$ 160,820	$ 164,840
14	Interest Expense[5]	136,349	118,404	65	5,662	386	5,491	6,341
15	Net Income	$ 615,830	$ 214,019	$ 1,214	$ 81,106	$ 5,664	$ 155,329	$ 158,499
16	Rate Base[6]	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945
17	Return on Rate Base[7]	8.29%	4.22%	29.70%	23.03%	23.56%	44.01%	39.07%
18								
19	**Percent of Total Customers**		96.241%	0.039%	2.621%	0.108%	0.952%	0.039%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation	Totals
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)								
2	Commodity	$ 583,630	$ 258,397	$ 508	$ 31,823	$ 2,476	$ 15,009	$ 275,417	$ 583,630
3	Demand	3,322,710	2,768,101	1,694	188,445	15,527	219,077	129,865	3,322,710
4	Customer	741,926	714,035	291	19,444	801	7,064	291	741,926
5	Service	3,863,548	3,670,225	1,497	111,174	5,089	67,723	7,840	3,863,548
6	Meter	561,511	468,451	314	25,924	1,780	56,509	8,532	561,511
7	Totals	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945	$ 9,073,324
8									
9									-
10	Net Rate Base	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945	$ 9,073,324
11									
12	Allocation %	100.00%	86.84%	0.05%	4.15%	0.28%	4.03%	4.65%	100.00%
13									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
	Operation and Maintenance Expense (from Schedule G-6, Page 1)							
1	Commodity	$ 372,366	$ 164,862	$ 324	$ 20,304	$ 1,579	$ 9,576	$ 175,721
2	Demand	279,722	233,032	143	15,864	1,307	18,443	10,933
3	Customer	299,252	288,002	117	7,843	323	2,849	117
4	Service	-	-	-	-	-	-	-
5	Meter	-	-	-	-	-	-	-
6	Totals	$ 951,340	$ 685,896	$ 584	$ 44,011	$ 3,210	$ 30,868	$ 186,771
7								
8	Depreciaton Expense on Plant (from Schedule G-6, Page 2)							
9	Commodity	67,834	30,033	59	3,699	288	1,744	32,011
10	Demand	314,354	261,884	160	17,828	1,469	20,726	12,286
11	Customer	50,892	48,979	20	1,334	55	485	20
12	Service	157,337	149,464	61	4,527	207	2,758	319
13	Meter	76,903	64,158	43	3,551	244	7,739	1,169
14	Totals	$ 667,320	$ 554,518	$ 343	$ 30,939	$ 2,263	$ 33,453	$ 45,805
15								
16								
17	Total Expenses (excluding Income Tax and							
18	Property Taxes)	$ 1,618,660	$ 1,240,413	$ 928	$ 74,950	$ 5,472	$ 64,321	$ 232,576
19								
20	Property Taxes, Allocated on Schedules G-1 & G-2	$ 77,191						
21	Income Tax, Allocated on Schedules G-1 & G-2	39,984						
22	Total Adjusted TY Expenses	**$ 1,735,835**						
23								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Exhibit
Rebuttal Schedule G-4
Page 2
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Commodity	$ 440,200	$ 164,862	$ 324	$ 20,304	$ 1,579	$ 9,576	$ 175,721
2	Demand	594,076	494,916	303	33,693	2,776	39,169	23,219
3	Customer	350,144	336,981	137	9,176	378	3,334	137
4	Service	157,337	149,464	61	4,527	207	2,758	319
5	Meter	76,903	64,158	43	3,551	244	7,739	1,169
6								
7								
8	Totals	$ 1,618,660	$ 1,210,381	$ 869	$ 71,251	$ 5,185	$ 62,576	$ 200,565
9								
10								
11								
12								
13	Total Expenses (excluding Income Tax and							
14	Property Taxes)	**$ 1,618,660**	$ 1,210,381	$ 869	$ 71,251	$ 5,185	$ 62,576	$ 200,565
15								
16	Property Taxes, Allocated on Schedules G-1 & G-2	$ 77,191						
17	Income Tax, Allocated on Schedules G-1 & G-2	39,984						
18	Total Adjusted TY Expenses	**$ 1,735,835**						
19								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	**Rate Base**							
2	Plant minus (Accumulated Depreciation	$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548	$ 9,073,324
3	Contributions in Aid of Construction							
4	Advances in Aid of Construction,							
5	Meter Deposits and Deferred Income Tax)							
6								
7								
8								
9		9,073,324	3,322,710	583,630	741,926	561,511	3,863,548	9,073,324
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1	**Intangible**									
2	301	Organization	$ -		$ -					
3	302	Franchises	-		-					
4										
5	**Subtotal Intangible**		-		-	-	-	-	-	-
6										
7	**Source of Supply & Pumping Plant**									
8	303	Land and Land Rights	$ 97,637		$ 97,637	$ 97,637	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	139,450	175,676	175,676	-	-		
10	305	Collecting and Impounding Res.	-	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	-	-					
12	307	Wells and Springs	610,601	261,499	349,102	279,281	69,820	-		
13	308	Infiltration Galleries and Tunnels	-	-	-					
14	309	Supply Mains	-	-	-	-	-			
15	310	Power Generation Equipment	-	-	-	-	-			
16	311	Electric Pumping Equipment	2,269,738	370,078	1,899,660	1,519,728	379,932			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,293,101	$ 771,027	$ 2,522,074	$ 2,072,322	$ 449,752	$ -	$ -	$ -
18										
19	**Water Treatment**									
20	320.2	Water Treat. Equip. - Chem Sol Feeder	$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673			
21	**Subtotal Water Treatment**		$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673	$ -	$ -	$ -
22										
23	**Transmission and Distribution Plant**									
24	330	Distribution Reservoirs & Standpipe	$ -	$ -	$ -	$ -	$ -			
25	330.1	Storage tanks	1,102,197	490,208	611,989	550,790	61,199			
26	330.2	Pressure Tanks	73,937	24,279	49,658	44,692	4,966			
27	331	Transmission and Distribution Mains	2,916,048	1,625,867	1,290,182	1,161,164	129,018			
28	333	Services	4,724,840	861,292	3,863,548					3,863,548
29	334	Meters	923,202	361,692	561,511				561,511	
30	335	Hydrants	887,381	550,134	337,246			337,246		
31	336	Backflow Prevention Devices	-	-	-	-	-			
32	339	Other Plant and Miscellaneous Equip.	-	-	-	-	-			
33	**Subtotal Transmission and Distribution Plant**		$ 10,627,605	$ 3,913,472	$ 6,714,134	$ 1,756,646	$ 195,183	$ 337,246	$ 561,511	$ 3,863,548
34										
35	**General Plant**									
36	340	Office Furniture and Fixtures	$ 4,239	$ 110	$ 4,129			$ 4,129		
37	340.1	Computers and Software	28,479	278	28,201			28,201		
38	341	Transportation Equipment	61,635	(51,073)	112,708	28,177		84,531		
39	342	Stores Equipment	-	-	-					
40	343	Tools and Work Equipment	134,506	34,251	100,255	25,064		75,191		
41	344	Laboratory Equipment	-	-	-					
42	345	Power Operated Equipment	124,899	34,114	90,785			90,785		
43	346	Communications Equipment	238,939	76,482	162,457	40,614		121,843		
44										

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**					-		-		
2	347	Miscellaneous Equipment	-	-	-			-		
3	348	Other Tangible Plant	-	-	-			-		
4	**Subtotal General Plant**		$ 592,698	$ 94,163	$ 498,535	$ 93,855	$ -	$ 404,680	$ -	$ -
5	Total Plant		$ 14,571,659	$ 4,788,552	$ 9,783,107	$ 3,961,514	$ 654,608	$ 741,926	$ 561,511	$ 3,863,548
6										
7	Contributions in Aid of Construction, Net		(709,783)		(709,783)	(638,805)	(70,978)	-		
8	Advances in Aid of Construction		0		0	0	0			
9	Meter Deposits		-		-				-	
10			-		-	-	-			
11			-		-			-		
12			-		-			-		
13	Totals		$ 13,861,876	$ 4,788,552	$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ 220,827	$88,330.68	$44,165.34	$88,330.68	$ -	$ -	$ 220,826.69
2	Salaries and Wages - Officers & Dir[1]	40,198	16,079	8,040	16,079	-	-	40,198
3	Employee Pensions and Benefits[1]	64,900	25,960	12,980	25,960	-	-	64,900
4	Purchased Water[1]	-		-				-
5	Purchased Power[1]	252,453	-	252,453	-	-	-	252,453
6	Chemicals[1]	16,721	-	16,721	-	-	-	16,721
7	Repairs and Maintenance[1]	71,396	49,977	21,419	-	-	-	71,396
8	Office Supplies and Expense	66,861			66,861			66,861
9	Outside Services - Acctng & Eng.	4,448	1,779	890	1,779	-	-	4,448
10	Outside Services - Other[1]	54,382	21,753	10,876	21,753	-	-	54,382
11	Outside Services - Legal	14,175	5,670	2,835	5,670	-	-	14,175
12	Water Testing[1]	8,925	7,140	1,785	-	-	-	8,925
13	Rents - Equipment	3,203	801	-	2,402	-	-	3,203
14	Transportation Expenses[1]	44,637	11,159	-	33,478	-	-	44,637
15	Insurance - Vehicle	17,464	4,366	-	13,098	-	-	17,464
16	Insurance - General Liability	10,840	5,420		5,420			10,840
17	Insurance - Worker's Comp	1,009	404	202	404	-	-	1,009
18	Reg. Comm. Exp.	3,671			3,671			3,671
19	Reg. Comm. Exp. - Rate Case	-	-		-			-
20	Miscellaneous Expense	9,580			9,580			9,580
21	Bad Debt Expense	4,766			4,766			4,766
22	Depreciation Expense[2]	667,320	314,354	67,834	50,892	76,903	157,337	667,320
23	Taxes Other Than Income	40,883	40,883					40,883
24	Property Taxes, Allocated on Schedules G-1 & G-2	**77,191**						
25	Income Tax, Allocated on Schedules G-1 & G-2	**39,984**						
26								
27	Total	$ 1,735,835	$ 594,076	$ 440,200	$ 350,144	$ 76,903	$ 157,337	**$ 1,618,660**
28								
29								
30	[1] See Schedule G-7, page 2.1.							
31	[2] Depreciation allocation computed on Schedule G-6, Page 2.							
32								
33								
34								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Rebuttal Schedule G-6
Page 2.0
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ -		$ -						
3	302	Franchises	-		-						
4											
5	**Subtotal Intangible**		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7		**Source of Supply & Pumping Plant**									
8	303	Land and Land Rights	$ 97,637	0.000%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	3.330%	10,494	10,494	10,494	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	-					
12	307	Wells and Springs	610,601	3.330%	20,333	20,333	16,266	4,067			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	-					
14	309	Supply Mains	-	2.000%	-	-	-	-			
15	310	Power Generation Equipment	-	5.000%	-	-	-	-			
16	311	Electric Pumping Equipment	2,269,738	12.500%	283,717	283,717	226,974	56,743			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,293,101		$ 314,544	$ 314,544	$ 253,734	$ 60,810	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320.2	Water Treat. Equip. - Chem Sol Feeder	58,255	20.000%	11,651	11,651	9,321	2,330			
21	**Subtotal Water Treatment**		$ 58,255		$ 11,651	$ 11,651	$ 9,321	$ 2,330	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
25	330.1	Storage tanks	1,102,197	2.220%	24,469	24,469	22,022	2,447	-	-	-
26	330.2	Pressure Tanks	73,937	5.000%	3,697	3,697	3,327	370	-	-	-
27	331	Transmission and Distribution Mains	2,916,048	2.000%	58,321	58,321	52,489	5,832			
28	333	Services	4,724,840	3.330%	157,337	157,337					157,337
29	334	Meters	923,202	8.330%	76,903	76,903				76,903	
30	335	Hydrants	887,381	2.000%	17,748	17,748			17,748		
31	336	Backflow Prevention Devices	-	6.670%	-	-	-	-			
32	339	Other Plant and Miscellaneous Equipment	-	6.670%	-	-	-	-			
33	**Subtotal Transmission and Distribution Plant**		$ 10,627,605		$ 338,474	$ 338,474	$ 77,838	$ 8,649	$ 17,748	$ 76,903	$ 157,337
34											
35	**General Plant**										
36	340	Office Furniture and Fixtures	$ 4,239	6.670%	$ 283	$ 283	$ -	$ -	$ 283	$ -	$ -
37	340.1	Computers and Software	28,479	20.000%	5,696	5,696	-	-	5,696	-	-
38	341	Transportation Equipment	61,635	20.000%	12,327	12,327	3,082		9,245		
39	342	Stores Equipment	-	4.000%	-	-			-		
40	343	Tools and Work Equipment	134,506	5.000%	6,725	6,725	6,053	673			
41	344	Laboratory Equipment	-	10.000%	-	-	-	-			
42	345	Power Operated Equipment	124,899	5.000%	6,245	6,245	5,620	624			
43	346	Communications Equipment	238,939	10.000%	23,894	23,894	5,973	-	17,920		

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Rebuttal Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciatior Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**										
2	347	Miscellaneous Equipment	-	10.00%	-	-			-		
3	348	Other Tangible Plant	-	10.00%	-	-	-				
4	**Subtotal General Plant**		$ 592,698		$ 55,170	$ 55,170	$ 20,728	$ 1,297	$ 33,144	$ -	$ -
5	**Total Plant**		$ 14,571,659		$ 719,839	$ 719,839	$ 361,621	$ 73,086	$ 50,892	$ 76,903	$ 157,337
6											
7											
8	Less: Amortization of Contributions										
9		Composite	$ 1,056,007	4.9733%	$ (52,519)	$ (52,519)	$ (47,267)	$ (5,252)			
10					-	-	-	-			
11											
12											
13											
14	Total Depreciation Expense		1,056,007		$ 667,320	$ 667,320	$ 314,354	$ 67,834	$ 50,892	$ 76,903	$ 157,337
15											
16											
17											
18											
19											

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Summary of Commodity - Demand Method Functions Factors

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
1											
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
3	Commodity	44.274%	0.087%	5.453%	0.424%	2.572%	0.000%	0.000%	0.000%	47.19%	100.00%
4	Demand	83.309%	0.051%	5.671%	0.467%	6.593%	0.000%	0.000%	0.000%	3.91%	100.00%
5	Customer	96.241%	0.039%	2.621%	0.108%	0.952%	0.000%	0.000%	0.000%	0.04%	100.00%
6	Services	94.996%	0.039%	2.877%	0.132%	1.753%	0.000%	0.000%	0.000%	0.20%	100.00%
7	Meters	83.427%	0.056%	4.617%	0.317%	10.064%	0.000%	0.000%	0.000%	1.52%	100.00%
8											
9											
10											
11											
12	SUPPORTING SCHEDULES										
13	G-7, page 3										

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.80	0.20	
4	Pumps & Equipment	1.00	0.80	0.20	
5	Trans. & Dist. Mains	1.00	0.90	0.10	
6	Structures & Improv.	1.00	1.00		
7	Land	1.00	1.00		
8	Customer	1.00			1.00
9	Services	1.00			1.00
10	Meters	1.00			1.00
11	Fire Hydrants	1.00			1.00
12	Transportation Equip.	1.00	0.25		0.75
13	Office Furniture	1.00			1.00
14	Communication Equip.	1.00	0.25		0.75
15	Water Treatment Equip.	1.00	0.10	0.90	
16					
17					
18					
19					
20					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Rebuttal Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Total	Demand	Commodity	Customer	Meters	Services
1							
2	Repairs and Maintenance[1]	1.00	0.70	0.30	-	-	-
3	Contractual Services[2]	1.00	0.40	0.20	0.40	-	-
4	Purchased Power/Fuel for Power Prod.[3]	1.00	-	1.00	-	-	-
5	Purchased Water[4]	1.00	-	1.00	-	-	-
6	Transportation[5]	1.00	0.25	-	0.75	-	-
7	Chemicals[6]	1.00	-	1.00	-	-	-
8	Water Testing[7]	1.00	0.80	0.20	-	-	-
9	Salaries and Wages[8]	1.00	0.40	0.20	0.40	-	-
10							
11							
12							

13 [1] Estimated based on examination of costs in repairs and maintenance and professional judgement.
14 [2] Estimated based on examination of costs included in contractual services and professional judgement.
15 [3] 100% related to pumping and water production.
16 [4] 100% related to pumping and water production.
17 [5] Based on allocation of transportation equipment. See G-7, page 2.
18 [6] 100% related to water production.
19 [7] Based on allocation of well plant and equipment. See G-7, page 2.
20 [8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.
21
22
23
24
25

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Rebuttal Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	768,141	44.27%
3/4"	1,511	0.09%
1"	94,602	5.45%
1-1/2"	7,359	0.42%
2"	44,617	2.57%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.000%
Irrigation	818,738	47.190%
Totals	1,734,968	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4"	9,805	1.0	9,805	83.31%
3/4"	4	1.5	6	0.05%
1"	267	2.5	668	5.67%
1-1/2"	11	5.0	55	0.47%
2"	97	8.0	776	6.59%
3"	-	16.0	0	0.00%
4"	-	25.0	0	0.00%
6"	-	50.0	0	0.00%
8"	-	80.0	0	0.00%
Irrigation	4	115.0	460	3.91%
Totals	10,188		11,770	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	9,805	96.24%
3/4"	4	0.04%
1"	267	2.62%
1-1/2"	11	0.11%
2"	97	0.95%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.00%
Irrigation	4	0.04%
Totals	10,188	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4"	9,805	$ 445.00	4,363,225	95.00%
3/4"	4	445.00	1,780	0.04%
1"	267	495.00	132,165	2.88%
1-1/2"	11	550.00	6,050	0.13%
2"	97	830.00	80,510	1.75%
3"	0	1,165.00	0	0.00%
4"	0	1,670.00	0	0.00%
6"	0	2,330.00	0	0.00%
8"	0	2,330.00	0	0.00%
Irrigation	4	2,330.00	9,320	0.20%
Totals	10,188		4,593,050	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	9,805	$ 155.00	1,519,775	83.43%
3/4"	4	255.00	1,020	0.06%
1"	267	315.00	84,105	4.62%
1-1/2"	11	525.00	5,775	0.32%
2"	97	1,890.00	183,330	10.06%
3"	0	2,545.00	0	0.00%
4"	0	3,645.00	0	0.00%
6"	0	6,920.00	0	0.00%
8"	0	6,920.00	0	0.00%
10"	4	6,920.00	27,680	1.52%
Totals	10,188		1,821,685	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	8.29%				61,506	46,549	320,288
2	Misc. Revenues					199		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					350,144	157,337	76,903
4	Property Taxes					86,746		
5	Income Taxes					233,523		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)					732,118	203,886	397,191
7								
8	**Customer Charge**							
9	Number of Bills =	10,188	times	12		122,256		
10								
11	**Charge per Bill**					$ 5.99		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)							
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters		11,770	times	12		141,234	141,234
16								
17	**Charge per Equivalent Meter**						$ 1.44	$ 2.81
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 5.99	
23	Charge per Equivalent Service Line						1.44	
24	Charge per Equivalent Meter						2.81	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 10.24	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Rebuttal Schedule G-8
Page 2
Witness: Bourassa

Line No.	DEMAND CHARGE:		
1			
2	Return on Rate Base 8.29%		275,453
3	Demand Expenses, from Schedule G-6, Page 1		594,076
4			
5	Totals		869,529
6	Total Revenue Requirement / Demand Component		
7	Equivalent Number of 5/8 Meters billings		141,234
8	Demand Charge for 5/8 Inch Meter		$ 6.16
9			
10		5/8" Demand	Meter	Demand
11	Demand Charge Per Equivalent	Charge	Ratio	Charge
12	5/8 Inch Meter	$ 6.16	1.0	$ 6.16
13	3/4 Inch Meter	$ 6.16	1.5	$ 9.23
14	1 Inch Meter	$ 6.16	2.5	$ 15.39
15	1 1/2 Inch Meter	$ 6.16	5.0	$ 30.78
16	2 Inch Meter	$ 6.16	8.0	$ 49.25
17	3 Inch Meter	$ 6.16	16.0	$ 98.51
18	4 Inch Meter	$ 6.16	25.0	$ 153.92
19	6 Inch Meter	$ 6.16	50.0	$ 307.83
20				
21				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rebuttal Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	8.29%	48,383	61,506	320,288	46,549	275,453
2	Less: Miscellaneous Revenues			(7,261)			
3							
4	Expenses (From Sch. G-6. Page 1)		440,200	350,144	157,337	76,903	594,076
5	Property taxes			86,746			
6	Income Taxes			233,523			
7	Total Revenue Requirement by function		488,583	724,657	477,625	123,452	869,529
8	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)		1,734,968				
9	Computed Commodity Rate (line 7 divided by line 8)		$ 0.2816				
10	Annualized Number of Bills (from G-8, page 1)			122,256			
11	Equivalent Meters and Service Lines (from G-8, page 1)				141,234	141,234	141,234
12	Customer Charge (line 7 divided by line 10)			$ 5.93			
13	Meter, Service Line & Demand Charge (Line 7 divided by Line 11)				$ 3.38	$ 0.87	$ 6.16
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 16.34
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
19	5/8 Inch Meter	$ 16.34	1.0	$ 16.34
20	3/4 Inch Meter	$ 16.34	1.5	$ 24.51
21	1 Inch Meter	$ 16.34	2.5	$ 40.85
22	1 1/2 Inch Meter	$ 16.34	5.0	$ 81.70
23	2 Inch Meter	$ 16.34	8.0	$ 130.72
24	3 Inch Meter	$ 16.34	16.0	$ 261.44
25	4 Inch Meter	$ 16.34	25.0	$ 408.50
26	6 Inch Meter	$ 16.34	50.0	$ 817.00
27	8 Inch Meter	$ 16.34	80.0	$ 1,307.19

28
29
30
31

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rebuttal Schedule G-8
Page 4
Witness: Bourassa

Line No.		Total Rev. Req.	%	Portion of Rev. Req.	
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
6	Customer, Service, and Meter Costs	$ 1,325,734	45%	$ 596,580	
7	Demand Costs	869,529	45%	391,288	
8	Commodity Costs	488,583	100%	488,583	
9	Total Costs to be Collected via Commodity			$ 1,476,452	
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)			1,734,968	
11					
12	Commodity Charge (per 1,000 gallons) (Line 9 divided by line 10)			$ 0.851	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 2,683,847	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,476,452)	
19	Balance to be Recovered through Monthly Minimum			$ 1,207,395	44.99%
20					
21	Number of Equivalent 5/8 Inch Meter Billings (from G-8, page 1)			141,234	
22					
23	Computed Monthly Minimum 5/8 Inch Meter Equivalent (line 19 divided by line 21)			$ 8.55	
24					
25					
26		5/8"	Meter	Monthly	
27	Meter Size	Minimum	Ratio	Minimum	
28	5/8 Inch Meter	$ 8.55	1.0	$ 8.55	
29	3/4 Inch Meter	$ 8.55	1.5	$ 12.82	
30	1 Inch Meter	$ 8.55	2.5	$ 21.37	
31	1 1/2 Inch Meter	$ 8.55	5.0	$ 42.74	
32	2 Inch Meter	$ 8.55	8.0	$ 68.39	
33	3 Inch Meter	$ 8.55	16.0	$ 136.78	
34	4 Inch Meter	$ 8.55	25.0	$ 213.72	
35	6 Inch Meter	$ 8.55	50.0	$ 427.44	
36	8 Inch Meter	$ 8.55	80.0	$ 683.91	
37	10 Inch Meter				
38					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rebuttal Schedule G-8
Page 4
Witness: Bourassa

Line No.		Total Rev. Req.	%	Portion of Rev. Req.	
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4					
5					
6	Customer, Service, and Meter Costs	$ 1,325,734	45%	$ 596,580	
7	Demand Costs	869,529	45%	391,288	
8	Commodity Costs	488,583	100%	488,583	
9	Total Costs to be Collected via Commodity			$ 1,476,452	
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)			1,734,968	
11					
12	Commodity Charge (per 1,000 gallons) (Line 9 divided by line 10)			$ 0.851	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 2,683,847	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,476,452)	
19	Balance to be Recovered through Monthly Minimum			$ 1,207,395	44.99%
20					
21	Number of Equivalent 5/8 Inch Meter Billings (from G-8, page 1)			141,234	
22					
23	Computed Monthly Minimum 5/8 Inch Meter Equivalent (line 19 divided by line 21)			$ 8.55	
24					
25					
26					
27	Meter Size	5/8" Minimum	Meter Ratio	Monthly Minimum	
28	5/8 Inch Meter	$ 8.55	1.0	$ 8.55	
29	3/4 Inch Meter	$ 8.55	1.5	$ 12.82	
30	1 Inch Meter	$ 8.55	2.5	$ 21.37	
31	1 1/2 Inch Meter	$ 8.55	5.0	$ 42.74	
32	2 Inch Meter	$ 8.55	8.0	$ 68.39	
33	3 Inch Meter	$ 8.55	16.0	$ 136.78	
34	4 Inch Meter	$ 8.55	25.0	$ 213.72	
35	6 Inch Meter	$ 8.55	50.0	$ 427.44	
36	8 Inch Meter	$ 8.55	80.0	$ 683.91	
37	10 Inch Meter				
38					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 5/8 Inch Residential Meter (With Required Operating Margin)

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 6.75	$ -	$ 6.75	$ 6.16	$ 5.93	$ 3.38	$ 0.87	0	$ 16.34	$ (9.59)
2	1,000	6.75	0.93	7.68	6.16	5.93	3.38	0.87	0.282	16.62	(8.94)
3	2,000	6.75	1.86	8.61	6.16	5.93	3.38	0.87	0.563	16.90	(8.30)
4	3,000	6.75	2.78	9.53	6.16	5.93	3.38	0.87	0.845	17.18	(7.65)
5	4,000	6.75	3.71	10.46	6.16	5.93	3.38	0.87	1.126	17.47	(7.00)
6	5,000	6.75	4.99	11.74	6.16	5.93	3.38	0.87	1.408	17.75	(6.01)
7	6,000	6.75	6.27	13.02	6.16	5.93	3.38	0.87	1.690	18.03	(5.01)
8	7,000	6.75	7.55	14.30	6.16	5.93	3.38	0.87	1.971	18.31	(4.01)
9	8,000	6.75	8.83	15.57	6.16	5.93	3.38	0.87	2.253	18.59	(3.02)
10	9,000	6.75	10.10	16.85	6.16	5.93	3.38	0.87	2.534	18.87	(2.02)
11	10,000	6.75	11.38	18.13	6.16	5.93	3.38	0.87	2.816	19.16	(1.03)
12	12,000	6.75	14.74	21.49	6.16	5.93	3.38	0.87	3.379	19.72	1.77
13	14,000	6.75	18.09	24.84	6.16	5.93	3.38	0.87	3.943	20.28	4.56
14	16,000	6.75	21.45	28.20	6.16	5.93	3.38	0.87	4.506	20.85	7.35
15	18,000	6.75	24.81	31.56	6.16	5.93	3.38	0.87	5.069	21.41	10.15
16	20,000	6.75	28.16	34.91	6.16	5.93	3.38	0.87	5.632	21.97	12.94
17	25,000	6.75	36.56	43.30	6.16	5.93	3.38	0.87	7.040	23.38	19.92
18	30,000	6.75	44.95	51.70	6.16	5.93	3.38	0.87	8.448	24.79	26.91
19	35,000	6.75	53.34	60.09	6.16	5.93	3.38	0.87	9.856	26.20	33.89
20	40,000	6.75	61.73	68.48	6.16	5.93	3.38	0.87	11.264	27.60	40.87
21	45,000	6.75	70.12	76.87	6.16	5.93	3.38	0.87	12.672	29.01	47.86
22	50,000	6.75	78.51	85.26	6.16	5.93	3.38	0.87	14.080	30.42	54.84
23	60,000	6.75	95.29	102.04	6.16	5.93	3.38	0.87	16.897	33.24	68.81
24	70,000	6.75	112.07	118.82	6.16	5.93	3.38	0.87	19.713	36.05	82.77
25	80,000	6.75	128.86	135.61	6.16	5.93	3.38	0.87	22.529	38.87	96.74
26	90,000	6.75	145.64	152.39	6.16	5.93	3.38	0.87	25.345	41.68	110.70
27	100,000	6.75	162.42	169.17	6.16	5.93	3.38	0.87	28.161	44.50	124.67

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 3/4 Inch Commercial Meter (With Required Operating Margin)

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues								(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 6.75	$ -	$ 6.75	$ 9.23	$ 8.89	$ 5.07	$ 1.31	0	$ 24.51	$ (17.76)
2	1,000	6.75	1.28	8.03	9.23	8.89	5.07	1.31	0.282	24.79	(16.76)
3	2,000	6.75	2.56	9.31	9.23	8.89	5.07	1.31	0.563	25.07	(15.77)
4	3,000	6.75	3.83	10.58	9.23	8.89	5.07	1.31	0.845	25.35	(14.77)
5	4,000	6.75	5.11	11.86	9.23	8.89	5.07	1.31	1.126	25.64	(13.77)
6	5,000	6.75	6.39	13.14	9.23	8.89	5.07	1.31	1.408	25.92	(12.78)
7	6,000	6.75	7.67	14.42	9.23	8.89	5.07	1.31	1.690	26.20	(11.78)
8	7,000	6.75	8.95	15.70	9.23	8.89	5.07	1.31	1.971	26.48	(10.78)
9	8,000	6.75	10.23	16.97	9.23	8.89	5.07	1.31	2.253	26.76	(9.79)
10	9,000	6.75	11.50	18.25	9.23	8.89	5.07	1.31	2.534	27.04	(8.79)
11	10,000	6.75	12.78	19.53	9.23	8.89	5.07	1.31	2.816	27.33	(7.80)
12	12,000	6.75	16.14	22.89	9.23	8.89	5.07	1.31	3.379	27.89	(5.00)
13	14,000	6.75	19.49	26.24	9.23	8.89	5.07	1.31	3.943	28.45	(2.21)
14	16,000	6.75	22.85	29.60	9.23	8.89	5.07	1.31	4.506	29.02	0.58
15	18,000	6.75	26.21	32.96	9.23	8.89	5.07	1.31	5.069	29.58	3.38
16	20,000	6.75	29.56	36.31	9.23	8.89	5.07	1.31	5.632	30.14	6.17
17	25,000	6.75	37.96	44.70	9.23	8.89	5.07	1.31	7.040	31.55	13.15
18	30,000	6.75	46.35	53.10	9.23	8.89	5.07	1.31	8.448	32.96	20.14
19	35,000	6.75	54.74	61.49	9.23	8.89	5.07	1.31	9.856	34.37	27.12
20	40,000	6.75	63.13	69.88	9.23	8.89	5.07	1.31	11.264	35.77	34.10
21	45,000	6.75	71.52	78.27	9.23	8.89	5.07	1.31	12.672	37.18	41.09
22	50,000	6.75	79.91	86.66	9.23	8.89	5.07	1.31	14.080	38.59	48.07
23	60,000	6.75	96.69	103.44	9.23	8.89	5.07	1.31	16.897	41.41	62.04
24	70,000	6.75	113.47	120.22	9.23	8.89	5.07	1.31	19.713	44.22	76.00
25	80,000	6.75	130.26	137.01	9.23	8.89	5.07	1.31	22.529	47.04	89.97
26	90,000	6.75	147.04	153.79	9.23	8.89	5.07	1.31	25.345	49.85	103.93
27	100,000	6.75	163.82	170.57	9.23	8.89	5.07	1.31	28.161	52.67	117.90

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 1 Inch Residential Meter (With Required Operating Margin)

Exhibit
Rebuttal Schedule G-9
Page 3
Witness: Bourassa

Column Number-->		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) (Col. 2 - Col. 8)
		Revenues								Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs
1	0	$ 18.94	$ -	$ 18.94	$ 15.39	$ 14.82	$ 8.45	$ 2.19	0	$ 40.85	$ (21.91)
2	1,000	18.94	1.28	20.22	15.39	14.82	8.45	2.19	0.282	41.13	(20.91)
3	2,000	18.94	2.56	21.50	15.39	14.82	8.45	2.19	0.563	41.41	(19.91)
4	3,000	18.94	3.83	22.78	15.39	14.82	8.45	2.19	0.845	41.69	(18.92)
5	4,000	18.94	5.11	24.06	15.39	14.82	8.45	2.19	1.126	41.98	(17.92)
6	5,000	18.94	6.39	25.34	15.39	14.82	8.45	2.19	1.408	42.26	(16.92)
7	6,000	18.94	7.67	26.61	15.39	14.82	8.45	2.19	1.690	42.54	(15.93)
8	7,000	18.94	8.95	27.89	15.39	14.82	8.45	2.19	1.971	42.82	(14.93)
9	8,000	18.94	10.23	29.17	15.39	14.82	8.45	2.19	2.253	43.10	(13.93)
10	9,000	18.94	11.50	30.45	15.39	14.82	8.45	2.19	2.534	43.38	(12.94)
11	10,000	18.94	12.78	31.73	15.39	14.82	8.45	2.19	2.816	43.67	(11.94)
12	12,000	18.94	15.34	34.28	15.39	14.82	8.45	2.19	3.379	44.23	(9.95)
13	14,000	18.94	17.89	36.84	15.39	14.82	8.45	2.19	3.943	44.79	(7.95)
14	16,000	18.94	20.45	39.40	15.39	14.82	8.45	2.19	4.506	45.36	(5.96)
15	18,000	18.94	23.01	41.95	15.39	14.82	8.45	2.19	5.069	45.92	(3.97)
16	20,000	18.94	25.56	44.51	15.39	14.82	8.45	2.19	5.632	46.48	(1.97)
17	25,000	18.94	31.96	50.90	15.39	14.82	8.45	2.19	7.040	47.89	3.01
18	30,000	18.94	40.35	59.29	15.39	14.82	8.45	2.19	8.448	49.30	9.99
19	35,000	18.94	48.74	67.68	15.39	14.82	8.45	2.19	9.856	50.71	16.98
20	40,000	18.94	57.13	76.07	15.39	14.82	8.45	2.19	11.264	52.11	23.96
21	45,000	18.94	65.52	84.46	15.39	14.82	8.45	2.19	12.672	53.52	30.94
22	50,000	18.94	73.91	92.85	15.39	14.82	8.45	2.19	14.080	54.93	37.92
23	60,000	18.94	90.69	109.64	15.39	14.82	8.45	2.19	16.897	57.75	51.89
24	70,000	18.94	107.47	126.42	15.39	14.82	8.45	2.19	19.713	60.56	65.86
25	80,000	18.94	124.26	143.20	15.39	14.82	8.45	2.19	22.529	63.38	79.82
26	90,000	18.94	141.04	159.98	15.39	14.82	8.45	2.19	25.345	66.19	93.79
27	100,000	18.94	157.82	176.77	15.39	14.82	8.45	2.19	28.161	69.01	107.75

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

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons
1	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,664,864	$ 389,952	30.59%	64.47%	61.87%		
2	1 Inch	Residential	116,781	156,268	39,486	33.81%	5.91%	5.81%		
3										
4	5/8x3/4 Inch	Commercial	$ 25,431	$ 38,127	$ 12,696	49.92%	1.29%	1.42%		
5	3/4 Inch	Commercial	1,819	2,753	934	51.33%	0.09%	0.10%		
6	1 Inch	Commercial	28,761	40,144	11,383	39.58%	1.45%	1.49%		
7	1 1/2 Inch	Commercial	10,567	14,276	3,709	35.10%	0.53%	0.53%		
8	2 Inch	Commercial	208,085	292,965	84,880	40.79%	10.52%	10.89%		
9										
10	Irrigation		310,134	472,755	162,622	52.44%	15.68%	17.57%		
11	Irrigation - recovered effluent		7,324	7,324	-	0.00%	0.37%	0.27%		
12										
13	**Subtotals of Revenues**		$ 1,983,814	$ 2,689,474	$ 705,660	35.57%	100.31%	99.94%	Additional Bills	Additional Gallons
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (464)	$ (586)	$ (121)	26.13%	-0.02%	-0.02%	(46)	(265,673)
16	1 Inch	Residential	1,345	1,750	405	30.09%	0.07%	0.07%	32	179,482
17										
18	5/8x3/4 Inch	Commercial	$ (343)	$ (509)	$ (166)	48.36%	-0.02%	-0.02%	(11)	(285,257)
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	390	527	137	35.15%	0.02%	0.02%	6	286,139
21	1 1/2 Inch	Commercial	(127)	(159)	(32)	25.46%	-0.01%	-0.01%	(2)	(83,192)
22	2 Inch	Commercial	381	466	85	22.28%	0.02%	0.02%	5	244,063
23										
24	Irrigation - recovered effluent		(7,324)	(7,324)	-	0.00%	-0.37%	-0.27%	(12)	(21,544,200)
25	(belongs to Wastewater Division)									
26										
27	**Subtotal Revenue Annualization**		(6,142)	(5,835)	307	-5.00%	-0.31%	-0.30%	(28)	(21,468,639)
28										
29	**Total Revenues w/ Annualization**		$ 1,977,673	$ 2,683,640	$ 705,967	35.70%	100.00%	99.72%		
30	**Misc Revenues**		7,261	7,261	-	0.00%	0.37%	0.27%		
31	**Reconciling Amount**		(7,306)	207	7,513	-102.83%	-0.37%	0.01%		
32	**Total Revenues**		$ 1,977,628	$ 2,691,108	$ 713,480	36.08%	100.00%	100.00%		
33										
34										

Pima Utility Company - Water ion
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	6,395	$ 10.66	$ 13.52	$ 2.86	26.82%	95.87%
2	1 Inch	Residential	220	28,258	44.00	56.37	12.37	28.11%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	27,442	$ 32.82	48.80	15.98	48.71%	0.62%
5	3/4 Inch	Commercial	4	31,484	37.18	55.59	18.40	49.49%	0.04%
6	1 Inch	Commercial	46	35,570	51.90	68.64	16.74	32.26%	0.45%
7	1 1/2 Inch	Commercial	11	55,541	78.46	98.07	19.61	24.99%	0.11%
8	2 Inch	Commercial	72	51,537	79.14	96.66	17.52	22.14%	0.71%
9									
10	Irrigation		4	15,854,381	$ 5,851.58	$ 8,919.91	$ 3,068.33	52.44%	0.04%
11									
12									
13									
14									
15									
16									
17									
18	Totals								
19			10,167						100.00%
20	Actual Year End Number								
21	of Customers:								
22			10,188						
23									
24									
25									

Pima Utility Company - Water Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	4,500	$ 8.92	$ 11.10	$ 2.18	24.45%	95.87%
2	1 Inch	Residential	220	22,500	37.78	47.70	9.92	26.27%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	6,500	$ 10.76	$ 15.06	$ 4.30	39.94%	0.62%
5	3/4 Inch	Commercial	4	4,500	$ 8.92	$ 12.50	3.58	40.14%	0.04%
6	1 Inch	Commercial	46	11,000	$ 25.36	$ 33.00	7.64	30.14%	0.45%
7	1 1/2 Inch	Commercial	11	32,500	53.58	66.41	12.83	23.94%	0.11%
8	2 Inch	Commercial	72	65,000	93.68	113.87	20.19	21.55%	0.71%
9									
10	Irrigation		4	8,864,900	$ 3,335.36	$ 5,075.70	$ 1,740.33	52.18%	0.04%
11									
12									
13									
14									
15									
16									
17	Totals		10,167						100.00%
18									
19	Actual Year End Number								
20	of Customers:		10,188						
21									
22									
23									
24									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4 Inch	$ 5.70	$ 6.75	$ 1.05	18.40%
2	3/4 Inch	5.70	6.75	1.05	18.40%
3	1 Inch	16.00	18.94	2.94	18.40%
4	1 1/2 Inch	21.00	24.86	3.86	18.40%
5	2 Inch	26.00	30.78	4.78	18.40%
6	3 Inch	40.00	47.36	7.36	18.40%
7	4 Inch	52.00	61.57	9.57	18.40%
8	6 Inch	100.00	118.40	18.40	18.40%
9					
10	Irrigation	180.00	200.00	20.00	11.11%
11					
12	Gallons In Minimum (All Classes, except irrigation)	1,000	-		
13					
14	Gallons In Minimum (Irrigation)	100,000	-		
15					
16					
17			(Per 1,000 gallons)		
18	**Commodity Rates** / **Block**		Present Rate		Proposed Rate
19					
20	5/8x3/4 Inch (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92		
21		Over 10,000 gallons	$ 1.08		
22					
23	5/8x3/4 Inch - Residential	1 gallons to 4,000 gallons			$ 0.93
24		4,001 gallons to 10,000 gallons			$ 1.28
25		over 10,000 gallons			$ 1.68
26					
27	5/8x3/4 Inch - Commercial	1 gallons to 10,000 gallons			$ 1.28
28		over 10,000 gallons			$ 1.68
29					
30	3/4 Inch Meter (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92		
31		Over 10,000 gallons	$ 1.08		
32					
33	3/4 Inch Meter - Residential	1 gallons to 4,000 gallons			$ 0.93
34		4,001 gallons to 10,000 gallons			$ 1.28
35		over 10,000 gallons			$ 1.68
36					
37	3/4 Inch Meter - Commercial	1 gallons to 10,000 gallons			$ 0.93
38		over 10,000 gallons			$ 1.28
39					
40					
41	NT = No Tariff				
42					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 2

Line No.	Commodity Rates	Block	Present Rate (Per 1,000 gallons)	Proposed Rate (Per 1,000 gallons)
3				
4	1 Inch Meter (All classes)	Over Minimum up to 10,000 gallons	$ 0.92	
5		Over 10,000 gallons	$ 1.08	
6				
7	1 Inch Meter - Residential, Commercial	1 gallons to 25,000 gallons		$ 1.28
8		over 25,000 gallons		$ 1.68
9				
10	1.5 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
11		Over 10,000 gallons	$ 1.08	
12				
13	1.5 Inch Meter - Residential, Commercial	1 gallons to 50,000 gallons		$ 1.28
14		over 50,000 gallons		$ 1.68
15				
16	2 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
17		Over 10,000 gallons	$ 1.08	
18				
19	2 Inch Meter - Residential, Commercial	1 gallons to 80,000 gallons		$ 1.28
20		over 80,000 gallons		$ 1.68
21				
22	3 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
23		Over 10,000 gallons	$ 1.08	
24				
25	3 Inch Meter - Residential, Commercial	1 gallons to 160,000 gallons		$ 1.28
26		over 160,000 gallons		$ 1.68
27				
28	4 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
29		Over 10,000 gallons	$ 1.08	
30				
31	4 Inch Meter - Residential, Commercial	1 gallons to 250,000 gallons		$ 1.28
32		over 250,000 gallons		$ 1.68
33				
34	6 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
35		Over 10,000 gallons	$ 1.08	
36				
37	6 Inch Meter - Residential, Commercial	1 gallons to 500,000 gallons		$ 1.28
38		over 500,000 gallons		$ 1.68
39				
40	Irrigation (all meter sizes)	Over Minimum	$ 0.36	$ 0.55
41				
42	Construction/Standpipe	All gallons	NT	$ 1.68
43				
44	NT = No Tariff			

Pima Utility Company - Water Division
Present and Proposed Rates
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Bourassa

Meter and Service Line Charges[1]

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

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008
NT = No Tariff

Other Charges:

	Present	Proposed
Establishment	NT	$ 25.00
Reestablishment (within 12 months)	*	*
Reconnection (Deliquent)	NT	$ 25.00
Meter Test (if correct)	$ 20.00	$ 20.00
Meter Re-read (if correct)	$ 25.00	$ 25.00
Deposit	**	**
Deposit Interest	**	**
NSF Check	$ 15.00	$ 15.00
Deferred Payment, per month	1.5%	1.5%
Late Payment Fee (per month)	1.5%	1.5%
After hours service charge	NT	$ 50.00

* Number of months off the system times the monthly minimum.
** Per Rule R14-2-403.B

NT = No Tariff

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 6.75	$ 1.05	18.40%
1,000	5.70	7.68	$ 1.98	34.68%
2,000	6.62	8.61	$ 1.99	29.99%
3,000	7.54	9.53	$ 1.99	26.44%
4,000	8.46	10.46	$ 2.00	23.66%
5,000	9.38	11.74	$ 2.36	25.16%
6,000	10.30	13.02	$ 2.72	26.39%
7,000	11.22	14.30	$ 3.08	27.42%
8,000	12.14	15.57	$ 3.43	28.29%
9,000	13.06	16.85	$ 3.79	29.04%
10,000	13.98	18.13	$ 4.15	29.69%
12,000	16.14	21.49	$ 5.35	33.13%
14,000	18.30	24.84	$ 6.54	35.76%
16,000	20.46	28.20	$ 7.74	37.83%
18,000	22.62	31.56	$ 8.94	39.51%
20,000	24.78	34.91	$ 10.13	40.89%
25,000	30.18	43.30	$ 13.12	43.49%
30,000	35.58	51.70	$ 16.12	45.29%
35,000	40.98	60.09	$ 19.11	46.62%
40,000	46.38	68.48	$ 22.10	47.64%
45,000	51.78	76.87	$ 25.09	48.45%
50,000	57.18	85.26	$ 28.08	49.11%
60,000	67.98	102.04	$ 34.06	50.11%
70,000	78.78	118.82	$ 40.04	50.83%
80,000	89.58	135.61	$ 46.03	51.38%
90,000	100.38	152.39	$ 52.01	51.81%
100,000	111.18	169.17	$ 57.99	52.16%
Average Usage				
6,395	$ 10.66	$ 13.52	$ 2.86	26.82%
Median Usage				
4,500	$ 8.92	$ 11.10	$ 2.18	24.45%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	6.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	0.93
Up to	10,000	$	1.28
Over	10,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 18.94	$ 2.94	18.40%
1,000	16.00	20.22	$ 4.22	26.39%
2,000	16.92	21.50	$ 4.58	27.07%
3,000	17.84	22.78	$ 4.94	27.68%
4,000	18.76	24.06	$ 5.30	28.23%
5,000	19.68	25.34	$ 5.66	28.74%
6,000	20.60	26.61	$ 6.01	29.19%
7,000	21.52	27.89	$ 6.37	29.61%
8,000	22.44	29.17	$ 6.73	29.99%
9,000	23.36	30.45	$ 7.09	30.34%
10,000	24.28	31.73	$ 7.45	30.67%
12,000	26.44	34.28	$ 7.84	29.66%
14,000	28.60	36.84	$ 8.24	28.81%
16,000	30.76	39.40	$ 8.64	28.07%
18,000	32.92	41.95	$ 9.03	27.44%
20,000	35.08	44.51	$ 9.43	26.88%
25,000	40.48	50.90	$ 10.42	25.74%
30,000	45.88	59.29	$ 13.41	29.23%
35,000	51.28	67.68	$ 16.40	31.98%
40,000	56.68	76.07	$ 19.39	34.21%
45,000	62.08	84.46	$ 22.38	36.06%
50,000	67.48	92.85	$ 25.37	37.60%
60,000	78.28	109.64	$ 31.36	40.06%
70,000	89.08	126.42	$ 37.34	41.92%
80,000	99.88	143.20	$ 43.32	43.37%
90,000	110.68	159.98	$ 49.30	44.55%
100,000	121.48	176.77	$ 55.29	45.51%
Average Usage				
28,258	$ 44.00	$ 56.37	$ 12.37	28.11%
Median Usage				
22,500	$ 37.78	$ 47.70	$ 9.92	26.27%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	18.94
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.28
Over	25,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 6.75	$ 1.05	18.40%
1,000	5.70	8.03	$ 2.33	40.82%
2,000	6.62	9.31	$ 2.69	40.56%
3,000	7.54	10.58	$ 3.04	40.36%
4,000	8.46	11.86	$ 3.40	40.21%
5,000	9.38	13.14	$ 3.76	40.08%
6,000	10.30	14.42	$ 4.12	39.98%
7,000	11.22	15.70	$ 4.48	39.90%
8,000	12.14	16.97	$ 4.83	39.82%
9,000	13.06	18.25	$ 5.19	39.76%
10,000	13.98	19.53	$ 5.55	39.71%
12,000	16.14	22.89	$ 6.75	41.81%
14,000	18.30	26.24	$ 7.94	43.41%
16,000	20.46	29.60	$ 9.14	44.67%
18,000	22.62	32.96	$ 10.34	45.70%
20,000	24.78	36.31	$ 11.53	46.54%
25,000	30.18	44.70	$ 14.52	48.13%
30,000	35.58	53.10	$ 17.52	49.23%
35,000	40.98	61.49	$ 20.51	50.04%
40,000	46.38	69.88	$ 23.50	50.66%
45,000	51.78	78.27	$ 26.49	51.16%
50,000	57.18	86.66	$ 29.48	51.56%
60,000	67.98	103.44	$ 35.46	52.16%
70,000	78.78	120.22	$ 41.44	52.61%
80,000	89.58	137.01	$ 47.43	52.94%
90,000	100.38	153.79	$ 53.41	53.21%
100,000	111.18	170.57	$ 59.39	53.42%
Average Usage				
27,442	$ 32.82	$ 48.80	$ 15.98	48.71%
Median Usage				
6,500	$ 10.76	$ 15.06	$ 4.30	39.94%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	6.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.28
Over	10,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 6.75	$ 1.05	18.40%
1,000	5.70	8.03	$ 2.33	40.82%
2,000	6.62	9.31	$ 2.69	40.56%
3,000	7.54	10.58	$ 3.04	40.36%
4,000	8.46	11.86	$ 3.40	40.21%
5,000	9.38	13.14	$ 3.76	40.08%
6,000	10.30	14.42	$ 4.12	39.98%
7,000	11.22	15.70	$ 4.48	39.90%
8,000	12.14	16.97	$ 4.83	39.82%
9,000	13.06	18.25	$ 5.19	39.76%
10,000	13.98	19.53	$ 5.55	39.71%
12,000	16.14	22.89	$ 6.75	41.81%
14,000	18.30	26.24	$ 7.94	43.41%
16,000	20.46	29.60	$ 9.14	44.67%
18,000	22.62	32.96	$ 10.34	45.70%
20,000	24.78	36.31	$ 11.53	46.54%
25,000	30.18	44.70	$ 14.52	48.13%
30,000	35.58	53.10	$ 17.52	49.23%
35,000	40.98	61.49	$ 20.51	50.04%
40,000	46.38	69.88	$ 23.50	50.66%
45,000	51.78	78.27	$ 26.49	51.16%
50,000	57.18	86.66	$ 29.48	51.56%
60,000	67.98	103.44	$ 35.46	52.16%
70,000	78.78	120.22	$ 41.44	52.61%
80,000	89.58	137.01	$ 47.43	52.94%
90,000	100.38	153.79	$ 53.41	53.21%
100,000	111.18	170.57	$ 59.39	53.42%
Average Usage				
31,484	$ 37.18	$ 55.59	$ 18.40	49.49%
Median Usage				
4,500	$ 8.92	$ 12.50	$ 3.58	40.14%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	6.75
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.28
Over	10,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 18.94	$ 2.94	18.40%
1,000	16.00	20.22	$ 4.22	26.39%
2,000	16.92	21.50	$ 4.58	27.07%
3,000	17.84	22.78	$ 4.94	27.68%
4,000	18.76	24.06	$ 5.30	28.23%
5,000	19.68	25.34	$ 5.66	28.74%
6,000	20.60	26.61	$ 6.01	29.19%
7,000	21.52	27.89	$ 6.37	29.61%
8,000	22.44	29.17	$ 6.73	29.99%
9,000	23.36	30.45	$ 7.09	30.34%
10,000	24.28	31.73	$ 7.45	30.67%
12,000	26.44	34.28	$ 7.84	29.66%
14,000	28.60	36.84	$ 8.24	28.81%
16,000	30.76	39.40	$ 8.64	28.07%
18,000	32.92	41.95	$ 9.03	27.44%
20,000	35.08	44.51	$ 9.43	26.88%
25,000	40.48	50.90	$ 10.42	25.74%
30,000	45.88	59.29	$ 13.41	29.23%
35,000	51.28	67.68	$ 16.40	31.98%
40,000	56.68	76.07	$ 19.39	34.21%
45,000	62.08	84.46	$ 22.38	36.06%
50,000	67.48	92.85	$ 25.37	37.60%
60,000	78.28	109.64	$ 31.36	40.06%
70,000	89.08	126.42	$ 37.34	41.92%
80,000	99.88	143.20	$ 43.32	43.37%
90,000	110.68	159.98	$ 49.30	44.55%
100,000	121.48	176.77	$ 55.29	45.51%
Average Usage				
35,570	$ 51.90	$ 68.64	$ 16.74	32.26%
Median Usage				
11,000	$ 25.36	$ 33.00	$ 7.64	30.14%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	18.94
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.28
Over	25,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 21.00	$ 24.86	$ 3.86	18.40%
1,000	21.00	26.14	$ 5.14	24.49%
2,000	21.92	27.42	$ 5.50	25.09%
3,000	22.84	28.70	$ 5.86	25.65%
4,000	23.76	29.98	$ 6.22	26.17%
5,000	24.68	31.26	$ 6.58	26.64%
6,000	25.60	32.53	$ 6.93	27.08%
7,000	26.52	33.81	$ 7.29	27.49%
8,000	27.44	35.09	$ 7.65	27.88%
9,000	28.36	36.37	$ 8.01	28.24%
10,000	29.28	37.65	$ 8.37	28.57%
12,000	31.44	40.20	$ 8.76	27.87%
14,000	33.60	42.76	$ 9.16	27.26%
16,000	35.76	45.32	$ 9.56	26.72%
18,000	37.92	47.87	$ 9.95	26.24%
20,000	40.08	50.43	$ 10.35	25.82%
25,000	45.48	56.82	$ 11.34	24.93%
30,000	50.88	63.21	$ 12.33	24.23%
35,000	56.28	69.60	$ 13.32	23.67%
40,000	61.68	75.99	$ 14.31	23.20%
45,000	67.08	82.38	$ 15.30	22.81%
50,000	72.48	88.77	$ 16.29	22.48%
60,000	83.28	105.56	$ 22.28	26.75%
70,000	94.08	122.34	$ 28.26	30.04%
80,000	104.88	139.12	$ 34.24	32.65%
90,000	115.68	155.90	$ 40.22	34.77%
100,000	126.48	172.69	$ 46.21	36.53%
Average Usage				
55,541	$ 78.46	$ 98.07	$ 19.61	24.99%
Median Usage				
32,500	$ 53.58	$ 66.41	$ 12.83	23.94%

Present Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons
Up to 10,000
Over 10,000

Proposed Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons
Up to 50,000
Over 50,000

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.00	$ 30.78	$ 4.78	18.40%
1,000	26.00	32.06	$ 6.06	23.32%
2,000	26.92	33.34	$ 6.42	23.85%
3,000	27.84	34.62	$ 6.78	24.35%
4,000	28.76	35.90	$ 7.14	24.82%
5,000	29.68	37.18	$ 7.50	25.25%
6,000	30.60	38.45	$ 7.85	25.66%
7,000	31.52	39.73	$ 8.21	26.05%
8,000	32.44	41.01	$ 8.57	26.42%
9,000	33.36	42.29	$ 8.93	26.76%
10,000	34.28	43.57	$ 9.29	27.09%
12,000	36.44	46.12	$ 9.68	26.57%
14,000	38.60	48.68	$ 10.08	26.11%
16,000	40.76	51.24	$ 10.48	25.70%
18,000	42.92	53.79	$ 10.87	25.33%
20,000	45.08	56.35	$ 11.27	25.00%
25,000	50.48	62.74	$ 12.26	24.29%
30,000	55.88	69.13	$ 13.25	23.71%
35,000	61.28	75.52	$ 14.24	23.24%
40,000	66.68	81.91	$ 15.23	22.84%
45,000	72.08	88.30	$ 16.22	22.51%
50,000	77.48	94.69	$ 17.21	22.22%
60,000	88.28	107.48	$ 19.20	21.75%
70,000	99.08	120.26	$ 21.18	21.38%
80,000	109.88	133.04	$ 23.16	21.08%
90,000	120.68	149.82	$ 29.14	24.15%
100,000	131.48	166.61	$ 35.13	26.72%
Average Usage				
51,537	$ 79.14	$ 96.66	$ 17.52	22.14%
Median Usage				
65,000	$ 93.68	$ 113.87	$ 20.19	21.55%

Present Rates:

Monthly Minimum:		$	26.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	30.78
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.28
Over	80,000	$	1.68

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Irrigation
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
10,000	180.00	205.50	$ 25.50	14.17%
20,000	180.00	211.00	$ 31.00	17.22%
30,000	180.00	216.50	$ 36.50	20.28%
40,000	180.00	222.00	$ 42.00	23.33%
50,000	180.00	227.50	$ 47.50	26.39%
100,000	180.00	255.00	$ 75.00	41.67%
150,000	198.00	282.50	$ 84.50	42.68%
200,000	216.00	310.00	$ 94.00	43.52%
250,000	234.00	337.50	$ 103.50	44.23%
300,000	252.00	365.00	$ 113.00	44.84%
350,000	270.00	392.50	$ 122.50	45.37%
400,000	288.00	420.00	$ 132.00	45.83%
450,000	306.00	447.50	$ 141.50	46.24%
500,000	324.00	475.00	$ 151.00	46.60%
1,000,000	504.00	750.00	$ 246.00	48.81%
1,500,000	684.00	1,025.00	$ 341.00	49.85%
2,000,000	864.00	1,300.00	$ 436.00	50.46%
2,500,000	1,044.00	1,575.00	$ 531.00	50.86%
3,000,000	1,224.00	1,850.00	$ 626.00	51.14%
3,500,000	1,404.00	2,125.00	$ 721.00	51.35%
4,000,000	1,584.00	2,400.00	$ 816.00	51.52%
4,500,000	1,764.00	2,675.00	$ 911.00	51.64%
5,000,000	1,944.00	2,950.00	$ 1,006.00	51.75%
10,000,000	3,744.00	5,700.00	$ 1,956.00	52.24%
15,000,000	5,544.00	8,450.00	$ 2,906.00	52.42%
20,000,000	7,344.00	11,200.00	$ 3,856.00	52.51%
Average Usage				
15,854,381	$ 5,851.58	$ 8,919.91	$ 3,068.33	52.44%
Median Usage				
8,864,900	$ 3,335.36	$ 5,075.70	$ 1,740.33	52.18%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.36

Proposed Rates:

Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.55

Pima Utility Company

Wastewater Division Schedules

Schedules A through C and H

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rebuttal Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,832,800
2			
3	Adjusted Operating Income		516,608
4			
5	Current Rate of Return		5.25%
6			
7	Required Operating Income	$	815,139
8			
9	Required Rate of Return on Fair Value Rate Base		8.29%
10			
11	Operating Income Deficiency	$	298,531
12			
13	Gross Revenue Conversion Factor		1.3979
14			
15	Increase in Gross Revenue		
16	Requirement	$	417,329
17			
18	Adjusted Test Year Revenues	$	3,096,775
19	Increase in Gross Revenue Revenue Requirement	$	417,329
20	Proposed Revenue Requirement	$	3,514,104
21	% Increase		13.48%
22			

23	Customer		Present	Proposed	Dollar	Percent
24	Classification		Rates	Rates	Increase	Increase
25	(Residential Commercial, Irrigation)					
26	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,037,389	$ 378,843	14.25%
27	1 Inch	Residential	145,477	166,208	20,730	14.25%
28						
29	5/8x3/4 Inch	Commercial	6,410	7,323	913	14.25%
30	3/4 Inch	Commercial	$ 1,272	$ 1,453	181	14.25%
31	1 Inch	Commercial	16,909	19,319	2,410	14.25%
32	1 1/2 Inch	Commercial	12,672	14,477	1,806	14.25%
33	2 Inch	Commercial	115,770	132,267	16,497	14.25%
34						
35	Effluent		121,512	118,009	(3,503)	-2.88%
36						
37	Revenue Annualization		13,363	12,840	(523)	-3.91%
38						
39	**Subtotal**		$ 3,091,931	$ 3,509,286	$ 417,355	13.50%
40						
41	Other Water Revenues		6,030	6,030	-	0.00%
42	Reconciling Amount		(1,186)	(1,212)	(26)	2.19%
43	Rounding				-	0.00%
44	**Total of Water Revenues**		$ 3,096,775	$ 3,514,104	$ 417,329	13.48%
45						
46						
47	SUPPORTING SCHEDULES:					
48	B-1					
49	C-1					
50	C-3					
51	H-1					

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Rebuttal Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 22,039,554	$ 22,039,554
3	Less: Accumulated Depreciation	11,503,741	11,503,741
4			
5	Net Utility Plant in Service	$ 10,535,813	$ 10,535,813
6			
7	Less:		
8	Advances in Aid of Construction	(0)	(0)
9			
10	Contributions in Aid of Construction	1,281,106	1,281,106
11			
12	Accumulated Amortization of CIAC	(578,093)	(578,093)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20			
21			
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Cash Working Capital	-	-
25			
26	Total Rate Base	$ 9,832,800	$ 9,832,800
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 22,055,018	(15,465)	$ 22,039,554
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	11,546,833	(43,092)	11,503,741
7				
8				
9	Net Utility Plant			
10	in Service	$ 10,508,186		$ 10,535,813
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	285,313	(285,313)	(0)
15				
16	Contributions in Aid of			
17	Construction - Gross	937,694	343,412	1,281,106
18				
19	Accumulated Amortization of CIAC	(578,093)	-	(578,093)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23		-		-
24		-		-
25				
26	**Plus:**			
27				
28				
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Allowance for Cash Working Capital	-	-	-
32		-		-
33				
34	Total	$ 9,863,272		$ 9,832,800
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
46	B-2, pages 2		B-1	
47	E-1			
48				
49				
50				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rebuttal Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 22,055,018	(15,465)					$ 22,039,554
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	11,546,833		(43,092)				11,503,741
7								
8								
9	Net Utility Plant							
10	in Service	$ 10,508,186	$ (15,465)	$ 43,092	$ -	$ -	$ -	$ 10,535,813
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	285,313			(285,313)			(0)
15								
16	Contributions in Aid of							
17	Construction (CIAC)	937,694			343,412			1,281,106
18								
19	Accumulated Amort of CIAC	(578,093)						(578,093)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-						-
23								
24								
25	**Plus:**							
26								
27								
28	Prepayments	-						
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-						
31								
32	Total	$ 9,863,272	$ (15,465)	$ 43,092	$ (58,099)	$ -	$ -	$ 9,832,800
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rebuttal Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	A Capitalized Expenses	B Prior Case Adjustments	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Original Cost
6	351	Organization Cost	$ -						-
7	352	Franchise Cost	-						-
8	353	Land and Land Rights	91,528						91,528
9	354	Structures & Improvements	250,433						250,433
10	355	Power Generation Equipment	-						-
11	360	Collection Sewers - Force	97,523						97,523
12	361.1	Collection Sewers - Gravity	3,854,512						3,854,512
13	361.2	Manholes & Cleanouts	1,791,722						1,791,722
14	362	Special Collecting Structures	-						-
15	363	Servcies to Customers	632,249						632,249
16	364	Flow Measuring Devices	-						-
17	365	Flow Measuring Installations	-						-
18	366	Reuse Services	-						-
19	367	Reuse Meters and Meter Installations	-						-
20	370	Receiving Wells	226,251						226,251
21	371.1	Pumping Equipment - Lift Stations	1,544,146	9,179	(22,507)				1,530,818
22	371.2	Other Pumping Equipment	103,441						103,441
23	371.3	Pumping Equipment - Recharge Wells	1,436,200		(10,665)				1,425,535
24	374	Reuse Distribution Reserviors	-						-
25	375	Reuse Transmission and Distribution	137,444		(3,260)				134,184
26	380	Treatment & Disposal Equipment	9,884,071	13,212					9,897,283
27	381	Plant Sewers	-						-
28	382	Outfall Sewer Lines	-						-
29	389	Other Plant & Misc Equipment	972,509						972,509
30	390	Office Furniture & Equipment	6,529						6,529
31	390.1	Computers & Software	10,884						10,884
32	391	Transportation Equipment	21,830						21,830
33	392	Stores Equipment	-						-
34	393	Tools, Shop & Garage Equipment	156,200		(1,423)				154,777
35	394	Laboratory Equipment	1,993						1,993
36	395	Power Operated Equipment	0						0
37	396	Communication Equipment	118,828						118,828
38	397	Miscellaneous Equipment	-						-
39	398	Other Tangible Plant	-						-
40		Post-in-service AFUDC	716,722						716,722
41		TOTALS	$ 22,055,018	$ 22,391	$ (37,856)	$ -	$ -	$ -	$ 22,039,554
42									
43	Plant-in-Service per Direct								$ 22,055,018
44									
45	Increase (decrease) in Plant-in-Service								$ (15,465)
46									
47	Adjustment to Plant-in-Service								$ (15,465)
48									
49	SUPPORTING SCHEDULES								
50	B-2, pages 3.1 and 3.2								
51	B-2, pages 3.3 to 3.20								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - A
Capitalized Expenses

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	9,179
2	380	Treatment & Disposal Equipment		13,212
3				
4				
5		Total	$	22,391
6				
7				
8	Increase in Plant-in-Service		$	22,391
9				
10				
11				
12				
13				
14				
15				
16	Reference/Supporting Schedule			
17	Staff Rate Base Adjustment No. 2, Schedule CSB-4			
18				
19				
20				
21				
22				
23				
24				
25				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - B
Prior Rate Case Plant

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	(22,507)
2	371.3	Pumping Equipment - Recharge Wells		(10,665)
3	375	Reuse Transmission and Distribution		(3,260)
4	393	Tools, Shop & Garage Equipment		(1,423)
5				
6		Total	$	(37,856)
7				
8				
9	Increase in Plant-in-Service		$	(37,856)
10				
11				
12				
13				
14				
15				
16				
17	Reference/Supporting Schedule			
18	RUCO Rate Base Adjustment No. 1, Schedule TJC-3			
19				
20				
21				
22				
23				
24				
25				
26				

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Jones/Bourassa

					Per Decision No. 62184 - January 5, 2000						Current Books		Allocate A/D
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Company Plant at 12/31/1997	Company Pro Forma Adjust	Adopted Staff Adjust	Adopted RUCO Adjust	Order Plant at 12/31/1997	Accum. Deprec. At 12/31/1997	G/L Plant at 12/31/1997	NARUC Plant at 12/31/1997	Accum. Deprec. At 12/31/1997
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				76,709		76,709	76,709	-
4	354	Structures & Improvements	3.00%	3.33%	4,326	(4,326)			-		-	-	-
5	355	Power Generation Equipment	3.00%	5.00%					-		-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%					-		-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	2,559,281	149,529	(149,529)		2,559,281		2,559,281	2,559,281	267,514
8	361.2	Manholes & Cleanouts	3.00%	2.00%	1,118,725				1,118,725		1,118,725	1,118,725	116,937
9	362	Special Collecting Structures	3.00%	2.00%					-		-	-	-
10	363	Servcies to Customers	3.00%	2.00%			149,529		149,529		149,529	149,529	15,630
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%				226,251	226,251		-	226,251	23,649
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	765,619		1,017		766,636		766,637	766,637	80,134
17	371.2	Other Pumping Equipment	3.00%	10.00%				100,000	100,000		-	100,000	10,453
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%					-		-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%					-		-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	343,041			(326,251)	16,790		343,041	16,790	1,755
21	380	Treatment & Disposal Equipment	3.00%	5.00%	8,545,663	2,135			8,547,798		8,547,798	8,547,798	893,476
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%					-		-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%					-		-	-	-
26	390.1	Computers & Software	3.00%	20.00%					-		-	-	-
27	391	Transportation Equipment	3.00%	20.00%				3,261	3,261		-	3,260	341
28	392	Stores Equipment	3.00%	4.00%					-		-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	189,765		(5,612)	(3,261)	180,892		184,153	180,893	18,908
30	394	Laboratory Equipment	3.00%	10.00%					-		-	-	-
31	395	Power Operated Equipment	3.00%	5.00%					-		-	-	-
32	396	Communication Equipment	3.00%	10.00%					-		-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%					-		-	-	-
34	398	Other Tangible Plant	3.00%						-		-	-	-
35													
36		Sub Total			13,603,129	147,338	(4,595)	-	13,745,872	1,428,798	13,745,873	13,745,873	1,428,798
37													
38		Post-In Service AFUDC		4.52%	1,865,546		(1,148,824)	-	716,722	-	716,722	716,722	-
39													
40		TOTAL			15,468,675	147,338	(1,153,419)	-	14,462,594	1,428,798	14,462,595	14,462,595	1,428,798
41													
42		Depreciable Plant											
43		Composite Depreciation Rate											
44													
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.											
46													

Pima , Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.4
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1994									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
22	381	Plant Sewers	3.00%	5.00%		-	-	-	-	-	-	-	-	-
23	382	Outfalt Sewer Lines	3.00%	3.33%		-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1995									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%		-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%		-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staf												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Sewer Plant Recorded on Water Books - Not Included in Decision 62184 1996 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stat												
46														

Pima County Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1997									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
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%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stat												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1998 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%	-	-	-	-	480	480	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	202,986	-	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	-	28,319	-	-	-	-	425	28,319	425
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	24,402	(9,148)	15,254	-	-	-	-	77,007	2,574,535	344,521
8	361.2	Manholes & Cleanouts	3.00%	2.00%	21,257	-	21,257	-	-	-	-	33,881	1,139,982	150,818
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	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%	3.57%	-	-	-	-	-	-	-	6,788	226,251	30,437
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	432,170	-	432,170	-	63,740	63,740	-	28,526	1,135,067	44,920
17	371.2	Other Pumping Equipment	3.00%	10.00%	54,700	-	54,700	-	65,250	65,250	-	2,842	89,450	(51,955)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	838,888	-	838,888	-	-	-	-	12,583	838,888	12,583
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	104,135	-	104,135	-	-	-	-	2,066	120,925	3,821
21	380	Treatment & Disposal Equipment	3.00%	5.00%	606,887	-	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	-	500,000	-	-	-	-	7,500	500,000	7,500
25	390	Office Furniture & Equipment	3.00%	6.67%	1,870	-	1,870	-	-	-	-	28	1,870	28
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	584	-	584	-	-	-	-	107	3,844	448
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,860	-	2,860	-	47,661	47,661	-	4,755	136,091	(23,998)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	1,068	-	1,068	-	-	-	-	16	1,068	16
32	396	Communication Equipment	3.00%	10.00%	36,607	-	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			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	450,139	16,416,326	1,702,285
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	32,396
39														
40		TOTAL			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	482,535	17,133,048	1,734,681
41														
42		Depreciable Plant											16,340,097	
43		Composite Depreciation Rate											2.9531%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1999 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	400,340	-	-	-	-	83,241	2,974,876	427,762
8	361.2	Manholes & Cleanouts	3.00%	2.00%	129,190	-	129,190	-	-	-	-	36,137	1,269,172	186,955
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	213,312	-	213,312	-	-	-	-	7,686	362,841	27,801
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	37,224
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	54,090	-	54,090	-	14,000	14,000	-	34,653	1,175,157	65,573
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	2,684	89,450	(49,272)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	82,615	-	82,615	-	2,406	2,406	-	26,370	919,096	36,547
19	374	Reuse Distribution Reserviors	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	-	73,913	-	17,618	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	-	745	-	-	-	-	67	2,615	95
26	390.1	Computers & Software	3.00%	20.00%	1,512	-	1,512	-	-	-	-	23	1,512	23
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	115	3,844	563
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,363	-	1,363	-	-	-	-	4,103	137,454	(19,895)
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	-	13,860	-	-	-	-	1,306	50,467	1,855
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			970,940	-	970,940	-	34,024	34,024	-	504,257	17,353,243	2,172,518
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	64,792
39														
40		TOTAL			970,940	-	970,940	-	34,024	34,024	-	536,652	18,069,965	2,237,310
41														
42		Depreciable Plant											17,277,013	
43		Composite Depreciation Rate											3.1062%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stat												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2000 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	15,894
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	1,841
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	59,498	2,974,876	487,260
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	25,383	1,269,172	212,338
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	515	-	515	-	-	-	-	7,262	363,356	35,063
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	45,301
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	101,860	-	101,860	-	8,564	8,564	-	122,181	1,268,454	179,190
17	371.2	Other Pumping Equipment	3.00%	10.00%	6,592	-	6,592	-	-	-	-	9,275	96,042	(39,997)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	20,717	-	20,717	-	7,216	7,216	-	92,585	932,598	121,916
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,418	120,925	9,867
21	380	Treatment & Disposal Equipment	3.00%	5.00%	139,747	-	139,747	-	25,869	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	-	3,752	-	-	-	-	300	6,367	395
26	390.1	Computers & Software	3.00%	20.00%	2,360	-	2,360	-	-	-	-	538	3,872	561
27	391	Transportation Equipment	3.00%	20.00%	21,500	-	21,500	-	-	-	-	2,919	25,344	3,482
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,725	-	1,725	1,236	149	1,385	-	13,762	137,795	(7,517)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	643	-	643	-	-	-	-	69	1,711	118
32	396	Communication Equipment	3.00%	10.00%	15,319	-	15,319	-	1,917	1,917	-	5,717	63,869	5,655
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			314,731	-	314,731	1,236	43,715	44,951	-	854,056	17,623,023	2,981,623
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	97,188
39														
40		TOTAL			314,731	-	314,731	1,236	43,715	44,951	-	886,452	18,339,745	3,078,810
41														
42		Depreciable Plant											17,546,794	
43		Composite Depreciation Rate											5.0519%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stat												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2001 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	22,653
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	-	1,355	-	-	-	-	59,511	2,976,231	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	Servcies to Customers	3.00%	2.00%	1,640	-	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	53,378
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,409	-	11,409	-	5,303	5,303	-	127,151	1,274,559	301,037
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,207	-	11,207	-	495	495	-	10,140	106,754	(30,352)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	47,141	-	47,141	-	6,651	6,651	-	95,284	973,087	210,549
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,418	120,925	12,285
21	380	Treatment & Disposal Equipment	3.00%	5.00%	66,653	-	66,653	-	15,672	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	-	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	-	1,691	-	-	-	-	944	5,564	1,505
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	5,069	25,344	8,550
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,757	-	9,757	-	-	-	-	14,267	147,552	6,750
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	-	9,560	-	680	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	-	165,851	-	28,801	28,801	-	871,244	17,760,073	3,824,066
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	129,583
39														
40		TOTAL			165,851	-	165,851	-	28,801	28,801	-	903,640	18,476,795	3,953,649
41														
42		Depreciable Plant											17,683,844	
43		Composite Depreciation Rate											5.1100%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staf												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2002 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	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	-	230,146	-	-	-	-	61,826	3,206,377	608,597
8	361.2	Manholes & Cleanouts	3.00%	2.00%	134,175	-	134,175	-	-	-	-	26,725	1,403,347	264,447
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	106,678	-	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%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	61,456
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,844	-	11,844	-	1,681	1,681	-	127,964	1,284,722	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	-	16,178	-	8,760	8,760	-	97,680	980,505	299,469
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,418	120,925	14,704
21	380	Treatment & Disposal Equipment	3.00%	5.00%	84,553	-	84,553	-	19,766	19,766	-	470,412	9,440,626	2,756,899
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	-	287,579	-	-	-	-	43,303	793,016	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	-	1,728	-	-	-	-	1,286	7,292	2,790
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	5,069	25,344	13,619
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	5,634	-	5,634	-	2,853	2,853	-	14,894	150,333	18,791
30	394	Laboratory Equipment	3.00%	10.00%	1,993	-	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	-	1,592	-	3,919	3,919	-	7,159	70,422	15,046
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			883,450	-	883,450	-	36,979	36,979	-	893,813	18,606,544	4,680,900
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	161,979
39														
40		TOTAL			883,450	-	883,450	-	36,979	36,979	-	926,209	19,323,266	4,842,879
41														
42		Depreciable Plant											18,530,315	
43		Composite Depreciation Rate											4.9983%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2003 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	3,055	-	6,754	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	-	378,861	-	-	-	-	67,916	3,585,238	676,513
8	361.2	Manholes & Cleanouts	3.00%	2.00%	156,785	-	156,785	-	-	-	-	29,635	1,560,132	294,082
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	89,529	-	89,529	-	-	-	-	10,329	561,202	61,042
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	69,533
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	35,524	-	35,524	-	20,117	20,117	-	129,243	1,300,129	536,446
17	371.2	Other Pumping Equipment	3.00%	10.00%	4,853	-	4,853	-	-	-	-	10,918	111,608	(8,759)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	34,368	-	34,368	-	13,353	13,353	-	99,101	1,001,520	385,217
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,702	-	2,702	-	-	-	-	2,446	123,627	17,149
21	380	Treatment & Disposal Equipment	3.00%	5.00%	78,286	-	78,286	-	16,849	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	793,016	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	-	4,307	-	3,872	3,872	-	1,502	7,727	420
27	391	Transportation Equipment	3.00%	20.00%	13,747	-	13,747	-	-	-	-	6,444	39,091	20,063
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,638	(6,255)	3,384	-	113	113	-	15,197	153,603	33,875
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	-	31,795	-	10,731	10,731	-	8,095	91,487	12,410
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			840,395	(6,255)	834,140	-	68,091	68,091	-	923,393	19,372,594	5,536,202
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	194,375
39														
40		TOTAL			840,395	(6,255)	834,140	-	68,091	68,091	-	955,789	20,089,316	5,730,577
41														
42		Depreciable Plant											19,296,365	
43		Composite Depreciation Rate											4.9532%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staf												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2004 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	-	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	-	10,421	-	-	-	-	71,809	3,595,659	748,322
8	361.2	Manholes & Cleanouts	3.00%	2.00%	6,766	-	6,766	-	-	-	-	31,270	1,566,898	325,352
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	3,435	-	3,435	-	-	-	-	11,258	564,637	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	-	76,413	-	28,063	28,063	-	132,430	1,348,479	640,813
17	371.2	Other Pumping Equipment	3.00%	10.00%	1,251	-	1,251	-	-	-	-	11,223	112,859	2,465
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	24,716	-	24,716	-	9,721	9,721	-	100,902	1,016,515	476,398
19	374	Reuse Distribution Reserviors	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	-	379,961	-	118,948	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	793,016	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	7,727	1,966
27	391	Transportation Equipment	3.00%	20.00%	1,909	-	1,909	-	1,261	1,261	-	7,883	39,739	26,685
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,585	-	1,585	-	1,000	1,000	-	15,390	154,188	48,265
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	-	25,038	-	2,052	2,052	-	10,298	114,473	20,656
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			546,795	-	546,795	-	161,045	161,045	-	947,060	19,758,344	6,322,217
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	226,771
39														
40		TOTAL			546,795	-	546,795	-	161,045	161,045	-	979,456	20,475,066	6,548,988
41														
42		Depreciable Plant											19,666,816	
43		Composite Depreciation Rate											4.9802%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2005 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	69,204	-	-	-	-	1,258	97,523	5,365
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	225,293	-	225,293	-	-	-	-	74,166	3,820,952	822,488
8	361.2	Manholes & Cleanouts	3.00%	2.00%	132,296	-	132,296	-	-	-	-	32,661	1,699,194	358,013
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	50,514	-	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%	-	-	-	-	-	-	-	8,077	226,251	85,687
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	75,225	-	75,225	64,361	30,922	95,283	-	133,845	1,328,421	679,375
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,343	-	3,343	-	-	-	-	11,453	116,201	13,918
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	71,431	-	71,431	-	15,449	15,449	-	104,451	1,072,498	565,399
19	374	Reuse Distribution Reserviors	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	-	427,259	331,845	260,594	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	793,016	291,367
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	2,813	2,813	-	331	3,554	(389)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	1,691	1,691	-	1,376	6,036	1,651
27	391	Transportation Equipment	3.00%	20.00%	5,500	-	5,500	-	-	-	-	8,498	45,239	35,183
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	8,313	-	8,313	-	2,885	2,885	-	15,690	159,616	61,070
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	697
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	545
32	396	Communication Equipment	3.00%	10.00%	5,986	-	5,986	-	3,150	3,150	-	11,589	117,309	29,095
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			1,074,365	-	1,074,365	396,207	317,504	713,711	-	961,572	20,118,998	6,570,078
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	259,167
39														
40		TOTAL			1,074,365	-	1,074,365	396,207	317,504	713,711	-	993,968	20,835,720	6,829,245
41														
42		Depreciable Plant											20,027,470	
43		Composite Depreciation Rate											4.9630%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2006 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	3,820,952	898,907
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	Servcies 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	93,764
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	10,630	-	10,630	-	5,000	5,000	-	133,124	1,334,051	807,499
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	-	58,153	-	18,992	18,992	-	109,208	1,111,658	655,615
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	3,089	-	3,089	-	-	-	-	2,503	126,716	24,598
21	380	Treatment & Disposal Equipment	3.00%	5.00%	72,002	-	72,002	-	10,214	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	793,016	344,261
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	(151)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,207	6,036	2,858
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	9,048	45,239	44,231
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,962	159,616	77,031
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	897
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	643	643	-	69	1,068	(28)
32	396	Communication Equipment	3.00%	10.00%	16,537	-	16,537	-	-	-	-	12,558	133,847	41,653
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			160,411	-	160,411	-	34,849	34,849	-	969,505	20,244,560	7,504,734
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	291,563
39														
40		TOTAL			160,411	-	160,411	-	34,849	34,849	-	1,001,901	20,961,282	7,796,297
41														
42		Depreciable Plant											20,153,032	
43		Composite Depreciation Rate											4.9715%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2007 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	59,945
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	3,820,952	975,326
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	Servcies 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%	3.57%	-	-	-	-	-	-	-	8,077	226,251	101,841
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,215	-	29,215	-	14,835	14,835	-	134,124	1,348,431	926,788
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,170	-	11,170	-	29,789	29,789	-	10,689	97,582	6,438
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,213	-	21,213	-	7,228	7,228	-	111,865	1,125,644	760,252
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	5,414	-	5,414	-	-	-	-	2,588	132,129	27,186
21	380	Treatment & Disposal Equipment	3.00%	5.00%	33,470	-	33,470	-	3,675	3,675	-	483,729	9,689,478	4,419,160
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	793,016	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	6,036	4,065
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	1,909	1,909	-	1,619	43,330	43,940
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,574	-	2,574	-	951	951	-	16,043	161,239	92,123
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	13,427	-	12,713	120,420	40,939
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			103,057	-	103,057	-	71,814	71,814	-	967,398	20,275,803	8,400,318
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	323,958
39														
40		TOTAL			103,057	-	103,057	-	71,814	71,814	-	999,794	20,992,525	8,724,276
41														
42		Depreciable Plant											20,184,275	
43		Composite Depreciation Rate											4.9533%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	49,150	-	-	-	-	7,521	250,433	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	-	33,561	-	-	-	-	76,755	3,854,512	1,052,081
8	361.2	Manholes & Cleanouts	3.00%	2.00%	15,412	-	15,412	-	-	-	-	34,138	1,714,606	460,119
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	17,097	-	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%	3.57%	-	-	-	-	-	-	-	8,077	226,251	109,919
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,252	-	29,252	-	11,030	11,030	-	135,754	1,366,653	1,051,513
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,616	-	3,616	-	-	-	-	9,939	101,198	16,377
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	262,374	-	262,374	-	890	890	-	125,639	1,387,128	885,001
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,055	-	2,055	-	-	-	-	2,663	134,184	29,850
21	380	Treatment & Disposal Equipment	3.00%	5.00%	170,263	-	170,263	-	79,777	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	-	179,493	-	-	-	-	58,880	972,509	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	-	982	-	-	-	-	1,305	7,018	5,371
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	21,500	-	21,500	1,500	(2,110)	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	1,463	5,000	6,463	-	15,801	154,777	101,461
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,295
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	1,068	1,068	-	27	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	6,706	6,706	-	11,707	113,714	45,940
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			763,255	-	763,255	22,963	104,471	127,434	1,500	987,693	20,911,624	9,262,076
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	356,354
39														
40		TOTAL			763,255	-	763,255	22,963	104,471	127,434	1,500	1,020,088	21,628,346	9,618,431
41														
42		Depreciable Plant											20,820,096	
43		Composite Depreciation Rate											4.8995%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stat												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.19
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	250,433	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	1,129,171
8	361.2	Manholes & Cleanouts	3.00%	2.00%	3,765	-	3,765	-	-	-	-	34,330	1,718,371	494,448
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies 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	-	211,774	-	90,630	90,630	-	142,723	1,487,797	1,103,605
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	10,120	101,198	26,496
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,325	-	21,325	-	14,635	14,635	-	139,047	1,393,818	1,009,413
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,684	134,184	32,533
21	380	Treatment & Disposal Equipment	3.00%	5.00%	102,914	-	102,914	-	57,810	57,810	-	490,126	9,825,068	5,258,434
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	972,509	520,902
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	560
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,404	7,018	6,774
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,478	154,777	116,939
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,495
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	5,115	-	5,115	-	-	-	-	11,627	118,828	57,567
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			344,894	-	344,894	-	163,075	163,075	-	1,020,942	21,093,442	10,119,943
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	388,750
39														
40		TOTAL			344,894	-	344,894	-	163,075	163,075	-	1,053,338	21,810,164	10,508,693
41														
42		Depreciable Plant											21,001,914	
43		Composite Depreciation Rate											5.0154%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stai												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.20
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2010 Plant Additions (Per Books)	Plant Adjustments	Rate Case Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	250,433	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	1,206,261
8	361.2	Manholes & Cleanouts	3.00%	2.00%	73,351	-		73,351	-	-	-	-	35,101	1,791,722	529,549
9	362	Special Collecting Structures	3.00%	2.00%	-	-		-	-	-	-	-	-	-	-
10	363	Servcies 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	-	9,179	74,501	-	31,480	31,480	-	150,931	1,530,818	1,223,056
17	371.2	Other Pumping Equipment	3.00%	10.00%	2,243	-		2,243	-	-	-	-	10,232	103,441	36,728
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	52,091	-		52,091	-	20,374	20,374	-	140,968	1,425,535	1,130,007
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-		-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-		-	-	-	-	-	2,684	134,184	35,217
21	380	Treatment & Disposal Equipment	3.00%	5.00%	80,127	-	13,212	93,339	-	21,123	21,123	-	493,059	9,897,283	5,730,370
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	972,509	585,769
25	390	Office Furniture & Equipment	3.00%	6.67%	2,975	-		2,975	-	-	-	-	336	6,529	896
26	390.1	Computers & Software	3.00%	20.00%	3,867	-		3,867	-	-	-	-	1,790	10,884	8,564
27	391	Transportation Equipment	3.00%	20.00%	-	-		-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-		-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-		-	-	-	-	-	15,478	154,777	132,416
30	394	Laboratory Equipment	3.00%	10.00%	-	-		-	-	-	-	-	199	1,993	1,694
31	395	Power Operated Equipment	3.00%	5.00%	-	-		-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	-	-		-	-	-	-	-	11,883	118,828	69,450
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-		-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-		-	-	-	-	-	-	-	-
35															
36		Sub Total			279,976	-	22,391	302,367	-	72,977	72,977	-	1,035,629	21,322,832	11,082,595
37															
38		Post-In Service AFUDC		4.52%									32,396	716,722	421,146
39															
40		TOTAL			279,976	-	22,391	302,367	-	72,977	72,977	-	1,068,025	22,039,554	11,503,741
41															
42		Depreciable Plant												21,231,304	
43		Composite Depreciation Rate												5.0304%	
44															
45		[1] Shaded cells are per Decision No. 62184. Other cells per Stal													
46															

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rebuttal Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Depr. Related to Capitalized Expenses	B Prior Case Adjustments	Adjustments C Difference to Computed Balance	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Accum. Depr.
1	351	Organization Cost	-			-			-
2	352	Franchise Cost	-			-			-
3	353	Land and Land Rights	-			-			-
4	354	Structures & Improvements	84,144			-			84,144
5	355	Power Generation Equipment	-			-			-
6	360	Collection Sewers - Force	15,117			-			15,117
7	361.1	Collection Sewers - Gravity	1,206,261			-			1,206,261
8	361.2	Manholes & Cleanouts	529,549			-			529,549
9	362	Special Collecting Structures	-			-			-
10	363	Servcies to Customers	146,469			-			146,469
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	126,073			-			126,073
16	371.1	Pumping Equipment - Lift Stations	1,250,667	459	(28,070)	(0)			1,223,056
17	371.2	Other Pumping Equipment	36,728			-			36,728
18	371.3	Pumping Equipment - Recharge Wells	1,142,980		(12,973)	-			1,130,007
19	374	Reuse Distribution Reserviors	-			-			-
20	375	Reuse Transmission and Distribution	36,340		(1,123)	-			35,217
21	380	Treatment & Disposal Equipment	5,730,039	330		-			5,730,370
22	381	Plant Sewers	-			-			-
23	382	Outfall Sewer Lines	-			-			-
24	389	Other Plant & Misc Equipment	585,769			-			585,769
25	390	Office Furniture & Equipment	896			-			896
26	390.1	Computers & Software	8,564			-			8,564
27	391	Transportation Equipment	21,830			-			21,830
28	392	Stores Equipment	-			-			-
29	393	Tools, Shop & Garage Equipment	134,132		(1,715)	(0)			132,416
30	394	Laboratory Equipment	1,694			-			1,694
31	395	Power Operated Equipment	(1,016)			-			(1,016)
32	396	Communication Equipment	69,450			-			69,450
33	397	Miscellaneous Equipment	-			-			-
34	398	Other Tangible Plant	-			-			-
35		Post-in-service AFUDC	421,146			-			421,146
36		TOTALS	$ 11,546,833	$ 789	$ (43,881)	$ (0)	$ -	$ -	$ 11,503,741
37									$ 11,546,833
38		Accumulated Depreciation per Direct							$ (43,092)
39		Increase (decrease) in Accumulated Depreciation							$ (43,092)
40		Adjustment to Accumulated Depreciation							

SUPPORTING SCHEDULES
B-2, pages 4.1 and 4.2
B-2, pages 3.3 to 3.20

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - A
Depreciation Related to Capitalized Expenses

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Plant Acct	Description	Amount	Depr Rate	Years	Depreciation
1	371.1	Pumping Equipment - Lift Station	$ 9,179	10.00%	0.5	$ 459
2	380	Treatment & Disposal Equipment	13,212	5.00%	0.5	330
3					0.5	-
4						
5		Total				$ 789
6						
7						
8	Increase in Accumulated Depreciation					$ 789
9						
10						
11						
12						
13						
14						
15						
16	Reference/Supporting Schedule					
17	RUCO Rate Base Adjustment No. 3, Schedule TJC-6					
18						
19						
20						
21						
22						
23						
24						
25						

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - B
Prior Rate Case Plant

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	(28,400)
2	371.3	Pumping Equipment - Recharge Wells		(12,973)
3	375	Reuse Transmission and Distribution		(1,123)
4	393	Tools, Shop & Garage Equipment		(1,423)
5				
6		Total	$	(43,920)
7				
8				
9	Increase in Plant-in-Service		$	(43,920)
10				
11				
12				
13				
14				
15				
16				
17	Reference/Supporting Schedule			
18	RUCO Rate Base Adjustment No. 1, Schedule TJC-3			
19				
20				
21				
22				
23				
24				
25				
26				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 3
Reclassify AIAC to CIAC

Exhibit
Rebuttal Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	Advances-in-aid of Construction related to bankrupt developer	$ 285,313
2	Unrefunded AIAC related to bankrupt developer	58,099
3		
4	Total	$ 343,412
5		
6		
7	Increase (Decrease) in AIAC	$ (285,313)
8		
9		
10	Increase (Decrease) in CIAC	$ 343,412
11		
12		
13		
14		
15	Reference/Supporting Schedule	
16	RUCO Rate Base Adjustment No. 2, Schedule TJC-5	
17		
18		
19		
20		
21		
22		
23		
24		

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Rebuttal Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	145,942
3	Pumping Power (1/24 of Pumping Power)		5,597
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	$	151,539
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	2,580,167
19	Less:		
20	Income Tax	$	139,867
21	Property Tax		124,635
22	Depreciation		1,013,793
23	Purchased Water		-
24	Pumping Power		134,337
25	Allowable Expenses	$	1,167,535
26	1/8 of allowable expenses	$	145,942
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Flat Rate Revenues	$ 2,997,389	$ -	$ 2,997,389	$ 417,329	$ 3,414,718
3	Metered Revenues	93,356	-	93,356		93,356
4	Other Revenues	6,030	-	6,030		6,030
5		$ 3,096,775	$ -	$ 3,096,775	$ 417,329	$ 3,514,104
6	**Operating Expenses**					
7	Salaries and Wages	$ 345,644	-	$ 345,644		$ 345,644
8	Salaries and Wages - Off. and Dir.	90,294	(50,096)	40,198		40,198
9	Employee Pensions and Benefits	115,720	-	115,720		115,720
10	Purchased Power	134,337	-	134,337		134,337
11	Chemicals	84,059	-	84,059		84,059
12	Materials and Supplies	184,532	(22,391)	162,141		162,141
13	Office Supplies and Expense	188,906	(460)	188,446		188,446
14	Contractual Services - Engineering	20,305	(19,524)	781		781
15	Contractual Services - Accounting	3,067	-	3,067		3,067
16	Contractual Services - Legal	108	-	108		108
17	Contractual Services - Other	61,500	(7,138)	54,362		54,362
18	Contractual Services - Water Testing	15,729	12,157	27,886		27,886
19	Rents - Equipment	698	-	698		698
20	Transportation Expenses	28,808	-	28,808		28,808
21	Insurance - Vehicle	3,067	-	3,067		3,067
22	Insurance - General Liability	20,916	-	20,916		20,916
23	Insurance - Worker's Comp	222	-	222		222
24	Reg. Comm. Exp.	-	-	-		-
25	Reg. Comm. Exp. - Rate Case	50,000	(50,000)	-		-
26	Bad Debt Expense	9,509	-	9,509		9,509
27	Miscellaneous Expense	2,174	6,354	8,528		8,528
28	Depreciation Expense	1,010,700	3,093	1,013,793		1,013,793
29	Amortization of Deferred Operating Costs	62,925	-	62,925		62,925
30	Taxes Other Than Income	10,449	-	10,449		10,449
31	Property Taxes	125,916	(1,281)	124,635	5,595	130,230
32	Income Tax	85,405	54,462	139,867	113,203	253,070
33			-	-		-
34	**Total Operating Expenses**	$ 2,654,991	$ (74,824)	$ 2,580,167	$ 118,798	$ 2,698,965
35	**Operating Income**	$ 441,784	$ 74,824	$ 516,608	$ 298,531	$ 815,139
36	**Other Income (Expense)**					
37	Interest Income	97	-	97		97
38	Other income	52	-	52		52
39	Interest Expense	(220,131)	72,370	(147,762)		(147,762)
40	Other Expense	(1,639)	-	(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets	-	-	-		-
42	**Total Other Income (Expense)**	$ (221,621)	$ 72,370	$ (149,251)	$ -	$ (149,251)
43	**Net Profit (Loss)**	$ 220,163	$ 147,194	$ 367,357	$ 298,531	$ 665,888
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Materials and Supplies	7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other
1	**Revenues**										
2	Flat Rate Revenues	$ 2,997,389									
3	Metered Revenues	93,356									
4	Other Revenues	6,030									
5		$ 3,096,775	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	Salaries and Wages	$ 345,644									
8	Salaries and Wages - Off. and Dir.	90,294				(50,096)					
9	Employee Pensions and Benefits	115,720									
10	Purchased Power	134,337									
11	Chemicals	84,059									
12	Materials and Supplies	184,532						(22,391)			
13	Office Supplies and Expense	188,906					(460)				
14	Contractual Services - Engineering	20,305							(19,524)		
15	Contractual Services - Accounting	3,067									
16	Contractual Services - Legal	108									
17	Contractual Services - Other	61,500									(7,138)
18	Contr. Services - Water Testing	15,729								12,157	
19	Rents - Equipment	698									
20	Transportation Expenses	28,808									
21	Insurance - Vehicle	3,067									
22	Insurance - General Liability	20,916									
23	Insurance - Worker's Comp	222									
24	Reg. Comm. Exp.	-									
25	Reg. Comm. Exp. - Rate Case	50,000			(50,000)						
26	Bad Debt Expense	9,509									
27	Miscellaneous Expense	2,174									
28	Depreciation Expense	1,010,700	3,093								
29	Amortization of Deferred Op. Costs	62,925									
30	Taxes Other Than Income	10,449									
31	Property Taxes	125,916		(1,281)							
32	Income Tax	85,405									
33											
34	**Total Operating Expenses**	$ 2,654,991	$ 3,093	$ (1,281)	$ (50,000)	$ (50,096)	$ (460)	$ (22,391)	$ (19,524)	$ 12,157	$ (7,138)
35	**Operating Income**	$ 441,784	$ (3,093)	$ 1,281	$ 50,000	$ 50,096	$ 460	$ 22,391	$ 19,524	$ (12,157)	$ 7,138
36	**Other Income (Expense)**										
37	Interest Income	97									
38	Other income	52									
39	Interest Expense	(220,131)									
40	Other Expense	(1,639)									
41	Gain/Loss Sale of Fixed Assets	-									
42	**Total Other Income (Expense)**	$ (221,621)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	**Net Profit (Loss)**	$ 220,163	$ (3,093)	$ 1,281	$ 50,000	$ 50,096	$ 460	$ 22,391	$ 19,524	$ (12,157)	$ 7,138
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rebuttal Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Intentionally Left Blank	15 Intentionally Left Blank	16 Interest Syncrhronization	17 Income tax	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues									$ 2,997,389	$ 417,329	$ 3,414,718
2	Flat Rate Revenues									93,356		93,356
3	Metered Revenues									6,030		6,030
4	Other Revenues											
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,096,775	$ 417,329	$ 3,514,104
5												
6	Operating Expenses									$ 345,644		$ 345,644
7	Salaries and Wages									40,198		40,198
8	Salaries and Wages - Off. and Dir.									115,720		115,720
9	Employee Pensions and Benefits									134,337		134,337
10	Purchased Power									84,059		84,059
11	Chemicals									162,141		162,141
12	Materials and Supplies									188,446		188,446
13	Office Supplies and Expense									781		781
14	Contractual Services - Engineering									3,067		3,067
15	Contractual Services - Accounting									108		108
16	Contractual Services - Legal									54,362		54,362
17	Contractual Services - Other									27,886		27,886
18	Contr. Services - Water Testing									698		698
19	Rents - Equipment									28,808		28,808
20	Transportation Expenses									3,067		3,067
21	Insurance - Vehicle									20,916		20,916
22	Insurance - General Liability									222		222
23	Insurance - Worker's Comp									-		-
24	Reg. Comm. Exp.									-		-
25	Reg. Comm. Exp. - Rate Case									9,509		9,509
26	Bad Debt Expense									8,528		8,528
27	Miscellaneous Expense	6,354								1,013,793		1,013,793
28	Depreciation Expense									62,925		62,925
29	Amortization of Deferred Op. Costs									10,449		10,449
30	Taxes Other Than Income									124,635	5,595	130,230
31	Property Taxes								54,462	139,867	113,203	253,070
32	Income Tax											
33												
34	Total Operating Expenses	$ 6,354	$ -	$ -	$ -	$ -	$ -	$ -	$ 54,462	$ 2,580,167	$ 118,798	$ 2,698,965
35	Operating Income	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ -	$ (54,462)	$ 516,608	$ 298,531	$ 815,139
36	Other Income (Expense)											
37	Interest Income									97		97
38	Other Income									52		52
39	Interest Expense							72,370		(147,762)		(147,762)
40	Other Expense									(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets									-		-
42	Total Other Income (Expense)	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,370	$ -	$ (149,251)	$ -	$ (149,251)
43	Net Profit (Loss)	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ 72,370	$ (54,462)	$ 367,357	$ 298,531	$ 665,888
44												
45	SUPPORTING SCHEDULES:											
46	C-2											
47	E-2											

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Rebuttal Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses 1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Materials and Supplies	Subtotal
4	Revenues							-
6	Expenses	3,093	(1,281)	(50,000)	(50,096)	(460)	(22,391)	(121,135)
9	Operating Income	(3,093)	1,281	50,000	50,096	460	22,391	121,135
12	Interest Expense							-
14	Other Income / Expense							-
17	Net Income	(3,093)	1,281	50,000	50,096	460	22,391	121,135

Line No.		Adjustments to Revenues and Expenses 7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other	10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	Subtotal
25	Revenues							-
27	Expenses	(19,524)	12,157	(7,138)	6,354	-	-	(129,286)
30	Operating Income	19,524	(12,157)	7,138	(6,354)	-	-	129,286
33	Interest Expense			-				-
35	Other Income / Expense							-
38	Net Income	19,524	(12,157)	7,138	(6,354)	-	-	129,286

Line No.		Adjustments to Revenues and Expenses 13 Intentionally Left Blank	14 Intentionally Left Blank	15 Intentionally Left Blank	16 Interest Syncrhronization	17 Income tax	18 Intentionally Left Blank	Total
46	Revenues							-
48	Expenses					54,462		(74,824)
51	Operating Income	-	-	-	-	(54,462)	-	74,824
54	Interest Expense				72,370			72,370
57	Other Income / Expense							-
59	Net Income	-	-	-	72,370	(54,462)	-	147,194

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3					
4					
5	351	Organization Cost	-	0.00%	-
6	352	Franchise Cost	-	0.00%	-
7	353	Land and Land Rights	91,528	0.00%	-
8	354	Structures & Improvements	250,433	3.33%	8,339
9	355	Power Generation Equipment	-	5.00%	-
10	360	Collection Sewers - Force	97,523	2.00%	1,950
11	361.1	Collection Sewers - Gravity	3,854,512	2.00%	77,090
12	361.2	Manholes & Cleanouts	1,791,722	2.00%	35,834
13	362	Special Collecting Structures	-	2.00%	-
14	363	Servcies to Customers	632,249	2.00%	12,645
15	364	Flow Measuring Devices	-	10.00%	-
16	365	Flow Measuring Installations	-	10.00%	-
17	366	Reuse Services	-	2.00%	-
18	367	Reuse Meters and Meter Installations	-	8.33%	-
19	370	Receiving Wells	226,251	3.57%	8,077
20	371.1	Pumping Equipment - Lift Stations	1,530,818	10.00%	153,082
21	371.2	Other Pumping Equipment	103,441	10.00%	10,344
22	371.3	Pumping Equipment - Recharge Wells	1,425,535	10.00%	142,554
23	374	Reuse Distribution Reserviors	-	2.50%	-
24	375	Reuse Transmission and Distribution	134,184	2.00%	2,684
25	380	Treatment & Disposal Equipment	9,897,283	5.00%	494,864
26	381	Plant Sewers	-	5.00%	-
27	382	Outfall Sewer Lines	-	3.33%	-
28	389	Other Plant & Misc Equipment	972,509	6.67%	64,866
29	390	Office Furniture & Equipment	6,529	6.67%	435
30	390.1	Computers & Software	10,884	20.00%	2,177
31	391	Transportation Equipment	21,830	20.00%	- *
32	392	Stores Equipment	-	4.00%	-
33	393	Tools, Shop & Garage Equipment	154,777	10.00%	15,478
34	394	Laboratory Equipment	1,993	10.00%	199
35	395	Power Operated Equipment	0	5.00%	0
36	396	Communication Equipment	118,828	10.00%	11,883
37	397	Miscellaneous Equipment	-	10.00%	-
38	398	Other Tangible Plant	-	10.00%	-
39		Post-in-service AFUDC	716,722	4.52%	32,396
40					
41		TOTALS	$ 22,039,554		$ 1,074,898
42					
43			Gross CIAC	Amort. Rate	
44	Less: Amortization of Contributions		$ 1,281,106	4.7698%	$ (61,106)
45	Total Depreciation Expense				$ 1,013,793
46					
47	Adjusted Test Year Depreciation Expense				1,010,700
48					
49	Increase (decrease) in Depreciation Expense				3,093
50					
51	Adjustment to Revenues and/or Expenses				$ 3,093
52					
53	SUPPORTING SCHEDULE				
54	B-2, page 3				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 3,096,775	$ 3,096,775
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	6,193,550	6,193,550
4	Company Recommended Revenue	3,096,775	3,514,104
5	Subtotal (Line 4 + Line 5)	9,290,325	9,707,654
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,096,775	3,235,885
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	6,193,550	6,471,769
10	Plus: 10% of CWIP - 2010	3,971	3,971
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	6,197,521	6,475,740
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,239,504	1,295,148
15	Composite Property Tax Rate - Obtained from ADOR	10.0552%	10.0552%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 124,635	$ 130,230
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 124,635	
19	Test Year Property Taxes	$ 125,916	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (1,281)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 130,230
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 124,635
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 5,595
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 5,595
27	Increase in Revenue Requirement		$ 417,329
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.34070%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

No.			
1			
2			
3			
4			
5			
6			
7	Annual Rate Case Expense per Direct	$	50,000
8			
9	Amount to include in operating expenses	$	-
10			
11			
12	Increase(decrease) Rate Case Expense	$	(50,000)
13			
14	Adjustment to Revenue and/or Expense	$	(50,000)
15			
16			
17			
18			
19	REFERENCE		
20	See Testimony		
21			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Salaries and Wages - Offices and Directors

Line No.			
1			
2	Proposed Salaries and Wages for Officers and Directors	$	40,198
3			
4	Test Year Salaries and Wages - Officers and Directors	$	90,294
5			
6	Increase (decrease) in Salaries and Wages - Officers and Directors	$	(50,096)
7			
8			
9	Adjustment to Revenue and/or Expense	$	(50,096)
10			
11			
12			
13	REFERENCE		
14	See Testimony		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Office Supplies and Expense

Line No.			
1			
2			
3			
4	Remove coffee service expense	$	460
5			
6			
7			
8	Increase (decrease) in Office Supplies and Expense	$	(460)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(460)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 4, Schedule CSB-12		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Materials and Supplies Expense

Line No.			
1			
2			
3	Remove capitalized expenses from Material and Supplies expense	$	22,391
4			
5	Total	$	22,391
6			
7			
8	Increase (decrease) in Materials and Supplies	$	(22,391)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(22,391)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 3, Schedule CSB-11		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rebuttal Schedule C-2
Page 8
Witness: Bourassa

Contractual Services - Engineering

Line No.			
1			
2	Remove capitalized expenses from Contractual Services - Eng.	$	19,524
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Eng.	$	(19,524)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(19,524)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 5, Schedule CSB-13		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rebuttal Schedule C-2
Page 9
Witness: Bourassa

Contractual Services - Testing

Line No.			
1			
2	Staff Recommended Testing Expenses	$	27,886
3			
4	Test Year Testing Expenses	$	15,729
5			
6	Increase (decrease) in Testing Expense	$	12,157
7			
8			
9		$	12,157
10			
11			
12			
13			
14			
15			
16	REFERENCE/SUPPORTING SCHEDULES		
17	Staff Adjustment No. 7, Schedule CSB-15		
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rebuttal Schedule C-2
Page 10
Witness: Bourassa

Contractual Services - Other

Line No.			
1			
2	IDA Bond Fees	$	6,700
3	Bonuses		438
4	Total		7,138
5			
6			
7	Increase (decrease) in Contractual Services - Other	$	(7,138)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(7,138)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 6, Schedule CSB-14		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2			
3			
4	Bank fees recorded on Water Division's books	$	6,354
5			
6			
7			
8	Increase (decrease) in Miscellaneous Expense	$	6,354
9			
10			
11	Adjustment to Revenue and/or Expense	$	6,354
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	RUCO Adjustment No. 6, Schedule TJC-14		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 16

Exhibit
Rebuttal Schedule C-2
Page 12
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,832,800	
5	Weighted Cost of Debt	1.50%	
6	Interest Expense		$ 147,762
7			
8	Test Year Interest Expense		$ 220,131
9			
10	Increase (decrease) in Interest Expense		(72,370)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 72,370
15			
16			
17	Weighted Cost of Debt Computation		

18					Weighted
19		Amount	Percent	Cost	Cost
20	Debt	$ 8,370,000	35.36%	4.25%	1.50%
21	Equity	$ 15,301,736	64.64%	10.50%	6.79%
22	Total	$ 23,671,736	100.00%		8.29%

23
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Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 17

Exhibit
Rebuttal Schedule C-2
Page 13
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 3,096,775	$ 3,514,104
7	Operating Expenses Excluding Income Taxes		2,440,300	2,445,895
8	Synchronized Interest		147,762	147,762
9				
10	Income Before Taxes		$ 508,714	$ 920,447
11				
12	Arizona Income Before Taxes		$ 508,714	$ 920,447
13				
14	Less: Effective Arizona Income Tax		$ 22,504	$ 40,718
15	Rate =	4.42% [1]		
16				
17				
18				
19				
20	Federal Income Before Taxes		$ 508,714	$ 920,447
21				
22	Less Arizona Income Taxes		$ 22,504	$ 40,718
23				
24	Federal Taxable Income		$ 486,210	$ 879,730
25				
26				
27				
28	FEDERAL INCOME TAXES:			
29	Effective Federal Tax Rate	24.14% [1]	$ 117,363	$ 212,352
30				
31				
32				
33				
34				
35	Federal Income Taxes		$ 117,363	$ 212,352
36				
37				
38	Total Income Tax		$ 139,867	$ 253,070
39				
40	Overall Tax Rate		27.49%	27.49%
41				
42	Income Tax		$ 139,867	$ 253,070
43	Adjusted Test Year Income tax Expense		85,405	139,867
44	Adjustment to Income Tax Expense		$ 54,462	$ 113,203
45				
46				
47	[1] See work papers/testimony			
48				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Rebuttal Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.4942%
2		
3	Property Taxes	0.9721%
4		
5		
6	Total Tax Percentage	28.4663%
7		
8	Operating Income % = 100% - Tax Percentage	71.5337%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.3979
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
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Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.4663%					
5	Subtotal (L3 - L4)	71.5337%					
6	Revenue Conversion Factor (L1 / L5)	1.397942					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	27.4942%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.5058%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.4237%					
14	Federal Taxable Income (L12 - L13)	95.5763%					
15	Applicable Federal Income Tax Rate (Line 54)	24.1383%					
16	Effective Federal Income Tax Rate (L14 x L15)	23.0705%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.4942%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.4942%					
20	One Minus Combined Income Tax Rate (L18-L19)	72.5058%					
21	Property Tax Factor	1.3407%					
22	Effective Property Tax Factor (L20*L21)		0.9721%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			28.4663%			
24	Required Operating Income	$ 815,139					
25	AdjustedTest Year Operating Income (Loss)	$ 516,608					
26	Required Increase in Operating Income (L24 - L25)		$ 298,531				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 253,070					
28	Income Taxes on Test Year Revenue (Col. (F), L52)	$ 139,867					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 113,203				
	Recommended Revenue Requirement	$ 3,514,104					
	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 130,230					
36	Property Tax on Test Year Revenue	$ 124,635					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 5,595				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 417,329				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
	Calculation of Income Tax:	Total Pima UtilityCompany - Wastewater Division			Total Pima UtilityCompany - Wastewater Division		
39	Revenue	$ 3,096,775	$ 3,096,775		$ 3,514,104	$ 3,514,104	
40	Operating Expenses Excluding Income Taxes	$ 2,440,300	$ 2,440,300		$ 2,445,895	$ 2,445,895	
41	Synchronized Interest (L58)	$ 147,762	$ 147,762	$ -	$ 147,762	$ 147,762	
42	Arizona Taxable Income (L39 - L40 - L41)	$ 508,714	$ 508,714	$ -	$ 920,448	$ 920,448	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%
44	Arizona Income Tax (L42 x L43)	$ 22,504	$ 22,504	$ -	$ 40,718	$ 40,718	$ -
45	Federal Taxable Income (L42 - L44)	$ 486,210	$ 486,210	$ -	$ 879,731	$ 879,731	$ -
46	Effective Tax Rate (see work papers)	24.1383%	24.1383%		24.1383%	24.1383%	
47	Federal Income Tax (L45 x L46)	$ 117,363	$ 117,363	$ -	$ 212,352	$ 212,352	$ -
48							
49							
50							
51	Total Federal Income Tax	$ 117,363	$ 117,363	$ -	$ 212,352	$ 212,352	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 139,867	$ 139,867	$ -	$ 253,070	$ 253,070	$ -

53 COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45]
54 WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45] 24.1383%
55

	Calculation of Interest Synchronization:		N/A
56	Rate Base	$ 9,832,800	$ -
57	Weighted Average Cost of Debt	1.5027%	0.0000%
58	Synchronized Interest (L56 x L57)	$ 147,762	$ -

Pima Utility Company - Wastewater Division
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons Treated
1	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,037,389	$ 378,843	14.25%	85.85%	86.43%		
2	1 Inch	Residential	145,477	166,208	20,730	14.25%	4.70%	4.73%		
3										
4	5/8x3/4 Inch	Commercial	$ 6,410	$ 7,323	$ 913	14.25%	0.21%	0.21%		
5	3/4 Inch	Commercial	1,272	1,453	181	14.25%	0.04%	0.04%		
6	1 Inch	Commercial	16,909	19,319	2,410	14.25%	0.55%	0.55%		
7	1 1/2 Inch	Commercial	12,672	14,477	1,806	14.25%	0.41%	0.41%		
8	2 Inch	Commercial	115,770	132,267	16,497	14.25%	3.74%	3.76%		
9										
10	Effluent 1		44,582	43,793	(788)	-1.77%	1.44%	1.25%		
11	Effluent 2		76,930	74,216	(2,715)	-3.53%	2.48%	2.11%		
12										
13	**Subtotals of Revenues**		$ 3,078,568	$ 3,496,446	$ 417,878	13.57%	99.41%	99.50%		
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (1,046)	$ (1,195)	$ (149)	14.25%	-0.03%	-0.03%	(46)	(138,000)
16	1 Inch	Residential	1,899	2,169	271	14.25%	0.06%	0.06%	32	96,000
17										
18	5/8x3/4 Inch	Commercial	$ 136	$ 156	$ 19	14.25%	0.00%	0.00%	6	18,000
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	(1,246)	(1,423)	(178)	14.25%	-0.04%	-0.04%	(21)	(63,000)
21	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	-	-
22	2 Inch	Commercial	1,124	1,284	160	14.25%	0.04%	0.04%	6	18,000
23										
24	Effluent - water sales recovered effluent		12,496	11,849	(646)	-5.17%	0.40%	0.34%	12	
25										
26										
27	**Subtotal Revenue Annualization**		13,363	12,840	(523)	-3.91%	0.43%	0.41%	(11)	(69,000)
28										
29	**Total Revenues w/ Annualization**		$ 3,091,931	$ 3,509,286	$ 417,355	13.50%	99.84%	99.86%		
30	**Misc Revenues**		6,030	6,030	-	0.00%	0.19%	0.17%		
31	**Reconciling Amount**		(1,186)	(1,212)	(27)	2.28%	-0.04%	-0.03%		
32	**Total Revenues**		$ 3,096,775	$ 3,514,104	$ 417,328	13.48%	100.00%	100.00%		
33										
34										

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 25.97	$ 3.24	14.25%	96.85%
2	1 Inch	Residential	204	-	59.33	67.78	8.45	14.25%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 25.97	$ 3.24	14.25%	0.23%
5	3/4 Inch	Commercial	3	-	35.33	40.36	5.03	14.25%	0.03%
6	1 Inch	Commercial	24	-	59.33	67.78	8.45	14.25%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	134.05	16.72	14.25%	0.09%
8	2 Inch	Commercial	52	-	187.33	214.02	26.69	14.25%	0.51%
9									
10	Irrigation		2	4,059,941	$ 2,476.77	$ 2,432.97	$ (43.80)	-1.77%	0.01%
11									
12									
13									
14									
15									
16									
17									
18	Totals		10,063						100.00%
19									
20	Actual Year End Number								
21	of Customers:		10,058						
22									
23									
24									
25									

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 25.97	$ 3.24	14.25%	96.85%
2	1 Inch	Residential	204	-	59.33	67.78	8.45	14.25%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 25.97	$ 3.24	14.25%	0.23%
5	3/4 Inch	Commercial	3	-	$ 35.33	$ 40.36	5.03	14.25%	0.03%
6	1 Inch	Commercial	24	-	$ 59.33	$ 67.78	8.45	14.25%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	134.05	16.72	14.25%	0.09%
8	2 Inch	Commercial	52	-	187.33	214.02	26.69	14.25%	0.51%
9									
10	Irrigation		2	1,784,000	$ 1,156.72	$ 1,181.20	$ 24.48	2.12%	0.01%
11									
12									
13									
14									
15									
16									
17	Totals		10,063						100.00%
18									
19	Actual Year End Number								
20	of Customers:		10,058						
21									
22									
23									
24									

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rebuttal Schedule H-3
Page 1

Line No.		Present Rates	Proposed Rates	Change	Percent Change
1	Sewer Services				
2	5/8x3/4 Inch	$ 22.73	$ 25.97	$ 3.24	14.25%
2	3/4 Inch	35.33	40.36	5.03	14.25%
3	1 Inch	59.33	67.78	8.45	14.25%
4	1 1/2 Inch	117.33	134.05	16.72	14.25%
5	2 Inch	187.33	214.02	26.69	14.25%
6	3 Inch	NT	415.50	415.50	
7	4 Inch	NT	649.23	649.23	
8	6 Inch	NT	1,298.45	1,298.45	
9					
10	Effluent Sales				
11	Monthly Minimum	180.00	200.00	20.00	11.11%
12	Gallons In Minimum	100,000	-		
13	Charge per 1,000 gallons	$ 0.58	$ 0.55	(0.03)	-5.17%
14					
15	Recovered Effluent Sales				
16	Monthly Minimum	NT	$ 200.00		
17	Gallons In Minimum	NT	$ -		
18	Charge per 1,000 gallons	NT	$ 0.55		
19					
20					
21	Service Charges				
22	Impact Fee (new connection one-time only)	$ 260.00	NT		
23	Establishment Fee	NT	$ 25.00		
24	Reestablishment (within 12 months)	NT	•		
25	Deferred payment (per month)	1.50%	1.50%		
26	Deposit	**	**		
27	Deposit Interest	**	**		
28	NSF check	$ 15.00	$ 15.00		
29	Late payment fee (per month)***	1.50%	1.50%		
30	Disconnect/Reconnect (delinquent account)	$ 500.00	NT		
31	Reconnection (Delinquent)	NT	$ 25.00		
32	After Hours Servie Charge	NT	$ 50.00		
33					
34	* Number of months off the system times the applicable sewer charge.				
35	** Per Commission Rule R14-2-603.B.7 and 603.B.3				
36	*** Late payment chrge based upon balance owing at the end of the billing cycle which is added to next bill.				
37					
38	[1] Recovered effluent was charged at the Water Division irrigation rate of $0.36 per 1,000 gallons during the test year.				
39					
40	NT = No Tariff				

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 25.97	$ 3.24	14.25%
1,000	22.73	25.97	$ 3.24	14.25%
2,000	22.73	25.97	$ 3.24	14.25%
3,000	22.73	25.97	$ 3.24	14.25%
4,000	22.73	25.97	$ 3.24	14.25%
5,000	22.73	25.97	$ 3.24	14.25%
6,000	22.73	25.97	$ 3.24	14.25%
7,000	22.73	25.97	$ 3.24	14.25%
8,000	22.73	25.97	$ 3.24	14.25%
9,000	22.73	25.97	$ 3.24	14.25%
10,000	22.73	25.97	$ 3.24	14.25%
12,000	22.73	25.97	$ 3.24	14.25%
14,000	22.73	25.97	$ 3.24	14.25%
16,000	22.73	25.97	$ 3.24	14.25%
18,000	22.73	25.97	$ 3.24	14.25%
20,000	22.73	25.97	$ 3.24	14.25%
25,000	22.73	25.97	$ 3.24	14.25%
30,000	22.73	25.97	$ 3.24	14.25%
35,000	22.73	25.97	$ 3.24	14.25%
40,000	22.73	25.97	$ 3.24	14.25%
45,000	22.73	25.97	$ 3.24	14.25%
50,000	22.73	25.97	$ 3.24	14.25%
60,000	22.73	25.97	$ 3.24	14.25%
70,000	22.73	25.97	$ 3.24	14.25%
80,000	22.73	25.97	$ 3.24	14.25%
90,000	22.73	25.97	$ 3.24	14.25%
100,000	22.73	25.97	$ 3.24	14.25%
Average Usage				
-	$ 22.73	$ 25.97	$ 3.24	14.25%
Median Usage				
-	$ 22.73	$ 25.97	$ 3.24	14.25%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 25.97

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

:hibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 67.78	$ 8.45	14.25%
1,000	59.33	67.78	$ 8.45	14.25%
2,000	59.33	67.78	$ 8.45	14.25%
3,000	59.33	67.78	$ 8.45	14.25%
4,000	59.33	67.78	$ 8.45	14.25%
5,000	59.33	67.78	$ 8.45	14.25%
6,000	59.33	67.78	$ 8.45	14.25%
7,000	59.33	67.78	$ 8.45	14.25%
8,000	59.33	67.78	$ 8.45	14.25%
9,000	59.33	67.78	$ 8.45	14.25%
10,000	59.33	67.78	$ 8.45	14.25%
12,000	59.33	67.78	$ 8.45	14.25%
14,000	59.33	67.78	$ 8.45	14.25%
16,000	59.33	67.78	$ 8.45	14.25%
18,000	59.33	67.78	$ 8.45	14.25%
20,000	59.33	67.78	$ 8.45	14.25%
25,000	59.33	67.78	$ 8.45	14.25%
30,000	59.33	67.78	$ 8.45	14.25%
35,000	59.33	67.78	$ 8.45	14.25%
40,000	59.33	67.78	$ 8.45	14.25%
45,000	59.33	67.78	$ 8.45	14.25%
50,000	59.33	67.78	$ 8.45	14.25%
60,000	59.33	67.78	$ 8.45	14.25%
70,000	59.33	67.78	$ 8.45	14.25%
80,000	59.33	67.78	$ 8.45	14.25%
90,000	59.33	67.78	$ 8.45	14.25%
100,000	59.33	67.78	$ 8.45	14.25%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 67.78

Average Usage				
-	$ 59.33	$ 67.78	$ 8.45	14.25%
Median Usage				
-	$ 59.33	$ 67.78	$ 8.45	14.25%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 25.97	$ 3.24	14.25%
1,000	22.73	25.97	$ 3.24	14.25%
2,000	22.73	25.97	$ 3.24	14.25%
3,000	22.73	25.97	$ 3.24	14.25%
4,000	22.73	25.97	$ 3.24	14.25%
5,000	22.73	25.97	$ 3.24	14.25%
6,000	22.73	25.97	$ 3.24	14.25%
7,000	22.73	25.97	$ 3.24	14.25%
8,000	22.73	25.97	$ 3.24	14.25%
9,000	22.73	25.97	$ 3.24	14.25%
10,000	22.73	25.97	$ 3.24	14.25%
12,000	22.73	25.97	$ 3.24	14.25%
14,000	22.73	25.97	$ 3.24	14.25%
16,000	22.73	25.97	$ 3.24	14.25%
18,000	22.73	25.97	$ 3.24	14.25%
20,000	22.73	25.97	$ 3.24	14.25%
25,000	22.73	25.97	$ 3.24	14.25%
30,000	22.73	25.97	$ 3.24	14.25%
35,000	22.73	25.97	$ 3.24	14.25%
40,000	22.73	25.97	$ 3.24	14.25%
45,000	22.73	25.97	$ 3.24	14.25%
50,000	22.73	25.97	$ 3.24	14.25%
60,000	22.73	25.97	$ 3.24	14.25%
70,000	22.73	25.97	$ 3.24	14.25%
80,000	22.73	25.97	$ 3.24	14.25%
90,000	22.73	25.97	$ 3.24	14.25%
100,000	22.73	25.97	$ 3.24	14.25%
Average Usage				
-	$ 22.73	$ 25.97	$ 3.24	14.25%
Median Usage				
-	$ 22.73	$ 25.97	$ 3.24	14.25%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 25.97

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 35.33	$ 40.36	$ 5.03	14.25%
1,000	35.33	40.36	$ 5.03	14.25%
2,000	35.33	40.36	$ 5.03	14.25%
3,000	35.33	40.36	$ 5.03	14.25%
4,000	35.33	40.36	$ 5.03	14.25%
5,000	35.33	40.36	$ 5.03	14.25%
6,000	35.33	40.36	$ 5.03	14.25%
7,000	35.33	40.36	$ 5.03	14.25%
8,000	35.33	40.36	$ 5.03	14.25%
9,000	35.33	40.36	$ 5.03	14.25%
10,000	35.33	40.36	$ 5.03	14.25%
12,000	35.33	40.36	$ 5.03	14.25%
14,000	35.33	40.36	$ 5.03	14.25%
16,000	35.33	40.36	$ 5.03	14.25%
18,000	35.33	40.36	$ 5.03	14.25%
20,000	35.33	40.36	$ 5.03	14.25%
25,000	35.33	40.36	$ 5.03	14.25%
30,000	35.33	40.36	$ 5.03	14.25%
35,000	35.33	40.36	$ 5.03	14.25%
40,000	35.33	40.36	$ 5.03	14.25%
45,000	35.33	40.36	$ 5.03	14.25%
50,000	35.33	40.36	$ 5.03	14.25%
60,000	35.33	40.36	$ 5.03	14.25%
70,000	35.33	40.36	$ 5.03	14.25%
80,000	35.33	40.36	$ 5.03	14.25%
90,000	35.33	40.36	$ 5.03	14.25%
100,000	35.33	40.36	$ 5.03	14.25%
Average Usage				
-	$ 35.33	$ 40.36	$ 5.03	14.25%
Median Usage				
-	$ 35.33	$ 40.36	$ 5.03	14.25%

Present Rates:
Monthly Minimum: $ 35.33

Proposed Rates:
Monthly Minimum: $ 40.36

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 67.78	$ 8.45	14.25%
1,000	59.33	67.78	$ 8.45	14.25%
2,000	59.33	67.78	$ 8.45	14.25%
3,000	59.33	67.78	$ 8.45	14.25%
4,000	59.33	67.78	$ 8.45	14.25%
5,000	59.33	67.78	$ 8.45	14.25%
6,000	59.33	67.78	$ 8.45	14.25%
7,000	59.33	67.78	$ 8.45	14.25%
8,000	59.33	67.78	$ 8.45	14.25%
9,000	59.33	67.78	$ 8.45	14.25%
10,000	59.33	67.78	$ 8.45	14.25%
12,000	59.33	67.78	$ 8.45	14.25%
14,000	59.33	67.78	$ 8.45	14.25%
16,000	59.33	67.78	$ 8.45	14.25%
18,000	59.33	67.78	$ 8.45	14.25%
20,000	59.33	67.78	$ 8.45	14.25%
25,000	59.33	67.78	$ 8.45	14.25%
30,000	59.33	67.78	$ 8.45	14.25%
35,000	59.33	67.78	$ 8.45	14.25%
40,000	59.33	67.78	$ 8.45	14.25%
45,000	59.33	67.78	$ 8.45	14.25%
50,000	59.33	67.78	$ 8.45	14.25%
60,000	59.33	67.78	$ 8.45	14.25%
70,000	59.33	67.78	$ 8.45	14.25%
80,000	59.33	67.78	$ 8.45	14.25%
90,000	59.33	67.78	$ 8.45	14.25%
100,000	59.33	67.78	$ 8.45	14.25%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 67.78

Average Usage				
-	$ 59.33	$ 67.78	$ 8.45	14.25%
Median Usage				
-	$ 59.33	$ 67.78	$ 8.45	14.25%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1.5 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 117.33	$ 134.05	$ 16.72	14.25%
1,000	117.33	134.05	$ 16.72	14.25%
2,000	117.33	134.05	$ 16.72	14.25%
3,000	117.33	134.05	$ 16.72	14.25%
4,000	117.33	134.05	$ 16.72	14.25%
5,000	117.33	134.05	$ 16.72	14.25%
6,000	117.33	134.05	$ 16.72	14.25%
7,000	117.33	134.05	$ 16.72	14.25%
8,000	117.33	134.05	$ 16.72	14.25%
9,000	117.33	134.05	$ 16.72	14.25%
10,000	117.33	134.05	$ 16.72	14.25%
12,000	117.33	134.05	$ 16.72	14.25%
14,000	117.33	134.05	$ 16.72	14.25%
16,000	117.33	134.05	$ 16.72	14.25%
18,000	117.33	134.05	$ 16.72	14.25%
20,000	117.33	134.05	$ 16.72	14.25%
25,000	117.33	134.05	$ 16.72	14.25%
30,000	117.33	134.05	$ 16.72	14.25%
35,000	117.33	134.05	$ 16.72	14.25%
40,000	117.33	134.05	$ 16.72	14.25%
45,000	117.33	134.05	$ 16.72	14.25%
50,000	117.33	134.05	$ 16.72	14.25%
60,000	117.33	134.05	$ 16.72	14.25%
70,000	117.33	134.05	$ 16.72	14.25%
80,000	117.33	134.05	$ 16.72	14.25%
90,000	117.33	134.05	$ 16.72	14.25%
100,000	117.33	134.05	$ 16.72	14.25%

Present Rates:
Monthly Minimum: $ 117.33

Proposed Rates:
Monthly Minimum: $ 134.05

Average Usage				
-	$ 117.33	$ 134.05	$ 16.72	14.25%
Median Usage				
-	$ 117.33	$ 134.05	$ 16.72	14.25%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 187.33	$ 214.02	$ 26.69	14.25%
1,000	187.33	214.02	$ 26.69	14.25%
2,000	187.33	214.02	$ 26.69	14.25%
3,000	187.33	214.02	$ 26.69	14.25%
4,000	187.33	214.02	$ 26.69	14.25%
5,000	187.33	214.02	$ 26.69	14.25%
6,000	187.33	214.02	$ 26.69	14.25%
7,000	187.33	214.02	$ 26.69	14.25%
8,000	187.33	214.02	$ 26.69	14.25%
9,000	187.33	214.02	$ 26.69	14.25%
10,000	187.33	214.02	$ 26.69	14.25%
12,000	187.33	214.02	$ 26.69	14.25%
14,000	187.33	214.02	$ 26.69	14.25%
16,000	187.33	214.02	$ 26.69	14.25%
18,000	187.33	214.02	$ 26.69	14.25%
20,000	187.33	214.02	$ 26.69	14.25%
25,000	187.33	214.02	$ 26.69	14.25%
30,000	187.33	214.02	$ 26.69	14.25%
35,000	187.33	214.02	$ 26.69	14.25%
40,000	187.33	214.02	$ 26.69	14.25%
45,000	187.33	214.02	$ 26.69	14.25%
50,000	187.33	214.02	$ 26.69	14.25%
60,000	187.33	214.02	$ 26.69	14.25%
70,000	187.33	214.02	$ 26.69	14.25%
80,000	187.33	214.02	$ 26.69	14.25%
90,000	187.33	214.02	$ 26.69	14.25%
100,000	187.33	214.02	$ 26.69	14.25%

Present Rates:
Monthly Minimum: $ 187.33

Proposed Rates:
Monthly Minimum: $ 214.02

Average Usage				
-	$ 187.33	$ 214.02	$ 26.69	14.25%
Median Usage				
-	$ 187.33	$ 214.02	$ 26.69	14.25%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 1
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
1,000	180.00	200.55	$ 20.55	11.42%
2,000	180.00	201.10	$ 21.10	11.72%
3,000	180.00	201.65	$ 21.65	12.03%
4,000	180.00	202.20	$ 22.20	12.33%
5,000	180.00	202.75	$ 22.75	12.64%
6,000	180.00	203.30	$ 23.30	12.94%
7,000	180.00	203.85	$ 23.85	13.25%
8,000	180.00	204.40	$ 24.40	13.56%
9,000	180.00	204.95	$ 24.95	13.86%
10,000	180.00	205.50	$ 25.50	14.17%
12,000	180.00	206.60	$ 26.60	14.78%
14,000	180.00	207.70	$ 27.70	15.39%
16,000	180.00	208.80	$ 28.80	16.00%
18,000	180.00	209.90	$ 29.90	16.61%
20,000	180.00	211.00	$ 31.00	17.22%
25,000	180.00	213.75	$ 33.75	18.75%
30,000	180.00	216.50	$ 36.50	20.28%
35,000	180.00	219.25	$ 39.25	21.81%
40,000	180.00	222.00	$ 42.00	23.33%
45,000	180.00	224.75	$ 44.75	24.86%
50,000	180.00	227.50	$ 47.50	26.39%
60,000	180.00	233.00	$ 53.00	29.44%
70,000	180.00	238.50	$ 58.50	32.50%
80,000	180.00	244.00	$ 64.00	35.56%
90,000	180.00	249.50	$ 69.50	38.61%
100,000	180.00	255.00	$ 75.00	41.67%
Average Usage				
4,059,941	$ 2,476.77	$2,432.97	$ (43.80)	-1.77%
Median Usage				
1,784,000	$ 1,156.72	$1,181.20	$ 24.48	2.12%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58

Proposed Rates:

Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.55

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 2
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
1,000	180.00	200.55	$ 20.55	11.42%
2,000	180.00	201.10	$ 21.10	11.72%
3,000	180.00	201.65	$ 21.65	12.03%
4,000	180.00	202.20	$ 22.20	12.33%
5,000	180.00	202.75	$ 22.75	12.64%
6,000	180.00	203.30	$ 23.30	12.94%
7,000	180.00	203.85	$ 23.85	13.25%
8,000	180.00	204.40	$ 24.40	13.56%
9,000	180.00	204.95	$ 24.95	13.86%
10,000	180.00	205.50	$ 25.50	14.17%
12,000	180.00	206.60	$ 26.60	14.78%
14,000	180.00	207.70	$ 27.70	15.39%
16,000	180.00	208.80	$ 28.80	16.00%
18,000	180.00	209.90	$ 29.90	16.61%
20,000	180.00	211.00	$ 31.00	17.22%
25,000	180.00	213.75	$ 33.75	18.75%
30,000	180.00	216.50	$ 36.50	20.28%
35,000	180.00	219.25	$ 39.25	21.81%
40,000	180.00	222.00	$ 42.00	23.33%
45,000	180.00	224.75	$ 44.75	24.86%
50,000	180.00	227.50	$ 47.50	26.39%
60,000	180.00	233.00	$ 53.00	29.44%
70,000	180.00	238.50	$ 58.50	32.50%
80,000	180.00	244.00	$ 64.00	35.56%
90,000	180.00	249.50	$ 69.50	38.61%
100,000	180.00	255.00	$ 75.00	41.67%
Average Usage				
8,632,224	$ 5,128.69	$4,947.72	$ (180.97)	-3.53%
Median Usage				
6,029,361	$ 3,619.03	$3,516.15	$ (102.88)	-2.84%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58

Note: Present rates reflect the Water Division ir
This was an error.

Proposed Rates:

Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.55

FENNEMORE CRAIG
A Professional Corporation
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Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REBUTTAL TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

April 27, 2012

EXHIBIT
A-9
ADMITTED

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF REBUTTAL TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY 1

A. Summary of Company's Rebuttal Recommendation 1

B. Summary of Staff and RUCO recommendations 8

C. Comments on the Cost of Equity Results and Recommendations of Staff and RUCO 10

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. I am testifying on behalf of the applicant, Pima Utilities Company ("Pima" or the "Company").

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

A. Yes, my direct testimony was presented in two volumes. My background information and qualifications are set forth in the rate base and revenue requirement volume of my direct testimony.

Q. DID YOU ALSO PREPARE REBUTTAL TESTIMONY ON THOSE ISSUES IN THIS DOCKET?

A. Yes, my rebuttal testimony on rate base, income statement, revenue requirement and rate design is being filed in a separate volume at the same time as this testimony. In this volume, I present my cost of capital rebuttal testimony.

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

A. Summary of Company's Rebuttal Recommendation

Q. WHAT IS THE SCOPE OF THIS VOLUME OF YOUR REBUTTAL TESTIMONY?

A. I will provide updates of my cost of capital analysis and recommended rate of return using more recent financial data. I also will provide rebuttal as appropriate to the direct testimony of Staff witness John Cassidy and RUCO witness William Rigsby.

Q. HOW HAS THE INDICATED RETURN ON EQUITY CHANGED SINCE THE DIRECT FILING WAS MADE LAST AUGUST?

A. The cost of equity has increased somewhat, as indicated by the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM"). The table below summarizes the results of my updated analysis using those models:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	9.7%	11.3%	10.5%
Range of CAPM Estimates	8.2%	13.7%	10.9%
Average of DCF and CAPM midpoint estimates	8.9%	12.5%	10.7%
Financial Risk Adjustment	-0.3%	-0.3%	-0.3%
Specific Company Risk Premium	0.5%	1.0%	0.8%
Indicated Cost of Equity	**9.1%**	**13.2%**	**11.2%**

The schedules containing my updated cost of capital analysis are attached to this rebuttal testimony. Also attached is one rebuttal exhibit (TJB-COC-RB1) which is discussed below.

While my updated cost of capital analysis indicates an 11.2 percent return on equity, I am recommending a cost of equity at the lower end of the range indicated. My recommendation of a 10.5 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in Pima as well as consideration of the current economic environment and the Company's desire to help reduce the impact on rate payers.

Q. HAVE YOU UPDATED YOUR COST OF EQUITY ESTIMATE FOR PIMA USING DUFF & PHELPS RISK PREMIUM STUDY DATA?

A. Yes as shown in Rebuttal Exhibit TJB-COC-RB1. I have included cost of equity estimates for the water sample companies. These estimates have been adjusted for leverage (financial risk) differences between the companies in the size portfolios contained in the study and the water sample companies and Pima. Further, like the Build-up Method cost of equity estimate using the *Morningstar* data, the cost of equity estimates includes a water industry risk premium adjustment.[1] I have also used the last data from *Duff & Phelps* risk premium study which uses data from 1963 through 2011.[2] Based on various measures of size the results are as follows[3]:

Stock Symbol	Company	Cost of Equity
AWR	American States Water Co.	10.69%
WTR	Aqua America	9.01%
CWT	California Water Services Group	11.18%
CTWS	Connecticut Water Services	12.55%
MSEX	Middlesex Water Company	11.93%
SJW	SJW Corp.	11.90%
	Average	11.21%
	Pima Utility Company	14.46%

The updated 11.21 percent average for the water utility sample is near the middle of the range of overall results based on the CAPM and DCF. My CAPM

[1] Note that the risk premium for the water utility industry is negative indicating that water utilities are less risky than the market as a whole.
[2] Duff & Phelps LLC, *Risk Premium Report 2012*.
[3] *See* Exhibit TJB-COC-RB1 at Table 6.

estimate of 10.9 percent (mid-point) for the sample water utilities, my DCF estimate of 10.5 percent (mid-point) for the sample water utilities, and my overall recommendation of 10.5 percent for Pima is conservative compared to the 11.21 percent average for the publicly traded utilities and the 14.46 percent indicated cost of equity for Pima based upon the *Duff & Phelps* study data. It also shows that my size premium used in my cost of capital analysis of 50 to 100 basis points is likely far too low and should be much higher. Even accounting for differences in financial risk due to differences in the capital structures, the indicated cost of equity for Pima based on the *Duff & Phelps* study is 325 basis points higher than the sample water companies. The 325 basis points indicated higher cost of equity is well within the range of the size premium estimates shown on Rebuttal Schedule D-4.16.

Despite a clear indication that a size premium is warranted, my recommendation of 10.5 percent for all practical purposes excludes any size premium for Pima over the publicly traded water utilities. It is also 20 basis points less than the 10.7 percent indicated cost of equity of the publicly traded water utilities.

Q. DO THE COST OF EQUITY ESTIMATES BASED ON DUFF & PHELPS TAKE INTO CONSIDERATION THE DIFFERENCES IN LEVERAGE BETWEEN THE PUBLICLY TRADED SAMPLE WATER UTILITIES AND PIMA?

A. Yes.

Q. HAVE YOU ACCOUNTED FOR THE FACT THAT THE WATER UTILITY INDUSTRY IS LESS RISKY THAN THE MARKET?

A. Yes. Based on the industry data, each of above estimates based on the *Duff & Phelps* Study is adjusted downward for the water utility industry risk based upon

the water industry risk premium found in *Morningstar*. As shown in Table 5 of Rebuttal Exhibit TJB-COC-RB1, the appropriate downward financial risk adjustment is approximately 315 basis points.

Q. WHAT WAS THE ASSUMED HISTORICAL MARKET RISK PREMIUM USED IN THE DUFF AND PHELPS STUDY AND YOUR ESTIMATED COST OF EQUITY?

A. The *Duff & Phelps* study uses a historical market risk premium of 4.3 percent. I used a current market risk premium estimate of 5.5 percent for my calculations. The 5.5 percent is based on the current recommendations of the authors of the *Duff & Phelps* study.[4] In contrast, the long-horizon equity risk premia as determined by *Morningstar* is 6.6 percent.[5]

Q. PLEASE SUMMARIZE YOUR RECOMMENDED REBUTTAL COST OF CAPITAL COMPONENTS.

A. The Company's recommended capital structure consists of approximately 35.4 percent debt and 64.6 percent common equity as shown on Rebuttal Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 10.5 percent. Based on my 10.5 percent recommended cost of equity and a 4.25 percent cost of debt, the Company's weighted average cost of capital ("WACC") is 8.29 percent, as shown on Rebuttal Schedule D-1.

Q. HAS THE COMPANY'S PROPOSED CAPITAL STRUCTURE CHANGED?

A. Yes. Based on comments from Staff witness, Mr. Cassidy,[6] I have revised my recommendation for the capital structure from the 31.1 percent debt and 68.9 percent equity contained in the direct filing. Still, my recommended capital

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[4] Business Valuation Resources, *BVWire*, March 2012.

[5] Morningstar. *Ibbotson SBBI 2011 Valuation Yearbook*. Table A-1.

[6] *See* Direct Testimony of John A. Cassidy ("Cassidy Dt.") at 7.

structure is different than Staff's due to what I believe is a computational error contained in Staff's debt and equity balances. A computation of the Company proposed capital structure is included as Rebuttal Schedule D-1, page 2.

Q. HAS THE COMPANY'S PROPOSED COST OF DEBT ALSO CHANGED?

A. Yes. The recommended cost of debt in my direct testimony was 7.182 percent. The Company is now recommending a 4.25 percent cost of debt. The 4.25 percent is still an estimate at this time because the Company has not yet finalized the new loan of $8,370,000 authorized in Decision No. 73078 (April 5, 2012). However, the Company currently expects the effective cost of debt to be around 4.25 percent, a rate well below the 5.5 percent maximum authorized in the decision. I will provide further update once the loan becomes final.

Q. YOUR RECOMMENDED COST OF EQUITY FOR PIMA HAS NOT CHANGED EVEN THOUGH IT APPEARS THAT YOUR COST OF EQUITY ESTIMATES FOR THE PUBLICLY TRADED WATER UTILITIES ARE HIGHER IN YOUR REBUTTAL. CAN YOU EXPLAIN?

A. My cost of equity estimates for the sample water utilities has increased to 10.7 percent from 10.3 percent in the direct filing. The increase in my rebuttal cost of equity estimates is the result of a combination of a number of factors. These include: 1) lower consensus estimates of long-term interest rates which are used in my CAPM estimates; 2) a higher estimate of the current market risk premium used in my current market risk premium CAPM estimate; and, 3) a higher estimate of growth for the water utility stocks used in my DCF model. These changes have all been impacted by the change in the economic and market conditions and forward-looking expectations of both the economy and the water utility industry.

Q. HOW HAVE ECONOMIC CONDITIONS CHANGED SINCE YOU PREPARED YOUR COST OF CAPITAL ANALYSIS IN AUGUST 2011?

A. During the past eight months, both the economy and the financial markets have improved somewhat. The stock market, while generally volatile, has moved upwards significantly. The Dow Jones Industrial Average has risen from around 11,000 in late August 2011 to just around 13,000 at the time of this rebuttal filing. The S&P 500 index has moved from around 1,200 in late August 2011 to over 1,400 in early April 2012. The unemployment rate has also dropped from 9.1 percent to 8.2 percent.

The economy (real GDP) grew by an annualized rate of 3.0 percent in the fourth quarter of 2011 compared to 1.8 percent in the third quarter of 2011.[7] More recently, the real GDP growth for the first quarter of 2012 was recently reported at an annualized rate of only 2.1 percent;[8] lower than the expected 2.8 percent.[9] For the rest of 2012, the economy is expected to grow at a modest 2.3 percent to 2.7 percent.[10] The outlook for growth in the U.S. economy has improved over recent months but is still expected to be modest through 2012 and into 2013. Economists continue to express concerns over the federal deficits and the high federal debt, likely recession in the Eurozone along with its lingering debt crisis, rising oil prices, and continued sluggishness in the housing market. These all continue to be risks to future economic growth in the U.S.[11]

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[7] *Blue Chip Financial Forecasts*, April 2012.
[8] *Id.*
[9] *Blue Chip Financial Forecasts*, August 2011.
[10] *Blue Chip Financial Forecasts*, April 2012.
[11] *Id.*

Q. HOW HAS THE ANALYSTS' OUTLOOK FOR THE WATER UTILITY INDUSTRY CHANGED SINCE YOU PREPARED YOUR COST OF CAPITAL ANALYSIS IN AUGUST 2011?

A. The outlook for the Water Utility Industry hasn't changed much other than the recent earnings reports were disappointing causing investors to look elsewhere for stability. *Value Line* continues to espouse the view that despite a more business friendly regulatory environment for the water utility companies, the industry is facing ever higher operating costs that are likely to continue to outpace revenues. *Value Line* also continues to identify concerns over infrastructure costs to replace rapidly decaying infrastructures while at the same time most in this group are strapped for cash.[12] Thus, the long-term outlook for water utility stocks remains subdued.

B. <u>Summary of Staff and RUCO recommendations</u>

Q. PLEASE SUMMARIZE THE RESPECTIVE RECOMMENDATIONS OF STAFF AND RUCO FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A. Staff is recommending a capital structure consisting of 37.9 percent debt and 62.1 percent equity.[13] Staff determined a cost of equity of 9.1 percent based on the average cost of equity produced by its DCF and CAPM models.[14] Staff uses a sample of six publicly traded water utilities, the same as those I used in my analysis. Staff did not consider firm size and firm-specific risks in it analysis. Staff also uses a cost of debt of 5.5 percent.[15] The 5.5 percent is the maximum

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[12] *Value Line*, April 20, 2012.
[13] Cassidy Dt. at 33.
[14] *Id.* at 35.
[15] *Id.*

interest rate set forth in the recent financing decision for Pima.[16] Based on its 37.9 percent debt and 62.1 percent equity capital structure, Staff determined the WACC for Pima to be 7.8 percent.[17]

RUCO also did not consider firm-size and firm-specific risks for Pima. RUCO determined its recommended cost of equity of 9.4 percent based on the results of its DCF and CAPM methods.[18] RUCO uses a sample of five publicly traded water utilities. The five utilities are the same as five of the six water utilities I used. RUCO also uses nine gas distribution utilities in its analysis. RUCO recommends a capital structure of 22.53 percent debt and 77.47 percent equity and a hypothetical cost of debt of 7.696 percent.[19] The 7.696 percent cost of debt is the unadjusted test year effective cost of debt. Based on its 22.53 percent debt and 77.47 percent equity capital structure, RUCO determined the WACC for Pima to be 9.01 percent.[20]

Q. DO YOU EXPECT EITHER OF THESE RECOMMENDATIONS TO CHANGE?

A. Yes. I suspect both parties will update their capital structures and debt cost to coincide with the final costs associated with the recently approved and soon to be closed loan.[21]

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[16] *See* Decision No. 73078 at 8.
[17] *Id.*
[18] *See* Direct Testimony of William A. Rigsby Dt. ("Rigsby Dt.") at 5 – 6.
[19] *Id.*
[20] *Id.*
[21] *See* Rigsby Dt. at 6; Cassidy Dt. at 9.

Q. PLEASE COMPARE THE PARTIES' RESPECTIVE COST OF EQUITY ESTIMATES AND RECOMMENDATIONS.

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

Party	DCF	CAPM	Average	Recommended
Pima	10.5%	10.9%	10.7%	10.5%
Staff	9.1%	9.0%	9.1%	9.1%
RUCO	8.94%	4.58%	6.76%	9.4%

C. Comments on the Cost of Equity Results and Recommendations of Staff and RUCO

Q. HOW DO THE PARTIES' RECOMMENDATIONS COMPARE TO OTHER FORECASTS OF COMMON EQUITY RETURNS AND CURRENTLY AUTHORIZED RETURNS?

A. *Value Line*, a reputable publication used by the Company, Staff, and RUCO cost of capital witnesses, publishes forecasts of returns on common equity for larger publicly traded companies – both water and natural gas. These water utilities are included in my sample group and in both RUCO's and Staff's sample groups. *Value Line* (April 20, 2012) projects the following returns on equity for those water utilities:

American States Water (AWR)	11.0%
Aqua America (WTR)	12.5%
California Water (CWT)	10.5%
SJW Corp. (SJW)	8.0%
Average	10.5%

RUCO also uses a sample group of nine natural gas distribution companies. *Value Line* (April 20, 2012) projects the following returns on equity for those gas utilities:

AGL Resources, Inc. (GAS)	12.00%
Atmos Energy Corp. (ATO)	8.00%
Laclede Group (LG)	10.00%
New Jersey Resources (NJR)	14.00%
Northwest Gas Co. (NWN)	10.15%
Piedmont Natural Gas Co. (PNY)	13.00%
South Jersey Industries, Inc. (SJI)	17.00%
Southwest Gas (SWX)	12.00%
WGL Holdings, Inc. (SJW)	10.00%
Average	11.79%

Just as important, the currently authorized ROE's for the sample water utility companies as reported by AUS Utility Reports (April 2012) average 10.03 percent. They are as follows:

American States Water (WTR)	9.99%
Aqua America (WTR)	10.33%
California Water (CWT)	9.99%
Connecticut Water (CTWS)	9.75%
Middlesex Water (MSEX)	10.15%
SJW Corp. (SJW)	9.99%
Average	10.03%

The currently authorized ROE's for the sample natural gas distribution companies as reported by AUS (April 2012) average 10.39 percent. They are as follows:

AGL Resources, Inc. (GAS)	10.17%
Atmos Energy Corp. (ATO)	11.71%
Laclede Group (LG)	NM
New Jersey Resources (NJR)	10.30%
Northwest Gas Co. (NWN)	10.20%
Piedmont Natural Gas Co. (PNY)	10.40%
South Jersey Industries, Inc. (SJI)	10.30%
Southwest Gas (SWX)	10.22%
WGL Holdings, Inc. (SJW)	9.85%
Average	10.35%

The Staff and RUCO recommended returns are well below (90 to 100 basis points lower than) the average of the currently authorized returns and well below (239 to 269 basis points) the average of the 3-5 year expected returns of the publicly traded utilities each party uses to estimate the cost of equity for Pima. This is true despite the fact that all of the sample water utilities and the natural gas distribution companies are significantly larger than Pima.

Q. HOW DO THE PARTIES' RECOMMENDATIONS COMPARE TO THE DUFF & PHELPS RISK PREMIUM STUDY DATA?

A. The build-up method cost of equity estimate using the Duff & Phelps study data is 11.21 percent. This is 211 basis points higher than Staff's recommendation of 9.1 percent, 181 basis points higher than RUCO's recommendation of 9.4 percent, and 71 basis points higher than my recommendation of 10.5 percent.

Q. HOW DO THE RESULTS OF THE BUILD-UP METHOD FOR THE WATER UTILITIES COMPARE TO THE MEASURES OF SIZE SUCH AS NET PLANT AND TOTAL REVENUES?

A. Below is a table using the two common metrics of size as reported by AUS Utility Reports (April 2012) compared with the results of my cost of equity analysis based on the *Duff & Phelps* study.

Water Utility	Net Plant ($ millions)	Size Rank by Plant	Revenue ($ millions)	Size Rank by Rev.	*Duff & Phelps* COE	Lowest to Highest COE
American States Water (WTR)	$ 889.8	3	$ 419.3	3	10.69%	2
Aqua America (WTR)	$3,612.9	1	$ 729.6	1	9.01%	1
California Water (CWT)	$1,364.6	2	$ 501.8	2	11.18%	3
Connecticut Water (CTWS)	$ 354.6	6	$ 72.7	6	12.55%	6
Middlesex Water (MSEX)	$ 422.2	5	$ 101.5	5	11.93%	5
SJW Corp. (SJW)	$ 730.9	4	$ 239.0	4	11.90%	4
Average	$1,229.2		$ 344.0		11.21%	
Pima Utility Company (at December 31, 2010)	$ 21.9		$ 5.1		14.46%	

Despite the fact that neither net plant nor revenues were considered as measures of size using the build-up method, the cost of equity results show that as the size of the utility increases so does the cost of equity. This is as expected and is consistent with the empirical financial data found in *Morningstar*.

The average net plant for the publicly traded water utilities are over 56 times that of Pima and the average total revenues are over 67 times. There is a significant size difference and one would expect the cost of equity estimate for Pima to be much higher, and it is. Moreover, most of these utilities operate in jurisdictions such as California and Pennsylvania that use projected or partially

projected test years, and authorize surcharges and other cost recovery mechanisms which allow the recovery of increases in costs outside a general rate case. Therefore, not only because of size, for which the empirical data from *Duff & Phelps* and *Morningstar* among others support,[22] these large publicly traded utilities are less risky than Pima. In the real world, Pima has a cost of equity that is higher than the large publicly traded utilities.

Q. PLEASE SUMMARIZE THE RECOMMENDED RETURNS OF THE PARTIES, EXPECTED BOOK RETURNS, AUTHORIZED RETURNS, AND RETURNS BASED ON THE DUFF & PHELPS STUDY.

A. The following table summarizes the equity returns recommended by each of the parties with the foregoing expected book returns, authorized returns, and returns based upon size (Duff & Phelps) for the publicly traded utilities:

	Cost of Equity
Staff recommendation	9.10%
RUCO recommendation	9.40%
Pima recommendation	10.50%
Mid-point of DCF and CAPM (Water Utilities)	10.70%
Expected Book Returns (Water Utilities)	10.50%
Authorized Returns (Water Utilities)	10.03%
Duff & Phelps (Water Utilities)	11.21%

The foregoing data provide a clear indication that Staff's and RUCO's recommendations for Pima are simply too low and should not be adopted by the Commission.

[22] Direct Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Dt.") at 40.

Q. WHAT ABOUT STAFF'S ASSERTION THAT THE ESTIMATES DERIVED FROM THE BUILD-UP METHOD BASED UPON THE DUFF & PHELPS STUDY DATA PROVIDE LITTLE SUPPORT FOR YOUR COST OF EQUITY RECOMMENDATION?

A. Staff claims the results of the build-up method using the *Duff & Phelps* study data are invalid as a check of my results DCF and CAPM results because the build-up method results far exceed my DCF and CAPM results.[23] This might be heard in ratemaking where Staff and RUCO continue to distort financial reality to keep returns at a level below nearly every jurisdiction in the Country. But it is financial nonsense. Simply because the results of an approach are higher or lower than the results of another approach does not invalidate them. If this were the case, then the results of Staff's DCF and CAPM analyses in the recent Sahuarita Water Company ("SWC") rate case should have been rejected. Staff's CAPM analysis produced a result of 11.1 percent while its DCF analysis produced a result of 9.5 percent—a difference of 160 basis points.[24] I do not recall Staff stating that either one of those results was invalid because the CAPM results far exceeded the DCF results.

Q. WHAT IS THE DIFFERENCE BETWEEN YOUR OVER-ALL RESULTS AND THE BUILD-UP METHOD RESULTS?

A. In my direct testimony and analysis, the difference between my over-all results and the build-up method was about 179 basis points (10.3 percent vs. 12.09 percent). My rebuttal over-all results of 10.7 percent are far closer to the build-up method at 11.21 percent–a 51 basis point difference. Again, I use these approaches as a check on the numbers my models spit out. The fact that my results are reasonable compared to those studies is what gives them credence, at least in financial terms.

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[23] Cassidy Dt. at 44.

[24] *See* Surrebuttal Testimony of Juan C. Manrique (filed June 21, 2010, Docket No. W-03718A-09-0359).

In fact, if anything, the results of the build-up method using the *Duff & Phelps* study data are more rational and contain less bias than the CAPM which is used by all the parties.

Q. WHY?

A. For one thing, a beta estimate is not needed for the build-up method. As I pointed out earlier, there are inherent computational problems with measuring beta, and betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[25] So, the CAPM will underestimate the cost of equity for firms with low betas (<1.0) and overestimate the cost of equity for firms with high betas (> 1.0). The empirical evidence also shows beta increases as the size of the firm decreases.[26] Pima is not publicly traded and, therefore, it has no beta. Pima is also much smaller than the publicly traded utilities, yet it is assumed Pima has the same beta as the much larger publicly traded utilities. It is more likely that Pima would have a higher beta if it were publicly traded. The results of the CAPM would also be higher.

The build-up method I prepared also uses a market risk premium of 5.5 percent. This is conservative and well within the range of the risk premiums that RUCO witness, Mr. Rigsby, utilizes in his CAPM analysis. The RUCO risk premiums range from 4.5 percent to 6.4 percent with a mid-point of 5.5 percent.[27] Staff's market risk premiums range from 7.2 percent to 11.6 percent with a mid-point of 9.4 percent.

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[25] Bourassa COC Dt. at 35.
[26] *Id.* at 36.
[27] *See* RUCO Schedule WAR-6.

Q. WHAT ABOUT THE RISK FREE RATE?

A. I used the yield on a 20-year U.S. Treasury on April 6, 2012 of 2.85 percent. I believe even Staff would not complain about using a spot yield given Staff's testimony that expected interest rates should not be used.[28]

Q. YOU MENTIONED RECENT SAHUARITA WATER COMPANY RATE CASE. WHAT RETURN WAS AUTHORIZED THERE?

A. The Commission recently authorized Sahuarita Water Company ("SWC") a 10.3 percent return on equity in Decision No. 72177 (February 11, 2011).[29] SWC is a water only utility and is somewhat larger than Pima's water and sewer division combined in terms of net plant, but roughly ½ the size the size of Pima in terms of revenues. Further, its rates will be in effect roughly during the same time frame as Pima. The Company cannot compete for capital with such low recommendations by the other parties, not only with respect to SWC with an authorized return of 10.3 percent, but with respect to the large publicly traded water utility companies who on average have expected returns and authorized returns of 10.5 percent and 10.03 percent, respectively.

Q. BUT MR. BOURASSA, AREN'T STAFF AND RUCO SIMPLY GOING TO ASSERT THAT THE COMMISSION HAS IGNORED YOUR RECOMMENDATIONS BEFORE AND SHOULD DO SO AGAIN?

A. I'd be surprised if they didn't. Which is pretty ironic coming from RUCO, the party that made the exact same argument against property taxes for a decade. Of course, the Commission reviews every rate case on its own merits, or "case-by-case" as RUCO and Staff both like to say. And I have made more changes to my approach on cost of capital than I can possibly recall in response to many of my

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[28] Cassidy Dt. at 43.

[29] Decision No. 72177 at 30.

arguments being rejected. I have recognized a lot of realities of ratemaking and tried to find a reasonable balance with financial theory and financial reality. But I am not going to stop asking the Commission to do a better job of balancing ratemaking and finance, or the interests of shareholders and ratepayers. Respectfully, being at the bottom for returns is neither a badge of honor I want my state to wear nor is it good for the long term health of the citizenry.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY ON COST OF CAPITAL?

A. Yes, although my silence on any of the issues, matters or findings addressed in the testimony of Staff and/or RUCO does not constitute my acceptance of their positions on such issues, matters or findings.

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Cost of Capital)

Exhibit TJB-COC-RB1

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 1

	Company	Symbol	Measures of size (Millions) MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 676	$ 377	$ 976	$ 32	$ 1,192	$ 120
2.	Aqua America	WTR	$ 3,068	$ 1,174	$ 4,600	$ 113	$ 4,072	$ 407
3.	California Water	CWT	$ 748	$ 436	$ 1,227	$ 37	$ 1,692	$ 128
4.	Connecticut Water	CTWS	$ 248	$ 119	$ 384	$ 10	$ 425	$ 23
5.	Middlesex	MSEX	$ 289	$ 174	$ 422	$ 12	$ 489	$ 38
6.	SJW Corp.	SJW	$ 452	$ 256	$ 748	$ 20	$ 935	$ 87
	Pima Utility Company		NA	$ 15.3	NA	$ 1.0	$ 13.0	$ 2.6

[1] From Value Line data (12/31/2010)
[2] From Zacks Investment Research. From E-1 for subject utility.
[3] Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data

Company	Symbol	2011	2010	2009	2008	2007	Average
American States	AWR	$ 45.9	$ 33.2	$ 29.5	$ 22.0	$ 28.0	$ 31.7
Aqua America	WTR	$ 143.1	$ 124.0	$ 104.4	$ 97.9	$ 95.0	$ 112.9
California Water	CWT	$ 37.7	$ 37.7	$ 40.6	$ 39.8	$ 31.2	$ 37.4
Connecticut Water	CTWS	$ 11.3	$ 9.8	$ 10.2	$ 9.4	$ 8.8	$ 9.9
Middlesex	MSEX	$ 13.4	$ 14.3	$ 10.0	$ 12.2	$ 11.8	$ 12.4
SJW Corp.	SJW	$ 20.9	$ 24.4	$ 15.2	$ 21.5	$ 19.3	$ 20.2
Pima Utility Company		$ 0.9 (estimate)	$ 0.9	$ 1.2	$ 1.2	$ 1.1	$ 1.0

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

[4] Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data

Company	Symbol	2011	2010	2009	2008	2007	Average
American States	AWR	$ 133.3	$ 134.4	$ 122.6	$ 105.9	$ 102.8	$ 119.8
Aqua America	WTR	$ 397.8	$ 473.2	$ 415.2	$ 384.7	$ 364.5	$ 407.1
California Water	CWT	$ 143.3	$ 155.7	$ 125.5	$ 122.1	$ 95.6	$ 128.4
Connecticut Water	CTWS	$ 24.2	$ 22.5	$ 20.3	$ 21.1	$ 27.9	$ 23.2
Middlesex	MSEX	$ 34.6	$ 43.3	$ 34.6	$ 38.6	$ 36.6	$ 37.6
SJW Corp.	SJW	$ 87.1	$ 75.4	$ 93.5	$ 99.7	$ 77.7	$ 86.7
Pima Utility Company		$ 2.5 (estimate)	$ 2.5	$ 2.7	$ 2.7	$ 2.7	$ 2.6

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance
EBITDA data for subject utility from E-1 and/or ACC reports

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered) **TABLE 2**
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.475%	15.380%	18.661%	13.224%	17.273%	14.736%
X Coefficient(s)	-3.239%	-2.561%	-3.201%	-2.616%	-2.812%	-2.723%

MRP_{m+s} (unlevered)

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.31%	8.78%	9.09%	9.30%	8.62%	9.08%	9.03%
2.	Aqua America	WTR	7.18%	7.52%	6.94%	7.85%	7.12%	7.63%	7.37%
3.	California Water	CWT	9.17%	8.62%	8.77%	9.11%	8.19%	8.99%	8.81%
4.	Connecticut Water	CTWS	10.72%	10.07%	10.39%	10.62%	9.88%	11.02%	10.45%
5.	Middlesex	MSEX	10.51%	9.64%	10.26%	10.37%	9.71%	10.45%	10.16%
6.	SJW Corp.	SJW	9.87%	9.21%	9.46%	9.81%	8.92%	9.46%	9.46%
	Average (unlevered)		9.46%	8.97%	9.15%	9.51%	8.74%	9.44%	9.21%
	Pima Utility Company		NA	12.35%	NA	13.19%	14.14%	13.61%	13.32%
	Implied Size Premium for Subject Company over publicly traded water utilities								4.11%

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

Unlevered Portfolio Beta
(from Duff & Phelps RP Study - Table C)

TABLE 3

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.95	0.96	0.98	0.94	0.94	0.97	0.96
2.	Aqua America	WTR	0.87	0.86	0.81	0.88	0.83	0.84	0.85
3.	California Water	CWT	0.98	0.95	0.95	0.94	0.92	0.97	0.95
4.	Connecticut Water	CTWS	0.96	1.00	0.97	0.97	0.99	1.03	0.99
5.	Middlesex	MSEX	0.96	0.98	0.97	0.97	0.99	0.99	0.98
6.	SJW Corp.	SJW	0.95	0.97	0.97	0.96	0.97	0.95	0.96
	Average		0.95	0.95	0.94	0.94	0.94	0.96	0.95
	Pima Utility Company		0.95	0.98	1.00	1.01	1.05	1.03	1.00

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 4

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium

$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{unlevered}$ = unlevered realized risk premium from Table 2

RP_{market} = general equity risk premium for the market since 1963 (4.4%)

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	44.3%	10.93%	10.42%	10.77%	10.90%	10.22%	10.73%	10.66%
2.	Aqua America	WTR	49.9%	8.83%	9.15%	8.46%	9.53%	8.69%	9.22%	8.98%
3.	California Water	CWT	64.1%	11.59%	10.96%	11.11%	11.42%	10.45%	11.39%	11.16%
4.	Connecticut Water	CTWS	54.5%	12.73%	12.17%	12.43%	12.66%	11.97%	13.20%	12.53%
5.	Middlesex	MSEX	46.4%	12.22%	11.40%	11.99%	12.10%	11.48%	12.22%	11.90%
6.	SJW Corp.	SJW	65.4%	12.26%	11.66%	11.91%	12.22%	11.36%	11.85%	11.88%
	Average MRP (Relevered)		54.09%	11.43%	10.96%	11.11%	11.47%	10.70%	11.44%	11.18%
	Pima Utility Company	Proforma	28.18%	NA	13.41%	NA	14.29%	15.29%	14.74%	14.43%

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 5

Equity Risk Premium Adjustment and Other meterics used in Build-up Method

[1] Estimate of Current Market Risk Premium (RP_{market})	5.50%
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2011)[1]	4.30%
[3] Equity Risk Premium Adjustment ([1] - [2])	1.20%
[4] Average MRP (relevered) for publicly traded water companies (from Table 4)	11.18%
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	12.38%
[6] Equity Risk Premium Adjustment ([3])	1.20%
[7] Average MRP (relevered) for subject utility company (from Table 4)	14.43%
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	15.63%
[9] Industry Risk Premium (From *Ibbotson* for SIC 494 Water Supply Industry Table 3-5)	-4.83%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.6%[1])	0.8333
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-4.03%
[12] Risk Free Rate (R_f)[2]	2.85%

[1] From Duff and Phelps Risk Premium Report 2012.
[2] Yield on 20 Yr U.S. Treasury April 6, 2012 (Federal Reserve)

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 6

Cost of Equity (COE) Estimate using Build-up Method

$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$

Where:

- $E(R_i)$ = Expected (indicated) rate of return
- R_f = Risk-free rate of return. See Table 5.
- RP_{m+s} = Market risk premium including size premium. See Table 4.
- RP_i = Industry risk premium (adjusted) See Table 5.
- RP_u = Company-specific risk premium

	Sample Publicly Traded Water Utilities	Pima Utility Company
R_f =	2.85%	2.85%
RP_{m+s} =	See Table 4	See Table 4
RP_i =	-4.03%	-4.03%
RP_u =	0.00%	0.00%

	Company	Symbol	Indicated COE $E(R_i)$ MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	10.95%	10.45%	10.79%	10.92%	10.25%	10.76%	10.69%
2.	Aqua America	WTR	8.86%	9.18%	8.49%	9.55%	8.71%	9.24%	9.01%
3.	California Water	CWT	11.62%	10.99%	11.14%	11.45%	10.48%	11.42%	11.18%
4.	Connecticut Water	CTWS	12.76%	12.20%	12.45%	12.68%	11.99%	13.22%	12.55%
5.	Middlesex	MSEX	12.25%	11.42%	12.02%	12.13%	11.51%	12.25%	11.93%
6.	SJW Corp.	SJW	12.29%	11.68%	11.93%	12.25%	11.39%	11.87%	11.90%
	Average COE estimate		11.45%	10.99%	11.14%	11.50%	10.72%	11.46%	11.21%
	Pima Utility Company		NA	13.44%	NA	14.31%	15.32%	14.76%	14.46%

Pima Utility Company

Thomas Bourassa Rebuttal Testimony
(Cost of Capital)

D Schedules

Pima Utility Company
Test Year Ended December 31, 2010
Summary of Cost of Capital

Exhibit
Rebuttal Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Sewer Division

Proforma End of Test Year

Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	8,370,000	35.36%	4.250%	1.50%
2					
3	Stockholder's Equity	15,301,736	64.64%	10.50%	6.79%
4					
5	Totals	23,671,736	100.00%		8.29%
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	SUPPORTING SCHEDULES:				
23	D-1, page 2				
24	Testimony				
25					
26					
27					
28					
29					
30					

RECAP SCHEDULES:

Pima Utility Company
Test Year Ended December 31, 2010

Exhibit
Rebuttal Schedule D-1
Page 2
Witness: Bourassa

Computation of Consolidated Capital Structure

Line No.			
1	Equity Distribution		
2	Per E-1 Water	$	12,160,028
3	Per E-1 Wastewater		7,272,375
4	Water A/D Adjustments per Direct		588,942
5	Sewer A/D Adjustments per Direct		(2,219,610)
6	Subtotal		17,801,736
7	Equity Distribution		(2,500,000)
8	Net Equity Balance	$	15,301,736
9			
10	Debt		
11	Balance end of Test year	$	6,125,000
12	2011 principal payments		(1,755,000)
13	Subtotal		4,370,000
14	Increase in Debt		4,000,000
15	Net Debt Balance	$	8,370,000
16			
17	Total Capital	$	23,671,736
18	% Debt		35.36%
19	% Equity		64.64%
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Long Term Debt

Exhibit
Rebuttal Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Test Year Weighted Cost	Proforma End of Test Year Amount Outstanding	Proforma End of Test Year Annual Interest	Proforma End of Test Year Interest Rate	Proforma End of Test Year Weighted Cost	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate	End of Projected Year Weighted Cost
1													
2	IDA Bonds - Maricopa Cnty	6,125,000	471,380	7.696% [1]	7.696%	-	-	7.696%	0.000%	-	-	7.696%	0.000%
3	Proposed Long-term Debt				0.000%	8,370,000	355,728	4.250% [2]	4.250%	8,370,000	355,728	4.250%	4.250%
4													
5													
6													
7													
8													
9													
10													
11													
12													
13	Totals	$ 6,125,000	471,380		7.696%	$ 8,370,000	355,728		4.250%	$ 8,370,000	355,728		4.250%
14													
15													
16	Supporting Schdules:												
17	E-1												
18	Testimony												
19													
20													
21													
22													
23	[1] Effective interest rate using Effective Interest Method for amortizing bond issuance costs. See work papers.												
24	[2] Estimate of Effective interest rate using Effective Interest Method for amortizing bond issuance costs. See work papers.												
25													
26													
27													
28													
29													
30													

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Preferred Stock

Exhibit
Rebuttal Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22				D-1			
23							
24							
25							
26							
27							
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37							
38							
39							
40							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Common Equity

Exhibit
Rebuttal Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.50% .
3		
4		
5		
6		
7		
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12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.16	D-1
19		
20		

Pima Utility Company
Summary of Results

Exhibit
Rebuttal Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	9.7%	11.3%	10.5%
8	Range of CAPM Estimates[2]	8.2%	13.7%	10.9%
11	Average of DCF and CAPM midpoint estimates	8.9%	12.5%	10.7%
14	Financial Risk Adjustment[3]	-0.3%	-0.3%	-0.3%
16	Small Company Risk Premium[4]	0.5%	1.0%	0.8%
18	Indicated Cost of Equity	9.1%	13.2%	11.2%
22	Recommended Cost of Equity			10.5%

[1] See Schedule D-4-8
[2] See Schedule D-4.12
[3] See Schedule D-4.13, Testimony
[4] See Schedule D-4.16, Testimony

Pima Utility Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rebuttal Schedule D-4.2
Witness: Bourassa

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
4	1. American States	72%	$ 419.3	$ 889.8	A+	A2	9.99
5	2. Aqua America	96%	$ 729.6	$ 3,612.9	AA-	NR	10.33
6	3. California Water	97%	$ 501.8	$ 1,364.6	AA-	NR	9.99
7	4. Connecticut Water	98%	$ 72.7	$ 354.6	A	NR	9.75
8	5. Middlesex	90%	$ 101.5	$ 422.2	A	NR	10.15
9	6. SJW Corp.	96%	$ 239.0	$ 730.9	A	NR	9.99
11	Average	92%	$ 344.0	$ 1,229.2			10.03
13	Pima Utility Company (as of December 31, 2010)	100% Water/Sewer	$ 5.1	$ 21.9	NR	NR	

[1]AUS Utility Reports (April 2012).

Pima Utility Company
Capital Structures

Exhibit
Rebuttal Schedule D-4.3
Witness: Bourassa

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States	44.3%	55.7%	30.7%	69.3%
2	Aqua America	56.6%	43.4%	33.3%	66.7%
3	California Water	52.4%	47.6%	39.0%	61.0%
4	Connecticut Water	53.2%	46.8%	35.3%	64.7%
5	Middlesex	43.5%	56.5%	31.7%	68.3%
6	SJW Corp.	53.6%	46.4%	39.5%	60.5%
7	Average	50.6%	49.4%	34.9%	65.1%
8	Pima Utility Company (Proforma) [2]	35.4%	64.6%	N/A	N/A

[1] Value Line Analyzer Data (April 6, 2012)
[2] Adjusted Per Schedule D-1

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	5.86%	5.00%	11.50%	2.50%	6.21%	8.07%	7.14%
9	2. Aqua America	0.38%	7.00%	4.50%	8.00%	4.97%	8.60%	6.79%
10	3. California Water	NMF	5.50%	6.50%	1.00%	4.33%	8.48%	6.41%
11	4. Connecticut Water	3.43%	3.00%	1.50%	1.50%	2.36%	7.90%	5.13%
12	5. Middlesex	7.10%	5.50%	4.50%	1.50%	4.65%	4.35%	4.50%
13	6. SJW Corp.	NMF	6.50%	NMF	5.50%	6.00%	10.00%	8.00%
16	GROUP AVERAGE	4.19%	5.42%	5.70%	3.33%	4.75%	7.90%	6.33%
17	GROUP MEDIAN	4.64%	5.50%	4.50%	2.00%	4.81%	8.27%	6.60%

[1] Average of changes in annual stock prices ending on December 31 through 2011. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, April 6, 2012
[3] See Schedule D-4.6.

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rebuttal Schedule D-4.5
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
7	1. American States	6.51%	5.00%	4.50%	2.00%	4.50%	8.07%	6.28%
8	2. Aqua America	7.63%	9.00%	6.50%	7.50%	7.66%	8.60%	8.13%
9	3. California Water	3.95%	4.50%	3.00%	1.00%	3.11%	8.48%	5.79%
10	4. Connecticut Water	5.00%	4.00%	1.00%	1.50%	2.87%	7.90%	5.39%
11	5. Middlesex	5.84%	4.50%	2.50%	2.00%	3.71%	4.35%	4.03%
12	6. SJW Corp.	2.69%	6.00%	2.00%	5.00%	3.92%	10.00%	6.96%
15	GROUP AVERAGE	5.27%	5.50%	3.25%	3.17%	4.30%	7.90%	6.10%
16	GROUP MEDIAN	5.42%	4.75%	2.75%	2.00%	3.82%	8.27%	6.04%

[1] Average of changes in annual stock prices ending December 31, 2011. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, March 8, 2012.
[3] See Rejoinder Schedule D-4.6.

Pima Utility Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rebuttal Schedule D-4.6
Witness: Bourassa

Line No.		[1]	[3]	[4]	[5]
1					
2					
3					
4		ESTIMATES OF EARNINGS GROWTH			Average
5				Value	Growth (G)
6	Company	Zacks[1]	Yahoo[1]	Line[1]	(Cols 1-4)[2]
7	1. American States	12.00%	5.70%	6.50%	8.07%
8	2. Aqua America	8.30%	7.50%	10.00%	8.60%
9	3. California Water	10.00%	9.93%	5.50%	8.48%
10	4. Connecticut Water		4.55%		7.90%
11	5. Middlesex		2.70%	6.00%	4.35%
12	6. SJW Corp.		14.00%	6.00%	10.00%
13					
14					
15	GROUP AVERAGE	10.10%	7.40%	6.80%	7.90%
16	GROUP MEDIAN				8.27%
17					
18					
19	[1] Data as of April 6, 2012				
20	[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.				
21					
22					
23					
24					
25					
26					
27					
28					

Exhibit
Rebuttal Schedule D-4.7
Witness: Bourassa

Pima Utility Company
Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1	1. American States	$ 36.36	$ 1.04	2.86%	2.98%
2	2. Aqua America	$ 22.23	$ 0.59	2.65%	3.11%
3	3. California Water	$ 17.94	$ 0.60	3.34%	3.24%
4	4. Connecticut Water	$ 28.23	$ 0.94	3.33%	3.62%
5	5. Middlesex	$ 18.50	$ 0.72	3.89%	4.23%
6	6. SJW Corp.	$ 24.32	$ 0.68	2.80%	2.78%
7					
8	Average			3.15%	3.33%
9	Median			3.10%	3.18%

[1] Value Line Analyzer Data. Stock prices as of April 6, 2012.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Pima Utility Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rebuttal Schedule D-4.8
Witness: Bourassa

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)		[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.15%	3.35%	6.33%	3	9.7%
10	DCF - Future Growth	3.15%	3.39%	7.90%	4	11.3%
13	Average	3.15%	3.37%	7.11%		10.5%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Pima Utility Company
Market Betas

Exhibit
Rebuttal Schedule D-4.9
Witness: Bourassa

Line No.	Company	Beta (β)[1]
1		
2	1. American States	0.70
3	2. Aqua America	0.65
4	3. California Water	0.65
5	4. Connecticut Water	0.75
6	5. Middlesex	0.70
7	6. SJW Corp.	0.85
8		
9	Average	**0.72**
10		
11		
12		
13	[1] Value Line Investment Analyzer data (April 6, 2012)	
14	Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15	in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16	(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17	derived from a regression analysis of the relationship between weekly percent-age changes in the	
18	price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19	the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20	The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Pima Utility Company
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Rebuttal Schedule D-4.10
Witness: Bourassa

Line No.	Description	Actual 2012 Q-1	2012	2013	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts[1]	3.04%	3.4%	3.8%	3.4%
7					
8	Value Line[2]	3.04%	3.4%	3.7%	3.4%
9					
10	Average				3.4%
11					
12					
13					
14					
15	[1] April 2012 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated February 24, 2012, Long-term Treasury				
17					
18					
19					
20					
21					
22					
23					
24					

Pima Utility Company
Computation of Current Market Risk Premium

Exhibit
Rebuttal Schedule D-4.11
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 2011	2.34%	2.60%	+	11.10%	=	13.70%	-	4.52%	=	9.18%
5	Feb	2.41%	2.73%	+	13.16%	=	15.89%	-	4.65%	=	11.24%
6	Mar	2.35%	2.64%	+	12.33%	=	14.97%	-	4.51%	=	10.46%
7	April	1.83%	2.02%	+	10.30%	=	12.32%	-	4.50%	=	7.82%
8	May	1.95%	2.18%	+	11.76%	=	13.94%	-	4.29%	=	9.65%
9	June	1.97%	2.21%	+	12.11%	=	14.32%	-	4.23%	=	10.09%
10	July	2.23%	2.58%	+	15.51%	=	18.09%	-	4.27%	=	13.82%
11	Aug	2.73%	3.24%	+	18.51%	=	21.75%	-	3.65%	=	18.10%
12	Sept	2.88%	3.47%	+	20.40%	=	23.87%	-	3.18%	=	20.69%
13	Oct	2.60%	3.03%	+	16.35%	=	19.38%	-	3.13%	=	16.25%
14	Nov	2.75%	3.24%	+	17.89%	=	21.13%	-	3.02%	=	18.11%
15	Dec 2011	2.70%	3.17%	+	17.41%	=	20.58%	-	2.98%	=	17.60%
16	Jan 2012	2.61%	2.98%	+	14.18%	=	17.16%	-	3.03%	=	14.13%
17	Feb	2.60%	2.99%	+	15.01%	=	18.00%	-	3.11%	=	14.89%
19	Recommended	2.64%	3.05%	+	15.53%	=	18.58%	-	3.04%	=	14.30%
21	Short-term Trends										
22	Recent Twelve Months Avg	2.43%	2.81%	+	15.15%	=	17.96%	-	3.66%	=	14.30%
23	Recent Nine Months Avg	2.56%	2.99%	+	16.37%	=	19.36%	-	3.40%	=	15.96%
24	Recent Six Months Avg	2.69%	3.15%	+	16.87%	=	20.02%	-	3.08%	=	16.94%
25	Recent Three Months Avg	2.64%	3.05%	+	15.53%	=	18.58%	-	3.04%	=	15.54%

28 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
29 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
30 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
31 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.

Pima Utility Company
Capital Asset Pricing Model (CAPM)

Exhibit
Rebuttal Schedule D-4.12
Witness: Bourassa

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	3.4%	+	0.72	x	6.6%	[4]	=	8.2%
4									
5	Current Market Risk Premium CAPM	3.4%	+	0.72	x	14.3%	[5]	=	13.7%
6									
7	Average								10.9%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar *SBBI 2012 Valuation Yearbook* Table A-1 Long-Horizon ERP 1926-2011.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

Pima Utility Company
Financial Risk Computation

Exhibit
RebuttalSchedule D-4.13
Witness: Bourassa

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	3.4%	1	+	0.72	2	x	6.6%	3	=	8.2%
4	Current Market Risk Premium	3.4%	1	+	0.72	2	x	14.3%	4	=	13.7%
5											
6	Average										11.0%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	3.4%	1	+	0.69	5	x	6.6%	3	=	8.0%
12	Current Market Risk Premium	3.4%	1	+	0.69	5	x	14.3%	4	=	13.3%
13											
14	Average										10.7%
15											
16	Financial Risk Adjustment										**-0.3%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.9										
21	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Pima Utility Company
Financial Risk Computation
Unlevered Beta

Exhibit
Rebuttal Schedule D-4.14
Witness: Bourassa

Line No.		Company	VL Beta β_L[1]	Raw Beta Raw β_L[2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U[5]
5	1.	American States	0.70	0.55	43.2%	30.7%	69.3%	0.44
6	2.	Aqua America	0.65	0.48	39.2%	33.3%	66.7%	0.37
7	3.	California Water	0.65	0.48	39.5%	39.0%	61.0%	0.35
8	4.	Connecticut Water	0.75	0.63	41.3%	35.3%	64.7%	0.48
9	5.	Middlesex	0.70	0.55	32.1%	31.7%	68.3%	0.42
10	6.	SJW Corp.	0.85	0.78	38.8%	39.5%	60.5%	0.56
13		Sample Water Utilitie:	0.72	0.58	39.0%	34.9%	65.1%	0.44

[1] Value Line Investment Analyzer data. See Schedule D-4.13
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2011.
[4] See Schedule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Exhibit
Rebuttal Schedule D-4.15
Witness: Bourassa

Pima Utility Company
Financial Risk Computation
Relevered Beta

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Pima Utility Company	0.44	22.0%	78.0%	24.14%	0.53	0.69

[1] Unlevered Beta from Schedule D-4.14.

[2] Capital Structure of Company

	BV (in Thousands)		MV (in Thousands)	MV %
Long-term Debt	$ 8,370	1.00	$ 8,370	22.00%
Preferred Stock	$ -	1.00	-	0.0%
Common Stock	$ 15,302	1.94	(a) 29,700	78.0%
Total Capital	$ 23,672		$ 38,070	100.0%

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

[3] Current Tax rate based on test year ending 12/31/2011. See Schedule D-1.

Pima Utility Company
Size Premium[1]

Exhibit
Rebuttal Schedule D-4.16
Witness: Bourassa

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	1.14%	
8	Low-Cap Companies[3]	1.23	1.88%	
10	Micro-Cap Companies[4]	1.36	3.89%	
12	Decile 10[5]	1.7	6.10%	3.86%

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

[1] Data from Table 7-8 of Morningstar, *Ibbotson SBBI 2012 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,621 million and $6,896 million.
[3] Low-Cap companies includes companies with market capitalization between $422 million and $1,620 million.
[4] Micro-Cap companies includes companies with market capitalization less than $422 million.
[5] Decile 10 includes companies with market capitalization between $1.0 million and $206 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 676	Low-Cap	1.88%	4.22%	0.1666667	0.70%
2.	Aqua America	$ 3,068	Mid-Cap	1.14%	4.96%	0.1666667	0.83%
3.	California Water	$ 748	Low-Cap	1.88%	4.22%	0.1666667	0.70%
4.	Connecticut Water	$ 248	Decile 9	2.80%	3.30%	0.1666667	0.55%
5.	Middlesex	$ 289	Micro-Cap	3.89%	2.21%	0.1666667	0.37%
6.	SJW Corp.	$ 452	Low-Cap	1.88%	4.22%	0.1666667	0.70%
	Weighted Size Premium for Small Companies						3.86%

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

May 25, 2012

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF PIMA'S REJOINDER POSITION 1

III. RATE BASE 4
- A. Water Division Rate Base 4
  - 1. Plant-in-Service (PIS) and Accumulated Depreciation (A/D) 4
  - 2. Advances-in-Aid of Construction (AIAC) and Contributions-in- Aid of Construction (CIAC) 6
- B. Wastewater Division Rate Base 7
  - 1. PIS and A/D 8
  - 2. AIAC and CIAC 9

IV. INCOME STATEMENT 10
- A. Revenue and Expenses – Water and Wastewater Divisions 10
  - 1. Salaries and Wages – Officers and Directors 10
  - 2. Depreciation Expense 13
  - 3. Miscellaneous Expense 14
  - 4. Rate Case Expense 14
  - 5. Income Taxes 17

V. RATE DESIGN 19
- A. Water Division 19
  - 1. Proposed Rates - Water Division 19
  - 2. Comments on Staff Rate Design 21
  - 3. Comments on RUCO Rate Design 23
  - 4. Cost of Service Study – Water Rates 24
- B. Wastewater Division 25
  - 1. Proposed Rates – Wastewater Division 25
  - 2. Comments on Staff and RUCO Rate Designs 26

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. I am testifying in this proceeding on behalf of the applicant, Pima Utility Company ("Pima" or the "Company").

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THE INSTANT CASE?

A. Yes. My direct testimony, submitted in support of the initial application in this docket, consisted of two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital. I also filed two volumes of rebuttal covering the same issues.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. I will provide rejoinder testimony in response to the surrebuttal filings by Staff and RUCO. This volume relates to rate base, income statement and rate design. In a separate volume, I will provide responses to Staff and RUCO on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

II. SUMMARY OF PIMA'S REJOINDER POSITION

Q. WHAT ARE THE REVENUE INCREASES FOR THE WATER AND WASTEWATER DIVISIONS THAT THE COMPANY IS PROPOSING IN THIS REJOINDER TESTIMONY?

A. For the water division, the Company is proposing a total revenue requirement of $2,690,054, which constitutes an increase in revenues of $712,426, or 36.02% over adjusted test year revenues. For the wastewater division, Pima is proposing a total

revenue requirement of $3,513,050, which constitutes an increase in revenues of $416,275, or 13.44% over adjusted test year revenues.

Q. HOW DO THESE COMPARE WITH THE COMPANY'S REBUTTAL FILING?

A. They are both slightly lower. In the rebuttal filing for the water division, the Company requested a total revenue requirement of $2,691,108, which required an increase in revenues of $713,480, or 36.08%. In the rebuttal filing for the wastewater division, the Company requested a total revenue requirement of $3,514,104, which required an increase in revenues of $417,329, or 13.48%. For the two divisions, the necessary revenue increase has decreased by just over $1,500.

Q. WHAT'S DIFFERENT?

A. The Company has revised its adjustment to salaries and wages for officers and directors which has lowered the revenue requirement slightly. More specifically, the Company has agreed to reduce employee benefits to the level associated with its proposed salaries and wages for officers and directors.

For the water division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $753, from $1,735,835 in the rebuttal filing to $1,735,082.

For the wastewater division, the net result of these adjustments is: (1) the Company's proposed operating expenses have decreased by $754, from $2,580,167 in the rebuttal filing to $2,579,413.

The Company continues to recommend a cost of equity of 10.5%. The Company continues to propose a cost of debt to 4.25% and a capital structure consisting of 35.36% debt and 64.64% equity. Based on these recommendations

the overall recommended weighted cost of capital (rate of return) continues to be 8.29%.

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

A. For the water division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Rebuttal	$2,691,108	$ 713,480	36.08%
Staff-Surrebuttal	$2,434,827	$ 457,200	23.12%
RUCO-Surrebuttal	$2,394,262	$ 416,636	21.07%
Company-Rejoinder	$2,690,054	$ 712,436	36.04%

For the wastewater division, the proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Rebuttal	$3,514,104	$ 417,329	13.48%
Staff-Surrebuttal	$3,421,261	$ 144,486	4.67%
RUCO-Surrebuttal	$3,096,775	$ 95,414	3.08%
Company-Rejoinder	$3,513,050	$ 416,275	13.44%

The vast majority of the dollars in dispute for both divisions relate to the ROE and recovery of income taxes.

Q. WHAT WOULD BE THE IMPACT TO CUSTOMER BILLS FROM THE PROPOSED RATE INCREASE?

A. The average monthly water bill under the proposed rates for a 5/8x3/4 inch residential customer using an average 6,395 gallons would be $13.74—a $3.08 increase over the present monthly bill. The average monthly wastewater bill under

the proposed rates for a 5/8 inch residential customer would be $26.03—a $3.30 increase from the present monthly bill.

III. RATE BASE

A. Water Division Rate Base

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WATER DIVISION?

A. Yes, for the water division the rate bases proposed by the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Rebuttal	$ 9,073,324	$ 9,073,324
Staff-Surrebuttal	$ 9,122,677	$ 9,122,677
RUCO-Surrebuttal	$ 9,073,286	$ 9,073,286
Company-Rejoinder	$ 9,073,324	$ 9,073,324

Q. IS THE COMPANY PROPOSING ANY ADDITIONAL ADJUSTMENTS TO RATE BASE AT THIS STAGE OF THE PROCEEDING?

A. No. The Company proposed adjustments to the rate base components since the direct filing are described in detail in my rebuttal testimony. The adjustments for water division's OCRB are detailed on rejoinder schedules B-2, pages 3 through 5. Rejoinder Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

1. Plant-in-Service (PIS) and Accumulated Depreciation (A/D)

Q. PLEASE DISCUSS THE POSITIONS OF THE PARTIES WITH RESPECT TO PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION.

A. While all the parties are in agreement on the total balance of plant-in-service of $14,571,679 for the water division, there are minor differences in the individual

account balances between the Company and RUCO. More specifically, there are minor differences for accounts 307–Wells and Springs, 311–Pumping Equipment, and 320.2–Chemical Solution Feeders. The differences arise because the Company adopted Staff's adjustment number 3 for capitalized test year expenses which adjusts the plant accounts differently than does RUCO through its adjustments.[1] For example, Staff's adjustment increases account 307–Wells and Springs by 3,902, account 311–Pumping Equipment by $5,937, and account 333–Services by $15,692. The adjustment increase PIS by $25,692 in total. RUCO's adjustments (adjustments 3 and 4) increase account 311–Pumping Equipment by $7,273, account 320.2–Chemical Solution Feeders by $2,566 and account 333–Services by $15,692. The RUCO adjustments also total $25,692.

Q. WHAT IS THE CONSEQUENCE OF THE DIFFERENCES IN THE INDIVIDUAL ACCOUNT BALANCES?

A. RUCO's recommended level of depreciation expense is somewhat higher than the Company's—about $550.[2]

Q. PLEASE CONTINUE. ARE THE PARTIES IN AGREEMENT ON THE RECOMMENDED LEVEL OF ACCUMULATED DEPRECIATION?

A. Yes. All the parties recommend an A/D balance of $4,788,552 at this stage of the proceeding.[3]

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[1] *Compare* Staff adjustment 3 as shown in Staff Surrebuttal Schedule CSB-4 with RUCO adjustment 3 and 4 as shown on RUCO surrebuttal schedules RBM-12 and RBM-13.

[2] The Company recommends depreciation expense of $667,321, as shown on Rejoinder Schedule C-2, page 2, and RUCO recommends depreciation expense of $667,869, as shown on Surrebuttal Schedule RBM-10.

[3] *Compare* Company Rejoinder Schedule B-2, page 1, with RUCO Surrebuttal Schedule RBM-2 and Staff Surrebuttal Schedule CSB-2.

2. Advances-in-Aid of Construction (AIAC) and Contributions-in-Aid of Construction (CIAC)

Q. PLEASE DISCUSS THE POSITIONS OF THE PARTIES WITH RESPECT TO AIAC AND CIAC.

A. The Company and RUCO are in agreement of the balance of AIAC ($0) and net CIAC ($709,783) at this stage of the proceeding.[4] These balances are a result of reclassifying AIAC to CIAC as proposed by RUCO. Staff continues to recommend an AIAC balance of $374,236 and a net CIAC balance of $286,194—which are the balances the Company proposed in its direct filing.[5]

Q. PLEASE COMMENT ON THE STAFF REASONING FOR NOT ADOPTING THE PROPOSED ADJUSTMENT.

A. The basis of RUCO's adjustment was that the developer who provided the original advance-in-aid of construction has gone bankrupt and Pima is not aware of any successor entity to which payments can be made. The Company has no expectation that the AIAC will be paid in the future given the circumstances.

Staff's reasoning for not adopting RUCO's adjustment is that the Company owes the money and has an obligation to pay.[6] But Staff's reasoning does make sense given the circumstances. The problem with this argument is that Pima does not know whom to pay or even if an entity exists for which the obligation is owed. If by some remote chance an entity emerges in the future to accept payments, the Company will deal with those circumstances at that time. In the meantime, it is the Company that is taking the risk, not the ratepayers. And as a practical matter, proposed reclassification is a benefit to ratepayers through lower rates.

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[4] *Compare* Company Rejoinder Schedule B-2, page 1 with RUCO Surrebuttal Schedule RBM-2.
[5] *See* Staff Surrebuttal Schedule CSB-2.
[6] *See* Surrebuttal Testimony of Crystal S. Brown ("Brown Sb.") at 4.

Q. WHY DOES RUCO'S ADJUSTMENT RESULT IN LOWER RATES?

A. Because the depreciation on AIAC funded plant is allowed in rates and not allowed in rates for CIAC funded plant. The reclassification accepted by the Company results in savings to ratepayers of about $21,000 annually.

Q. WOULDN'T IT COST THE COMPANY ADDITIONAL TIME AND MONEY TRYING TO TRACK DOWN WHO THE COMPANY SHOULD PAY?

A. I would assume so. Likewise, if any successor entity is interested in being paid, I would think they would have made themselves known and requested payment.

Q. ARE THERE ANY OTHER RATE BASE RELATED DISPUTES BETWEEN THE PARTIES?

A. No.

B. <u>Wastewater Division Rate Base</u>

Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS FOR THE WASTEWATER DIVISION?

A. Yes, for the wastewater division the rate bases proposed by the Company, Staff and RUCO, are as follows:

	OCRB	FVRB
Company-Rebuttal	$ 9.832,800	$ 9,832,800
Staff-Surrebuttal	$ 9,642,163	$ 9,642,163
RUCO-Surrebuttal	$ 9,832,800	$ 9,832,800
Company-Rejoinder	$ 9.832,800	$ 9,832,800

Q. IS THE COMPANY PROPOSING ANY ADDITIONAL ADJUSTMENTS TO RATE BASE AT THIS STAGE OF THE PROCEEDING?

A. No. The Company proposed adjustments to the rate base components since the direct filing are described in detail in my rebuttal testimony. The adjustments for water division's OCRB are detailed on rejoinder schedules B-2, pages 3 through 5. Rejoinder Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

1. PIS and A/D

Q. PLEASE DISCUSS THE POSITIONS OF THE PARTIES WITH RESPECT TO PLANT-IN-SERVICE AND ACCUMULATED DEPRECIATION.

A. The Company and RUCO agree to a PIS balance of $22,039,554 (including a $3 rounding difference). Staff's recommended PIS balance is $21,478,941, which is $560,613 lower than the Company's recommended PIS balance.

Q. WHAT ARE THE REASONS FOR THE DIFFERENCE IN THE PIS BALANCES BETWEEN THE COMPANY AND STAFF?

A. Two reasons. First, Staff's PIS balance does not reflect RUCO's proposed adjustment of $37,858 discussed in my rebuttal testimony.[7] This adjustment was for removal of certain plant costs that were not included in the sewer division's prior rate case. Second, Staff is proposing to remove $598,468 for excess capacity related to wastewater treatment.[8] The Company continues to disagree with Staff's proposal for the reasons explained by Mr. Jones in his rejoinder testimony.

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[7] *See* Rebuttal Testimony of Thomas J. Bourassa – Rate Base, Income Statement and Rate Design ("Bourassa Rb.") at 7.

[8] Brown Sb. at 4.

Q. OKAY. PLEASE DISCUSS THE PARTIES' RECOMMENDED LEVELS OF ACCUMULATED DEPRECIATION.

A. The Company and RUCO are in agreement on the A/D balance of approximately $11,503,741.[9] Staff's recommended A/D balance of $11,191,864 is lower than the Company's recommended balance by $311,877.[10] This difference is the result of: 1) Staff's A/D does not include the $43,881 upward adjustment to A/D for prior rate case plant costs as reflected in the Company's proposed adjustment "B" discussed in my rebuttal testimony; and, 2) Staff proposes a $356,088 downward adjustment to A/D for its related recommended disallowance of excess capacity plant costs also discussed in my rebuttal testimony.[11]

2. <u>AIAC and CIAC</u>

Q. PLEASE DISCUSS THE POSITIONS OF THE PARTIES WITH RESPECT TO AIAC AND CIAC.

A. The Company and RUCO are in agreement of the balance of AIAC ($0) and net CIAC ($703,013) at this stage of the proceeding.[12] These balances are a result of reclassifying AIAC to CIAC as proposed by RUCO. Staff continues to recommend an AIAC balance of $285,313 and a net CIAC balance of $359,601—which are the balances the Company proposed in its direct filing.[13] As I discussed earlier, Staff is not adopting the RUCO proposed reclassification of AIAC to CIAC from a bankrupt developer because Staff argues the Company still has an obligation to pay. I will not repeat that testimony here.

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[9] *Compare* Company Rejoinder Schedule B-2, page 1 with RUCO Surrebuttal Schedule TJC-2.
[10] *Compare* Company Rejoinder Schedule B-2, page 1 with Staff Surrebuttal Schedule CSB-2.
[11] Bourassa Rb. at 8 – 9.
[12] *Id.*
[13] *See* Staff Surrebuttal Schedule CSB-2.

Q. ARE THERE ANY OTHER RATE BASE RELATED DISPUTES BETWEEN THE PARTIES?

A. Yes. The Company has adopted a $37,858 adjustment to PIS related to prior rate case costs.[14] Staff has not adopted this adjustment.

IV. INCOME STATEMENT

A. Revenue and Expenses – Water and Wastewater Divisions

Q. PLEASE DISCUSS THE COMPANY PROPOSED ADJUSTMENTS TO REVENUE AND/OR EXPENSES?

A. The Company proposed adjustments to the revenue and expense since the direct filing are described in detail in my rebuttal testimony. The Company is revising one adjustment to expenses, as will be discussed below. The Company rejoinder adjustments for the Water Division are detailed on Rebuttal Schedule C-2, pages 1-13. The rejoinder income statement with adjustments for the water division is summarized on Rejoinder Schedule C-1, page 1-2. The Company rejoinder adjustments for the Wastewater Division are detailed on Rejoinder Schedule C-2, pages 1-13. The rejoinder income statement with adjustments for the wastewater division is summarized on Rejoinder Schedule C-1, page 1-2.

1. Salaries and Wages – Officers and Directors

Q. PLEASE DISCUSS THE REVISION TO THE COMPANY'S EXPENSE ADJUSTMENTS.

A. Based on the Staff surrebuttal testimony,[15] the Company is proposing to remove payroll burden (employee benefits) related to the Company's removal of salaries and wages for officers and directors. Accordingly, for both the water and wastewater division, rejoinder adjustment 4 as shown on Rejoinder Schedules C-2,

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[14] Bourassa Rb. at 7.

[15] Brown Sb. at 6.

page 5, reflects the Company's proposed adjustment to reduce employee benefits expense.

Q. DOES THERE CONTINUE TO BE A DISPUTE OVER THE LEVEL OF WAGES AND SALARIES FOR OFFICERS AND DIRECTORS?

A. Yes. The Company continues to propose an expense level of $40,198 for each division. Staff proposes an expense level of $13,686 for each division.[16] RUCO proposes an expense level of $7,085 for each division.[17] These expense levels are far too low to compensate Mr. Robson for the value he brings to the Company.

Q. PLEASE COMMENT ON THE SURREBUTTAL TESTIMONY OF STAFF AND RUCO REGARDING THIS SUBJECT.

A. For Staff, Ms. Brown's reliance on NARUC regarding the use of estimates is unfounded.[18] For starters, we use estimates all the time in rate making. Ms. Brown's proposed level of expense itself is an estimate based on her own views. Every normalization adjustment Ms. Brown has ever proposed results in an estimate of a future expense level based on the averaging of past levels. Besides, Mr. Robson's test year salary of about $90,000 per division was based on actual costs paid to Mr. Robson and is not an estimate.

In this case, the approximately $40,000 compensation level for each division is based on Pima's effort to reach a compromise of the amount that should be allowed for ratemaking purposes. The Company came up with this level based upon the amount allowed in the prior rate case, escalated based upon inflation.

The requested salary level of $40,000 per division unquestionably benefits Pima and its customers because substantial value is provided to a company

[16] Brown Sb. at 5.
[17] *See* Surrebuttal Testimony of Robert B. Mease ("Mease Sb.") at 18.
[18] Brown Sb. at 5 – 6.

operating under the guidance and governance of a CEO/Director. As CEO and Chairman of the Board, Mr. Robson, performs several important function which contribute to Pima being a well run and efficient organization. These functions include but are not limited to: 1) assuring legal and regulatory compliance; 2) determining, establishing, and planning the values, mission, vision, and short-term and long-term goals of the organization; 3) providing oversight to all activities and assuring a smoothly functioning and efficient organization; 4) assuring program quality and organizational stability through development and implementation of standards, controls, policies, procedures and regular evaluation; and 5) overseeing the fiscal activities of the organization including budgeting, reporting, and audit. All of these functions provided by a CEO contribute to a well run company and ratepayers' benefiting from a well run company.

Q. HASN'T THE COMPANY EXPLAINED THAT THE HOURS ESTIMATE FOR MR. ROBSON WAS AN ERROR?

A. Yes, but neither Staff nor RUCO will let go of the use of the hours estimate to support their considerable expense reduction. Mr. Mease actually asserts that he cannot count on the Company's rebuttal response that the 56 hours worked (as initially reported by the Company) was an error and not reflective of the actual hours worked by Mr. Robson as he does not keep timesheets.[19] I guess only the non-utility parties get to make and correct mistakes. Does this mean that whenever RUCO (or Staff) makes an error and then subsequently corrects that error, as RUCO did in the instant case with respect to its recommended water division rates and with its property tax rates, that we cannot rely upon RUCO's correction? I think not. The purpose of a contested proceeding is to get the most accurate data

[19] Mease Sb. at 18.

possible—parties develop positions, other parties analyze and critique those positions and oftentimes, as is the case here, errors are found and corrected. The Commission should then use the most accurate data—and not, as RUCO and Staff are attempting to do, simply say that the Company's initial position was an error therefore the corrected and accurate data will be ignored.

2. <u>Depreciation Expense</u>

Q. PLEASE COMMENT ON THE PARTIES' RESPECTIVE RECOMMENDED LEVELS OF DEPRECIATION EXPENSE.

A. All the parties agree on the depreciation rates for both divisions. For the water division, the difference between the Company's recommended level of depreciation expense and Staff's is due to differences in each of the parties' recommended balances of CIAC. As you will recall, Staff has not adopted the Company's proposed reclassification of AIAC to CIAC. Consequently, Staff's recommended depreciation expense is about $21,000 higher than the Company's due to a lower CIAC balance and resulting lower level of amortization.

With respect to RUCO's level of depreciation expense for the water division, the difference to the Company's recommended level is minor (about $550), and is exclusively the result of relatively small differences in the individual plant account balances. I discussed the difference in the account balances previously in the rate base section of the water division.

For the wastewater division, the difference between the Company's and Staff's recommended depreciation expense is the result of the difference in the plant balances as well as lower amortization. As you will recall from the rate base section of my testimony, Staff recommends removal of plant costs it characterizes as excess capacity and is not adopting the Company's proposed reclassification of AIAC to CIAC. These two items combine to produce a level of depreciation

expense for the wastewater division that is roughly $1,100 lower than the Company recommendation.

Both the Company and RUCO agree on the recommended level of depreciation expense for the wastewater division.[20]

3. Miscellaneous Expense

Q. PLEASE COMMENT ON THE POSITIONS OF THE PARTIES REGARDING MISCELLANEOUS EXPENSE.

A. The Company and RUCO are in agreement to reclassify $6,354 of bank fees from the wastewater division to the water division.[21] Staff has not adopted this adjustment.

4. Rate Case Expense

Q. PLEASE COMMENT ON THE POSITIONS OF THE PARTIES REGARDING RATE CASE EXPENSE.

A. The Company continues to recommend rate case expense of $200,000 for each division and recommends rate case expense recovery over 5 years, or $40,000 per year for each division by means of a surcharge. Staff also recommends rate case expense of $200,000 for each division but continues to propose that rate case expense be "normalized" over 5 years, or $40,000 annually in annual operating expenses for each division.[22]

Q. WHY DOES STAFF OPPOSE A SURCHARGE?

A. Ms. Brown advances three arguments.[23] First, rate case expense does not meet its criteria for a surcharge. Second, Staff has a concern over single issue ratemaking. Third, surcharges can be burdensome and administratively inefficient.

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[20] *See* Surrebuttal Testimony of Timothy J. Coley ("Coley Sb.") at 6.
[21] *Id.* at 13.
[22] Brown Sb. at 20.
[23] *Id.*

Staff's "criteria" for surcharges appear to apply to adjuster mechanisms, which is not what the Company is proposing. An adjuster mechanism addresses the unique characteristics of certain expenses such as purchased water and purchased power, which are typically volatile, represent a significant portion of operating expenses, and are out of the control of the Company. A flat surcharge will be recovered until such time as the Company fully recovers rate case expense. The surcharge approach addresses the unique characteristic of rate case expense as compared to all other expenses typically considered in a rate case.

Rate case expense is not a normal recurring annual expense like power, water, labor, or postage. Rate case expense is paid up-front (generally after the end of the test year but before new rates are placed into effect) and recovered after-the-fact during the period of time new rates are in effect. It is, in fact, a prepaid expense, which is amortized over future periods until such time it is fully amortized. In this way, revenues are properly matched with expenses—a basic tenet of generally accepted accounting principles ("GAAP"). A surcharge approach is the most consistent with GAAP, and benefits the customers the most by providing them with accurate information on their bill that allows them to understand the elements that make up their bill.

Q. WHAT ABOUT STAFF'S SECOND ARGUMENT – SINGLE ISSUE RATEMAKING?

A. Single issue ratemaking occurs when a change to a single cost item is considered in isolation and outside the context of the rate setting process. Again, that is not the case here, and further shows Staff is criticizing the requested surcharge for being an adjuster mechanism, which it is not. An adjuster mechanism moves rates up or down based on changes to an expense occurring outside of a rate case, opening up criticism of single issue ratemaking. While I do support adjuster mechanisms in

general for certain expenses, that is not what we are talking about here and Staff's concern over single issue ratemaking is misplaced. In the instant case, the proposed surcharge is fixed, is based upon a predetermined authorized amount and will not change between rate cases except as to cease when the predetermined amount is fully recovered. Its impact on rates, now and in the future, can be fully considered within the context of this rate case.

Q. IS A SURCHARGE AN UNDUE ADMINISTRATIVE BURDEN?

A. I do not know why Staff thinks it is because Ms. Brown does not explain it in her testimony. In my view, it is the Company that bears the bulk of any administrative burden in order to collect and track the surcharge as well as to report annually the surcharge activity to the Commission. Any additional administrative burden Staff may encounter processing an annual filing are outweighed by the fairness of a bi-lateral mechanism that will eliminate the very threat of over recovery Staff was worried about in its direct, and also eliminates the time and effort spent during rate proceedings arguing about normalization vs. amortization, and for how long.

Q. PLEASE COMMENT ON RUCO'S SURREBUTTAL TESTIMONY REGARDING RATE CASE EXPENSE.

A. As mentioned, RUCO supports the surcharge mechanism but continues to propose rate case expense of $150,000 for each division normalized over 4 years or $37,500 annually for each division.[24] I find RUCO's recommendation perplexing. RUCO introduced the surcharge approach and acknowledges its merits—eliminating potential over recovery of rate case expense as well as the fact that rate case expense, as a prepaid expense, should be amortized, not normalized.[25] And yet, RUCO continues to propose a normalization approach. Even worse, its preferred

[24] Mease Sb. at 15 – 16.
[25] Coley Sb. at 10.

alternative is to lengthen the normalization period to 10 years, presumably to further alleviate the very concerns regarding over recovery it acknowledges would be resolved by the surcharge Pima is proposing.[26]

Q. WHAT IS WRONG WITH RUCO'S 10 YEAR RECOVERY PROPOSAL?

A. RUCO's preferred alternative is simply one-sided. While concerned with potential over recovery of rate case expense, RUCO appears to have absolutely no concern the Company will potentially under recover rate case expense if it files sooner than the normalization period. The Company explained why the lengthy intervals are a thing of the past, evidence RUCO has largely ignored. And the surcharge approach addresses both concerns – over <u>and</u> under recovery. There has simply been no good basis for its rejection raised in this case.

Q. WHY DO YOU THINK THE COMPANY WILL FILE BEFORE THE END OF 10 YEARS?

A. Well, let's not forget that Pima's new debt issuance matures in 5 years. Pima will have to refinance this debt and/or pay it off. The cost of debt at that time may be much higher creating a need to change rates. Second, and more importantly, the Company plans to undertake a $1.5 million force main improvement project along with several other significant investments. This new investment will put pressure on rates.

5. <u>Income Taxes</u>

Q. DO YOU HAVE ANY COMMENTS REGARDING THE TESTIMONY OF STAFF WITNESS, MS. BROWN, ON INCOME TAXES?

A. Yes. Ms. Brown is correct that the NARUC USOA requires Pima to record all expenses and liabilities.[27] However, I do not see how this has anything to do with

[26] Mease Sb. at 15.
[27] Brown Sb. at 11.

the issue. As I pointed out in my rebuttal, in ratemaking, besides being estimates, some expenses considered in the rate making process are completely fictitious, like, for example, hypothetical interest expense which is not "recorded" per the NARUC guideline.[28] Neither would an amount of chemical expense determined by averaging the test year and two prior years. But this is about ratemaking, not reporting and recording.

I further fail to see how Ms. Brown's references to the NARUC audit manual instructions have anything to do with the rate making treatment of income taxes.[29] They simply provide instruction of how to audit and say nothing about rate making. Similarly, Ms. Brown's reliance on the Arizona Administrative Code regarding pro forma adjustments to the test year does not support her argument that income taxes should be disallowed.[30] In fact, it does the opposite. Pro forma adjustments provide for a more normal or *more realistic* relationship between revenues, expenses, and rate base. An income tax allowance does just that, Ms. Brown's attempt to use a technical distinction notwithstanding. Of course, the tax liability is real. Ms. Brown admits utility income passed through to the shareholders.[31] Simply because the utility income is passed through to shareholders does not change the fact that it is utility income, income which is subject to tax.[32]

Q. WHAT ABOUT MS. BROWN'S ARGUMENT THAT THE PASS-THROUGH IS NOT DISADVANTAGED?

A. Ms. Brown's attempt on pages 12-17 to demonstrate that the S-Corp. investor is

[28] Brown Sb. at 17.
[29] *Id.* at 18.
[30] *Id.* at 11.
[31] *Id.* at 9.
[32] *See* Rebuttal Testimony of Marc L. Spitzer at 8 – 10; Rejoinder Testimony of Marc L. Spitzer at 3 – 5.

not disadvantaged by the disallowance of income taxes fails for several reasons. These reasons include: 1) errors; 2) inconsistencies; 3) unrealistic and/or invalid assumptions; 4) confusion between utility income and investment income; and, 5) confusion between income taxes paid and income tax liability. As a result of these flaws, the fact that this is really just a policy decision for the Commission is sort of lost when reading Staff's testimony.

Q. WHY DO YOU BELIEVE THIS IS A POLICY DECISION, MR. BOURASSA?

A. Because the income taxes are a cost of service. The Commission needs to decide whether to allow this cost of service to be recovered through rates. For the policy reasons addressed in the testimony of Pima's witnesses, particularly Mr. Spitzer, allowing a pass-through entity to recover income taxes through rates is good policy.

V. RATE DESIGN

A. Water Division

1. Proposed Rates - Water Division

Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$ 7.14
3/4" Meter	$ 10.71
1" Meter	$ 17.85
1 1/2" Meter	$ 35.70
2" Meter	$ 57.12
3" Meter	$114.24

4" Meter	$178.50
6" Meter	$357.00
Irrigation	$200.00
Gallons in minimum (all classes, except irrigation)	0
Gallons in minimum (irrigation)	0

COMMODITY RATES

5/8"X3/4" Meter – Res.	1 to 4,000	$ 0.92
	4,001 to 10,000	$ 1.22
	Over 10,000	$ 1.62
5/8"X3/4" Meter – Com.	1 to 10,000	$ 1.22
	Over 10,000	$ 1.62
3/4" Meter – Res.	1 to 4,000	$ 0.92
	4,001 to 10,000	$ 1.22
	Over 10,000	$ 1.62
3/4" Meter – Com.	1 to 10,000	$ 1.22
	Over 10,000	$ 1.62
1" Meter – Res., Com.	1 to 25,000	$ 1.22
	Over 25,000	$ 1.62
1 ½" Meter – Res., Com.	1 to 50,000	$ 1.22
	Over 50,000	$ 1.62
2" Meter – Res., Com.	1 to 80,000	$ 1.22
	Over 80,000	$ 1.62
3" Meter – Res., Com.	1 to 160,000	$ 1.22
	Over 160,000	$ 1.62

4" Meter – Res., Com.	1 to 250,000	$ 1.22
	Over 250,000	$ 1.62
6" Meter – Res., Com.	1 to 500,000	$ 1.22
	Over 500,000	$ 1.62
Irrigation – all meter sizes	All gallons	$ 0.51
Standpipe (bulk)	All gallons	$ 1.62

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

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch residential customer using an average 6,395 gallons is $13.74—a $3.08 increase over the present monthly bill or a 28.87 percent increase.

2. <u>Comments on Staff Rate Design</u>

Q. DO THE STAFF RATES PRODUCE THE STAFF RECOMMENDED REVENUES?

A. Yes.

Q. HAVE YOU MADE CHANGES TO THE COMPANY'S PROPOSED RATE DESIGN IN RESPONSE TO THE STAFF RATE DESIGN?

A. Yes, in response to Staff's proposed surrebuttal rate design. It has been an ongoing process of modifying and refining. Staff considered my rebuttal comments about its rate design and offered a revised rate design that provides a better balance between revenue stability and conservation. Staff has accomplished this by placing a greater emphasis on revenue recovery from the monthly minimums. I appreciate this effort and have followed Staff's lead by placing a greater emphasis on revenue recovery from the monthly minimums. But I am still unable to accept some of Staff's design elements.

Q. WHAT DESIGN ELEMENTS DID YOU ACCEPT?

A. First, as I stated, I placed a greater emphasis on revenue recovery from the monthly minimums. While I generally agree with recovering more from the fixed part of the charges for service, in this case I could not place as much emphasis on recovery from the monthly minimums as Staff primarily because I do not recommend lowering the first tier commodity rate as does Staff. I will discuss this further below. Second, I scaled the monthly minimums for the larger meter sizes relative to the flow of the 5/8x3/4 meter as Staff has done. Third, I have accepted Staff differentials in the commodity rates between the first and second tier of $0.30 per thousand and between the second and third tier of $0.40 per thousand. Fourth, I have lowered the irrigation commodity rate to the same level as Staff.

Q. WHAT DESIGN ELEMENTS WERE YOU UNABLE TO ACCEPT?

A. First, I have not adopted Staff's break-over points. The rationale behind Staff's proposed break-over points for the 1 inch and larger meters is still unclear to me. The Company proposed break-over points are scaled relative the second tier of the 5/8x3/4 inch residential meter, which is both typical and rationale, absent some compelling reason to do otherwise.

Second, I did not accept Staff reduction to the first tier commodity rate. As I stated in my rebuttal testimony, reducing the cost of water sends the wrong price signal to customers. As an attempt to compromise, I left the first tier commodity rate unchanged at $0.92 per thousand gallons.

Third, I did not accept Staff's monthly minimum for the irrigation class of $180 which is the current monthly minimum. Instead, I increased the monthly minimum to $200.

Q. WERE YOU ABLE TO ACHIEVE THE SAME LEVEL OF REVENUE RECOVERY FROM THE MONTHLY MINIMUMS AS STAFF?

A. No. Under the Staff proposed rates approximately 40.0 percent of Staff proposed revenues are recovered from the monthly minimums. This is shown in Rejoinder **Exhibit TJB-RJ1** at page 3. Under the Company proposed rates approximately 36.6 percent of revenues is recovered from the monthly minimums. This is shown in Rejoinder **Exhibit TJB-RJ1** at page 2. Again, I favor higher monthly minimums all things being equal, but rate design is as much an art as a science—the Commission has to find a rate design that provides the Company with its required revenues, avoids subsidies as much as possible, and provides proper price signals to customers. The Company has sought to achieve the proper balance in constructing its rate design in this case.

3. Comments on RUCO Rate Design

Q. PLEASE COMMENT ON RUCO'S PROPOSED RATES.

A. RUCO has addressed the concerns regarding the rate design I described in my rebuttal testimony.[33] The main criticism was that the rate design was too complicated with monthly minimums and commodity rates differing between customer classes for the same meter size and commodity rates which differed between customer classes for the same meter size. The only additional comment I would provide at this stage is that RUCO's rate design now provides the least revenue stability as it recovers only about 32.5 percent of RUCO's proposed revenues from the monthly minimums. This is shown in Rejoinder **Exhibit TJB-RJ1** at page 4.

[33] Brown Sb. at 21.

4. <u>Cost of Service Study – Water Rates</u>

Q. HAVE YOU UPDATED YOUR COST OF SERVICE STUDY?

A. Yes. I have updated my cost of service study to reflect the changes to rate base, revenues and expenses contained in the Company's rejoinder filing. As shown on Rebuttal Schedule G-2, the returns at the rejoinder proposed rates are similar to those shown in my rebuttal testimony and continue to vary substantially between the various meter sizes. While all the returns are positive, the 5/8x3/4 inch customer classes provide only 4.4 percent return, well below the 8.29 percent requested. The larger sized meters, such as the 1 inch, 2 inch, 3 inch customer classes are providing much higher returns at about 21.3 percent, 26.3 percent, and 48 percent, respectively. The irrigation class provided for about a 33.5 percent return. This indicates that the larger meter customer classes as well as the irrigation class continue to subsidize the 5/8 inch and 3/4 inch customer classes under the rejoinder proposed rates. However, consistent with the concept of gradualism, there is improvement in eliminating existing subsidization under the Company's proposed rates. In the next rate case, which is expected to be filed in the next 3-5 years, another step to further this delicate balance can be taken.

Q. HAVE YOU PREPARED A SCHEDULE TO SHOW THE RESULTS OF A COST OF SERVICE STUDY USING STAFF'S RECOMMENDATIONS?

A. Yes. Rejoinder **Exhibit TJB-RJ2** shows the cost of service study results using the Staff recommendations for rate base, revenues and expenses, and proposed rates. This schedule is similar to the G-2 schedule in my cost of service study. As shown on the schedule, all of the returns from the various customer size classes are positive. The 5/8x3/4 inch customer classes provide a return of just 2.70 percent, far below the Company's 4.40 percent and still well below the 7.60 percent recommended by Staff. The larger sized meters, such as the 1 inch, 2 inch, and

3 inch customer classes are providing much higher returns at about 22.7 percent, 26.6 percent, and 52 percent, respectively. The irrigation class provides for a 44.7 percent return. This demonstrates that the larger meter and irrigation class customer classes subsidize the 5/8 inch and 3/4 inch customer classes to a greater extent under the Staff proposed rates than does the Company's despite the improvement in Staff's rate design with respect to revenue stability. However, the returns provided by Staff's surrebuttal rate design are much improved over the rate design Staff proposed in its direct testimony.

B. Wastewater Division

1. Proposed Rates – Wastewater Division

Q. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES FOR WASTEWATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	$ 26.03
3/4" Meters	$ 40.45
1" Meters	$ 67.93
1 1/2" Meters	$ 134.34
2" Meters	$ 214.49
3" Meter	$ 416.14
4" Meters	$ 650.65
6" Meter	$1,301.29

Effluent Sales

Monthly minimum	$ 200.00
Gallons in minimum	0
Commodity Rate	$ 0.51

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

A. As shown on Wastewater Schedule H-2, page 1, the monthly bill under proposed rates for a 5/8 inch residential customer is $26.03—a $3.30 increase from the present monthly bill or a 14.50 percent increase.

2. <u>Comments on Staff and RUCO Rate Designs</u>

Q. PLEASE COMMENT ON THE PROPOSED RATE DESIGNS OF STAFF AND RUCO.

A. All of the parties continue to recommend similar flat rate designs for the wastewater division. In addition, all of the parties recommend a monthly minimum for effluent sales and a commodity rate for all gallons.

Q. WHAT ARE THE DIFFERENCES IN RATE DESIGNS BETWEEN THE COMPANY, RUCO AND STAFF?

A. Staff continues to only recommend an increase to the monthly minimums for the 5/8x3/4 inch metered customers. The Company's proposed rate design increases the monthly minimums for all meter sizes. The larger meter monthly minimums are the same as under current rates. Since Staff does not explain why this is the case, it should not be adopted as fair and reasonable. I should also note that Staff's rates now produce too little revenue as opposed to its direct filing rate design which produced too much revenue. The shortfall is on the order of about $69,000. I have contacted Staff about this issue.

RUCO no longer scales the monthly minimums based on the flows of a 5/8x3/4 inch water meter in response to my rebuttal comments.[34] RUCO now increases the monthly minimums the same across all meter sizes as does the

[34] Coley Sb. at 16 – 17.

Company. I agree with RUCO that the result is a more equitable increase for all meter sizes in the instant case.[35]

Q. DO THE RUCO PROPOSED RATES NOW PRODUCE THE RUCO PROPOSED REVENUES?

A. Yes.

Q. DO YOU HAVE ANY FURTHER COMMENTS?

A. Yes. Staff recommends a monthly minimum and commodity rate for the irrigation customer class in the water division that is different than the monthly minimum and commodity rate for effluent and recovered effluent sales for the wastewater division. Specifically, Staff recommends a monthly minimum of $230.00 for the effluent and recovered effluent sales, and recommends an irrigation monthly minimum for the water division of $180.00. Staff's effluent and recovered effluent commodity rate is $0.50 per thousand gallons while the irrigation commodity rate for the water division is $0.51 per thousand gallons.

Q. WHAT IS STAFF'S REASONING FOR THE DIFFERENCE?

A. Staff has not provided an explanation.

Q. PLEASE CONTINUE.

A. RUCO recommends the same monthly minimum of $180.00 for the effluent and recovered effluent sales as well as the irrigation monthly minimum for the water division. However, RUCO's effluent and recovered effluent commodity rate is $0.60 per thousand gallons while the irrigation commodity rate for the water division is $0.47 per thousand gallons.

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[35] *Id.*

Q. WHAT IS RUCO'S REASONING FOR THE DIFFERENCES IN THE COMMODITY RATES?

A. RUCO asserts that the quality of effluent is higher than irrigation water which justifies a higher commodity rate for the effluent. In my experience and based on my discussions with the Company, effluent is generally of lesser quality than groundwater particularly because effluent has higher dissolved solids content which can cause problems with turf irrigation. In my view, RUCO has it backwards. RUCO has priced the effluent higher, not lower, than irrigation water.

Q. IF EFFLUENT WATER IS OF LESSER QUALITY THEN WHY IS THE COMPANY PRICING EFFLUENT WATER AND IRRIGATION WATER THE SAME?

A. For a few reasons. First, and most importantly, the Company is recharging unused effluent into the aquifer to offset groundwater pumping. Irrigation water is groundwater that comes from the same aquifer which is replenished with recharged effluent. This integrated nature of the Company's operations supports pricing this water the same. Second, under the current rates, effluent water is more expensive than irrigation water even though effluent water in general is of lesser quality due to a higher level of dissolved solids. Pricing the water the same in the instant case moves the pricing to a more balanced level. In the next rate case, and if justified under the then existing circumstances, the pricing of effluent and irrigation water can be further adjusted so that irrigation water becomes more expensive than effluent water. Finally, as I understand it, although higher in total dissolved solids than irrigation water, the Company's effluent is of very high quality and well suited for turf irrigation. For all of these reasons the cost of effluent water, recovered effluent water, and irrigation water should be priced the same in the instant case.

Q. RUCO CLAIMS YOU MISSED INCLUDING THE MONTHLY MINIMUMS FOR RECOVERED EFFLUENT IN COMPUTING REVENUES. IS THIS CORRECT?

A. No. Directly delivered effluent and recovered effluent are delivered from the same effluent water mains to the same delivery point on the golf courses. In other words, the same infrastructure is used for delivering effluent water whether it is recovered effluent or directly delivered effluent. Directly delivering effluent versus delivering recovered effluent simply requires turning a valve at the plant and reversing the flow of the recharge wells. In any given month, the golf course receives a varying combination of directly delivered effluent and recovered effluent depending on the demand and the supply conditions, and this variation is controlled by Pima, not the golf courses. As I understand RUCO's position, two separate monthly minimums would be charged. I do not believe that under the circumstances that two separate monthly minimums should be charged.

Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes.

Pima Utility Company

Thomas Bourassa Direct Testimony
(Rate Base)

Exhibit TJB-RJ1

Pima Utility Company - Water Division
Revenue Breakdown Summary
Present Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 666,421	$ 468,773	$ 139,254	$ -	$ 1,274,448
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 42,816	$ 19,994	$ 55,316	$ -	$ 118,126
Subtotal		$ 709,237	$ 488,767	$ 194,570	$ -	$ 1,392,574
		36.00%	24.81%	9.87%	0.00%	70.68%
5/8x3/4 Inch	Commercial	$ 4,241	$ 3,355	$ 17,492	$ -	$ 25,088
3/4 Inch	Commercial	$ 274	$ 203	$ 1,343	$ -	$ 1,819
1 Inch	Commercial	$ 8,832	$ 2,703	$ 17,616	$ -	$ 29,151
1 1/2 Inch	Commercial	$ 2,772	$ 866	$ 6,803	$ -	$ 10,440
2 Inch	Commercial	$ 30,264	$ 8,165	$ 170,037	$ -	$ 208,466
Subtotal		$ 46,382	$ 15,292	$ 213,291	$ -	$ 274,965
		2.35%	0.78%	10.83%	0.00%	13.96%
Irrigation		$ 9,540	$ 300,594	$ -	$ -	$ 310,134
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 765,160	$ 797,328	$ 407,861	$ -	$ 1,970,349
	Percent of Total	38.83%	40.47%	20.70%	0.00%	100.00%
	Cummulative %	38.83%	79.30%	100.00%	100.00%	

Pima Utility Company - Water Division
Revenue Breakdown Summary
Company Proposed Rates

Attachment
Page 2

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 834,780	$ 347,155	$ 294,540	$ 208,881	$ 1,685,356
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 47,767	$ 59,429	$ 43,496	$ -	$ 150,691
Subtotal		$ 882,547	$ 406,584	$ 338,035	$ 208,881	$ 1,836,047
		32.98%	15.19%	12.63%	7.81%	68.62%
5/8x3/4 Inch	Commercial	$ 5,312	$ 5,169	$ 26,238	$ -	$ 36,719
3/4 Inch	Commercial	$ 514	$ 327	$ 2,014	$ -	$ 2,855
1 Inch	Commercial	$ 9,853	$ 8,720	$ 20,346	$ -	$ 38,920
1 1/2 Inch	Commercial	$ 4,712	$ 4,623	$ 5,783	$ -	$ 15,119
2 Inch	Commercial	$ 66,488	$ 71,352	$ 176,499	$ -	$ 314,339
Subtotal		$ 86,880	$ 90,192	$ 230,880	$ -	$ 407,952
		3.25%	3.37%	8.63%	0.00%	15.25%
Irrigation		$ 10,600	$ 428,544	$ -	$ -	$ 439,144
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 980,026	$ 917,996	$ 568,915	$ 208,881	$ 2,675,819
	Percent of Total	36.63%	34.31%	21.26%	7.81%	100.00%
	Cummulative %	36.63%	70.93%	92.19%	100.00%	

Pima Utility Company - Water Division - Staff Surrebuttal Rates
Revenue Breakdown Summary
Proposed Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 818,412	$ 264,140	$ 241,426	$ 180,514	$ 1,504,492
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 53,520	$ 62,117	$ 18,822	$ -	$ 134,459
Subtotal		$ 871,932	$ 326,257	$ 260,248	$ 180,514	$ 1,638,951
		36.03%	13.48%	10.76%	7.46%	67.73%
5/8x3/4 Inch	Commercial	$ 5,208	$ 4,237	$ 22,675	$ -	$ 32,120
3/4 Inch	Commercial	$ 504	$ 268	$ 1,740	$ -	$ 2,513
1 Inch	Commercial	$ 11,040	$ 10,125	$ 13,415	$ -	$ 34,580
1 1/2 Inch	Commercial	$ 4,620	$ 4,824	$ 3,550	$ -	$ 12,994
2 Inch	Commercial	$ 65,184	$ 79,516	$ 123,087	$ -	$ 267,787
Subtotal		$ 86,556	$ 98,970	$ 164,467	$ -	$ 349,993
		3.58%	4.09%	6.80%	0.00%	14.46%
Irrigation		$ 9,540	$ 428,544	$ -	$ -	$ 438,084
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 968,028	$ 846,447	$ 424,715	$ 180,514	$ 2,419,704
	Percent of Total	40.01%	34.98%	17.55%	7.46%	100.00%
	Cummulative %	40.01%	74.99%	92.54%	100.00%	

Pima Utility Company - Water Division - RUCO Surrebuttal Rates
Revenue Breakdown Summary
Proposed Rates

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 672,267	$ 324,515	$ 282,468	$ 202,434	$ 1,481,684
3/4 Inch	Residential	$ -	$ -	$ -	$ -	$ -
1 Inch	Residential	$ 43,833	$ 56,994	$ 42,153	$ -	$ 142,979
Subtotal		$ 716,100	$ 381,508	$ 324,621	$ 202,434	$ 1,624,663
		30.09%	16.03%	13.64%	8.51%	68.26%
5/8x3/4 Inch	Commercial	$ 4,278	$ 5,169	$ 25,428	$ -	$ 34,875
3/4 Inch	Commercial	$ 276	$ 239	$ 1,952	$ -	$ 2,466
1 Inch	Commercial	$ 9,042	$ 8,363	$ 19,718	$ -	$ 37,123
1 1/2 Inch	Commercial	$ 2,837	$ 4,434	$ 5,605	$ -	$ 12,875
2 Inch	Commercial	$ 30,986	$ 68,428	$ 171,052	$ -	$ 270,465
Subtotal		$ 47,418	$ 86,632	$ 223,754	$ -	$ 357,805
		1.99%	3.64%	9.40%	0.00%	15.03%
Irrigation		$ 10,070	$ 394,933	$ -	$ -	$ 405,003
Irrigation recovered effluent		$ -	$ (7,324)	$ -	$ -	$ (7,324)
	TOTALS	$ 773,588	$ 855,749	$ 548,376	$ 202,434	$ 2,380,147
	Percent of Total	32.50%	35.95%	23.04%	8.51%	100.00%
	Cummulative %	32.50%	68.46%	91.49%	100.00%	

Pima Utility Company

Thomas Bourassa Direct Testimony
(Rate Base)

Exhibit TJB-RJ2

Pima Utility Company - Water Division - Staff Proposed Rates
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 1

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 2,433,034	$ 1,537,577	$ 2,513	$ 167,127	$ 13,147	$ 267,263	$ 445,408
2	Revenue Annualizations	(6,006)	(965)	-	1,912	(153)	524	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	537	517	0	14	1	5	0
5	Total Revenues	$ 2,434,827	$ 1,544,117	$ 2,516	$ 169,243	$ 13,002	$ 267,862	$ 438,087
6								
7	Operating Expenses[2]	$ 969,804	$ 703,352	$ 592	$ 45,095	$ 3,301	$ 32,355	$ 185,110
8	Depreciation and							
9	Amortization[2]	688,387	571,246	355	32,129	2,360	34,757	47,540
10	Property Tax[3]	83,314	52,836	86	5,791	445	9,166	14,990
11	Income Tax[4]	-	-	-	-	-	-	-
12	Total Operating Expenses	$ 1,741,505	$ 1,327,433	$ 1,033	$ 83,015	$ 6,107	$ 76,277	$ 247,640
13	Operating Income	$ 693,322	$ 216,684	$ 1,483	$ 86,229	$ 6,895	$ 191,584	$ 190,447
14	Interest Expense[5]	137,251	119,132	65	5,711	390	5,543	6,409
15	Net Income	$ 556,071	$ 97,552	$ 1,418	$ 80,518	$ 6,506	$ 186,041	$ 184,037
16	Rate Base[6]	$ 9,122,677	$ 7,918,397	$ 4,332	$ 379,599	$ 25,902	$ 368,437	$ 426,010
17	Return on Rate Base[7]	7.60%	2.74%	34.23%	22.72%	26.62%	52.00%	44.70%
18								
19	**Percent of Total Customers**		96.241%	0.039%	2.621%	0.108%	0.952%	0.039%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29

Pima Utility Company

Thomas Bourassa Direct Testimony
(Rate Base)

Water Division Schedules

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,073,324
2			
3	Adjusted Operating Income		242,546
4			
5	Current Rate of Return		2.67%
6			
7	Required Operating Income	$	752,179
8			
9	Required Rate of Return on Fair Value Rate Base		8.29%
10			
11	Operating Income Deficiency	$	509,633
12			
13	Gross Revenue Conversion Factor		1.3979
14			
15	Increase in Gross Revenue		
16	Requirement	$	712,426
17			
18	Adjusted Test Year Revenues	$	1,977,627
19	Increase in Gross Revenue Revenue Requirement	$	712,426
20	Proposed Revenue Requirement	$	2,690,054
21	% Increase		36.02%

	Customer Classification (Residential Commercial, Irrigation)		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
26	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,685,953	$ 411,041	32.24%
27	1 Inch	Residential	116,781	149,026	32,244	27.61%
28						
29	5/8x3/4 Inch	Commercial	25,431	37,216	11,785	46.34%
30	3/4 Inch	Commercial	1,819	2,855	1,036	56.95%
31	1 Inch	Commercial	28,761	38,416	9,655	33.57%
32	1 1/2 Inch	Commercial	10,567	15,295	4,727	44.74%
33	2 Inch	Commercial	208,085	313,756	105,670	50.78%
34						
35	Irrigation		317,458	446,468	129,010	40.64%
36						
37	Revenue Annualization		(6,142)	(5,841)	301	-4.90%
38						
39	**Subtotal**		$ 1,977,673	$ 2,683,143	$ 705,470	35.67%
40						
41	Other Water Revenues		7,261	7,261	-	0.00%
42	Reconciling Amount		(7,306)	(351)	6,955	-95.20%
43	Rounding		-	1	1	0.00%
44	**Total of Water Revenues**		$ 1,977,628	$ 2,690,054	$ 712,426	36.02%

47 SUPPORTING SCHEDULES:
48 B-1
49 C-1
50 C-3
51 H-1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 14,571,659	$ 14,571,659
3	Less: Accumulated Depreciation	4,788,552	4,788,552
4			
5	Net Utility Plant in Service	$ 9,783,107	$ 9,783,107
6			
7	Less:		
8	Advances in Aid of Construction	(0)	(0)
9			
10	Contributions in Aid of Construction	1,056,007	1,056,007
11			
12	Accumulated Amortization of CIAC	(346,223)	(346,223)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 9,073,324	$ 9,073,324
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 14,546,128	25,531	$ 14,571,659
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	4,788,169	383	4,788,552
7				
8				
9	Net Utility Plant			
10	in Service	$ 9,757,959		$ 9,783,107
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	374,236	(374,236)	(0)
15				
16	Contributions in Aid of			
17	Construction - Gross	632,418	423,589	1,056,007
18				
19	Accumulated Amortization of CIAC	(346,223)	-	(346,223)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 9,097,529		$ 9,073,324
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 AIAC/ CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 14,546,128	25,531					$ 14,571,659
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	4,788,169		383				4,788,552
7								
8								
9	Net Utility Plant							
10	in Service	$ 9,757,959	$ 25,531	$ (383)	$ -	$ -	$ -	$ 9,783,107
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	374,236			(374,236)			(0)
15								
16	Contributions in Aid of							
17	Construction (CIAC)	632,418			423,589			1,056,007
18								
19	Accumulated Amort of CIAC	(346,223)			-			(346,223)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-			-			-
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments							
29	Materials and Supplies							
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 9,097,529	$ 25,531	$ (383)	$ (49,353)	$ -	$ -	$ 9,073,324
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	A Capitalized Expenses	B Intentionally Left Blank	C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Original Cost
				Adjustments					
6	301	Organization Cost	-						-
7	302	Franchise Cost	-						-
8	303	Land and Land Rights	97,637						97,637
9	304	Structures and Improvements	315,125						315,125
10	305	Collecting and Impounding Res.	-						-
11	306	Lake River and Other Intakes	-						-
12	307	Wells and Springs	606,699	3,902					610,601
13	308	Infiltration Galleries and Tunnels	-						-
14	309	Supply Mains	-						-
15	310	Power Generation Equipment	-						-
16	311	Electric Pumping Equipment	2,263,801	5,937					2,269,738
17	320	Water Treatment Equipment	-						-
18	320.1	Water Treatment Plant	-						-
19	320.2	Chemical Solution Feeders	58,255						58,255
20	330	Dist. Reservoirs & Standpipe	-						-
21	330.1	Storage tanks	1,102,197						1,102,197
22	330.2	Pressure Tanks	73,937						73,937
23	331	Trans. and Dist. Mains	2,916,048						2,916,048
24	333	Services	4,709,148	15,692					4,724,840
25	334	Meters	923,202						923,202
26	335	Hydrants	887,381						887,381
27	336	Backflow Prevention Devices	-						-
28	339	Other Plant and Misc. Equip.	-						-
29	340	Office Furniture and Fixtures	4,239						4,239
30	340.1	Computers and Software	28,479						28,479
31	341	Transportation Equipment	61,635						61,635
32	342	Stores Equipment	-						-
33	343	Tools and Work Equipment	134,506						134,506
34	344	Laboratory Equipment	-						-
35	345	Power Operated Equipment	124,899						124,899
36	346	Communications Equipment	238,939						238,939
37	347	Miscellaneous Equipment	-						-
38	348	Other Tangible Plant	-						-
39			-						-
40		TOTALS	$ 14,546,128	$ 25,531	$ -	$ -	$ -	$ -	$ 14,571,659
41									
42		Plant-in-Service per Direct							$ 14,546,128
43									
44		Increase (decrease) in Plant-in-Service							$ 25,531
45									
46		Adjustment to Plant-in-Service							$ 25,531
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 3.1							
50		B-2, pages 3.2-3.19							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - A
Capitalized Expenses

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	307	Wells and Springs	$	3,902
2	311	Electric Pumping Equipment		5,937
3	333	Services		15,692
4				
5		Total	$	25,531
6				
7				
8	Increase in Plant-in-Service		$	25,531
9				
10				
11				
12				
13				
14				
15				
16	Reference/Supporting Schedule			
17	Staff Rate Base Adjustment No. 1, Schedule CSB-4			
18				
19				
20				
21				
22				
23				
24				
25				

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision No. 58743 (1993 Account Numbers) Company Plant at 12/31/1992	Order Adopted Adjustments	Order Plant at 12/31/1992	Accum. Deprec. At 12/31/1992	Current Books G/L Plant at 12/31/1992	NARUC Plant at 12/31/1992	Conform to Decision No. 58743 Correction to Plant Balance	Corrected Plant at 12/31/1992	Accum. Deprec. At 12/31/1992
1	301	Organization Cost	0.00%			-		-	-		-	-
2	302	Franchise Cost	0.00%			-		-	-		-	-
3	303	Land and Land Rights	0.00%	92,551		92,551		92,551	92,551		92,551	-
4	304	Structures & Improvements	3.00%	63,366		63,366		63,366	63,366		63,366	27,823
5	305	Collecting & Impounding Reservoirs	3.00%			-		-	-		-	-
6	306	Lake, River, Canal Intakes	3.00%			-		-	-		-	-
7	307	Wells & Springs	3.00%	153,447		153,447		153,447	153,447		153,447	67,375
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%	111,953		111,953		116,953	204,563		204,563	89,819
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		19,839	8,711
15	330	Distribution Reservoirs & Standpipes	3.00%	300,045	13,200	313,245		310,605	-		-	-
16	330.1	Storage Tanks	3.00%			-		-	215,634		215,634	94,681
17	330.2	Pressure Tanks	3.00%			-		-	10,000		10,000	4,391
18	331	Transmission & Distribution Mains	3.00%	1,080,106	2,640	1,082,746		1,082,746	1,100,025		1,100,025	482,998
19	333	Services	3.00%	521,965	5,280	527,245		521,965	527,245		527,245	231,502
20	334	Meters	3.00%	162,498		162,498		167,778	162,498		162,498	71,350
21	335	Hydrants	3.00%	425,810	2,640	428,450		428,450	428,450		428,450	188,123
22	336	Backflow Prevention Devices	3.00%			-		-	-		-	-
23	339	Other Plant & Misc Equipment	3.00%			-		-	-		-	-
24	340	Office Furniture & Equipment	3.00%		2,640	2,640		84,981	2,640		2,640	1,159
25	340.1	Computers & Software	3.00%			-		-	-		-	-
26	341	Transportation Equipment	3.00%	34,947		34,947		-	14,826		14,826	6,510
27	342	Stores Equipment	3.00%			-		-	-		-	-
28	343	Tools, Shop & Garage Equipment	3.00%	64,874		64,874		-	26,196	15,121	41,317	18,141
29	344	Laboratory Equipment	3.00%			-		-	-		-	-
30	345	Power Operated Equipment	3.00%			-		-	-		-	-
31	346	Communication Equipment	3.00%			-		-	1,561		1,561	686
32	347	Miscellaneous Equipment	3.00%			-		-	-		-	-
33	348	Other Tangible Plant	3.00%			-		-	-		-	-
34		Const. Work in Progress		147,000	(147,000)	-						
35												
36		TOTALS		3,158,562	(120,600)	3,037,962	1,293,269	3,022,841	3,022,841	15,121	3,037,962	1,293,269

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1993 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	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	29,724
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	71,978
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%	-	-	-	-	-	-	-	6,137	204,563	95,956
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	595	19,839	9,306
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	101,150
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,691
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	33,001	1,100,025	515,999
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	247,319
20	334	Meters	3.00%	8,444	-	8,444	-	-	-	-	5,002	170,942	76,352
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	12,853	428,450	200,976
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,238
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	9,759	-	9,759	-	-	-	-	591	24,585	7,101
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	7,700	7,700	-	1,124	33,617	11,565
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	47	1,561	733
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		18,202	-	18,202	-	7,700	7,700	-	88,520	3,048,464	1,374,089

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1994 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	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	31,625
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	76,582
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%	68,234	(10,847)	57,388	-	5,672	5,672	-	6,913	256,278	97,197
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	3,439	3,439	-	544	16,400	6,411
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	107,619
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,991
18	331	Transmission & Distribution Mains	3.00%	96,895	-	96,895	-	-	-	-	34,454	1,196,920	550,453
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	263,137
20	334	Meters	3.00%	39,118	-	39,118	-	-	-	-	5,715	210,060	82,067
21	335	Hydrants	3.00%	14,400	-	14,400	-	-	-	-	13,069	442,850	214,046
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,317
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	7,839
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	22,414	-	22,414	-	-	-	-	1,345	56,031	12,910
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	1,649	-	1,649	-	-	-	-	72	3,210	804
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		242,710	(10,847)	231,863	-	9,111	9,111	-	92,019	3,271,216	1,456,997

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1995 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%	5,086	-	5,086	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	95,415	-	95,415	-	-	-	-	3,332	158,781	34,957
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	205,071	-	205,071	-	-	-	-	7,679	358,517	84,261
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%	531,947	(16,125)	515,822	-	22,955	22,955	-	15,081	749,145	89,323
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	8,948	-	8,948	-	-	-	-	626	25,348	7,037
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	211,912	-	211,912	-	-	-	-	9,648	427,546	117,267
17	330.2	Pressure Tanks	3.00%	40,924	-	40,924	-	-	-	-	914	50,924	5,905
18	331	Transmission & Distribution Mains	3.00%	117,738	-	117,738	-	-	-	-	37,674	1,314,658	588,127
19	333	Services	3.00%	42,162	-	42,162	-	-	-	-	16,450	569,407	279,586
20	334	Meters	3.00%	16,795	-	16,795	-	-	-	-	6,554	226,855	88,620
21	335	Hydrants	3.00%	34,000	-	34,000	-	-	-	-	13,795	476,850	227,841
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,397
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	8,576
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	954	-	954	-	-	-	-	1,695	56,985	14,605
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	901
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,310,951	(16,125)	1,294,827	-	22,955	22,955	-	114,362	4,543,088	1,548,403

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1996 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,033	-	10,033	-	-	-	-	4,914	168,814	39,871
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,895	-	5,895	-	-	-	-	10,844	364,412	95,105
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%	64,372	(9,461)	54,911	-	-	-	-	23,298	804,056	112,621
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	7,797
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	1,520	-	1,520	-	-	-	-	12,849	429,066	130,116
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	7,433
18	331	Transmission & Distribution Mains	3.00%	70,621	-	70,621	-	-	-	-	40,499	1,385,279	628,626
19	333	Services	3.00%	28,729	-	28,729	-	-	-	-	17,513	598,136	297,100
20	334	Meters	3.00%	50,337	-	50,337	-	-	-	-	7,561	277,192	96,181
21	335	Hydrants	3.00%	11,550	-	11,550	-	-	-	-	14,479	488,400	242,320
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,476
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	8,000	-	8,000	-	-	-	-	858	32,585	9,434
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,211	(1,423)	2,787	-	-	-	-	1,751	59,772	16,356
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,125	-	2,125	-	-	-	-	32	2,125	32
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	997
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		257,393	(10,884)	246,509	-	-	-	-	137,061	4,789,597	1,685,464

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1997 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,064	168,814	44,936
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,932	364,412	106,038
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%	75,492	-	75,492	-	52,540	52,540	-	24,466	827,008	84,547
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	8,558
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	142,988
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	8,960
18	331	Transmission & Distribution Mains	3.00%	263,564	-	263,564	-	-	-	-	45,512	1,648,843	674,137
19	333	Services	3.00%	117,056	-	117,056	-	-	-	-	19,700	715,192	316,800
20	334	Meters	3.00%	35,468	-	35,468	-	-	-	-	8,848	312,660	105,029
21	335	Hydrants	3.00%	58,630	-	58,630	-	-	-	-	15,531	547,030	257,852
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,555
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	17,108	-	17,108	-	-	-	-	1,234	49,693	10,668
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	928	-	928	-	-	-	-	1,807	60,700	18,163
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	64	2,125	96
31	346	Communication Equipment	3.00%	99,380	-	99,380	-	-	-	-	1,587	102,591	2,584
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		667,626	-	667,626	-	52,540	52,540	-	149,985	5,404,683	1,782,910

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	218,067	(200,000)	18,067	-	-	-	-	5,335	186,881	50,271
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	500,000	(500,000)	-	-	17,772	17,772	-	10,666	346,640	98,931
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%	876,040	(838,888)	37,153	-	1,453	1,453	-	25,346	862,708	108,440
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,163	-	1,163	-	-	-	-	778	26,511	9,336
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	155,860
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	10,488
18	331	Transmission & Distribution Mains	3.00%	17,011	-	17,011	-	-	-	-	49,720	1,665,854	723,858
19	333	Services	3.00%	37,577	-	37,577	-	-	-	-	22,019	752,769	338,819
20	334	Meters	3.00%	31,733	-	31,733	-	-	-	-	9,856	344,393	114,885
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	16,411	547,030	274,263
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,634
25	340.1	Computers & Software	3.00%	866	-	866	-	-	-	-	13	866	13
26	341	Transportation Equipment	3.00%	14,132	-	14,132	13,223	-	13,223	-	1,504	50,602	(1,051)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,868	-	2,868	-	-	-	-	1,864	63,568	20,027
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,226	-	2,226	-	-	-	-	97	4,352	193
31	346	Communication Equipment	3.00%	101,552	-	101,552	-	-	-	-	4,601	204,142	7,185
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,803,236	(1,538,888)	264,348	13,223	19,225	32,448	-	162,690	5,636,583	1,913,151

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1999 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,606	186,881	55,877
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,399	346,640	109,331
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%	196,797	(82,615)	114,183	-	5,250	5,250	-	27,515	971,641	130,705
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,825	-	2,825	-	-	-	-	838	29,336	10,173
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	168,732
17	330.2	Pressure Tanks	3.00%	957	-	957	-	-	-	-	1,542	51,881	12,030
18	331	Transmission & Distribution Mains	3.00%	327,584	-	327,584	-	-	-	-	54,889	1,993,437	778,747
19	333	Services	3.00%	86,486	-	86,486	-	-	-	-	23,880	839,255	362,699
20	334	Meters	3.00%	42,708	-	42,708	-	-	-	-	10,972	387,101	125,857
21	335	Hydrants	3.00%	65,970	-	65,970	-	-	-	-	17,400	613,000	291,663
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,713
25	340.1	Computers & Software	3.00%	4,148	-	4,148	-	-	-	-	88	5,015	101
26	341	Transportation Equipment	3.00%	1,855	-	1,855	-	-	-	-	1,546	52,457	495
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,595	-	4,595	-	-	-	-	1,976	68,163	22,003
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	623	-	623	-	-	-	-	140	4,974	333
31	346	Communication Equipment	3.00%	3,986	-	3,986	-	-	-	-	6,184	208,129	13,369
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		738,535	(82,615)	655,920	-	5,250	5,250	-	175,928	6,287,253	2,083,829

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2000 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	73,854	-	73,854	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	6,714	260,735	62,592
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	191,797	-	191,797	-	10,713	10,713	-	13,115	527,724	111,733
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%	605,426	(20,717)	584,708	-	45,099	45,099	-	37,243	1,511,250	122,849
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,707	-	2,707	-	1,388	1,388	-	900	30,655	9,685
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	522,695	-	522,695	-	-	-	-	20,712	951,761	189,444
17	330.2	Pressure Tanks	3.00%	30,624	-	30,624	-	10,000	10,000	-	1,866	72,505	3,896
18	331	Transmission & Distribution Mains	3.00%	3,631	-	3,631	-	-	-	-	59,858	1,997,069	838,605
19	333	Services	3.00%	504,769	-	504,769	105,370	-	105,370	-	31,169	1,238,654	288,498
20	334	Meters	3.00%	68,383	-	68,383	-	-	-	-	12,639	455,484	138,496
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	310,053
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,483	-	1,483	-	-	-	-	101	4,123	1,815
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	252
26	341	Transportation Equipment	3.00%	17,787	-	17,787	-	-	-	-	1,841	70,244	2,335
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	2,056	2,056	-	2,014	66,107	21,961
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	52,116	-	52,116	-	-	-	-	931	57,091	1,264
31	346	Communication Equipment	3.00%	3,464	-	3,464	-	-	-	-	6,296	211,592	19,665
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		2,078,734	(20,717)	2,058,017	105,370	69,256	174,626	-	213,939	8,170,644	2,123,143

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2001 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	7,822	260,735	70,414
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,438	(5,438)	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	15,832	527,724	127,565
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	95,274	(47,141)	48,134	-	500	500	-	46,052	1,558,883	168,401
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	713	(713)	-	-	-	-	-	920	30,655	10,605
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,553	951,761	217,997
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	6,071
18	331	Transmission & Distribution Mains	3.00%	740,222	-	740,222	117,178	-	117,178	-	59,912	1,997,069	898,517
19	333	Services	3.00%	83,430	-	83,430	-	-	-	-	46,505	1,861,698	217,825
20	334	Meters	3.00%	-	-	-	-	-	-	-	14,916	538,914	153,412
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	328,443
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	1,939
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	402
26	341	Transportation Equipment	3.00%	2,907	-	2,907	-	-	-	-	2,151	73,150	4,486
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	16,665	-	16,665	-	-	-	-	2,233	82,771	24,195
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	53,455	-	53,455	-	-	-	-	2,515	110,546	3,778
31	346	Communication Equipment	3.00%	3,844	-	3,844	-	-	-	-	6,405	215,437	26,070
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,001,949	(53,292)	948,657	117,178	500	117,678	-	254,655	9,001,623	2,260,120

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2002 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	1,500	-	1,500	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	7,845	262,235	78,258
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	287,579	(287,579)	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	15,832	527,724	143,396
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	92,280	(16,178)	76,103	-	27,211	27,211	-	47,500	1,607,775	188,690
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	920	30,655	11,525
15	330	Distribution Reservoirs & Standpipes	3.00%	6,814	-	6,814	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,655	958,575	246,652
17	330.2	Pressure Tanks	3.00%	230,254	-	230,254	-	-	-	-	2,175	72,505	8,246
18	331	Transmission & Distribution Mains	3.00%	574,324	-	574,324	71,094	-	71,094	-	63,366	2,227,323	961,883
19	333	Services	3.00%	61,979	-	61,979	-	-	-	-	63,399	2,364,928	210,131
20	334	Meters	3.00%	89,449	-	89,449	-	2,000	2,000	-	17,097	600,893	170,509
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	19,702	700,449	346,145
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,062
25	340.1	Computers & Software	3.00%	61,853	-	61,853	60,613	2,179	62,792	38,000	150	5,015	553
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	2,180	72,211	(18,125)
27	342	Stores Equipment	3.00%	1,572	-	1,572	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	-	-	-	2,507	84,343	26,701
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,144	-	2,144	-	6,976	6,976	-	3,316	110,546	7,095
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,391	210,604	25,485
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,409,747	(303,756)	1,105,991	131,707	38,366	170,073	38,000	281,158	9,937,541	2,409,205

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2003 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	6,520	(2,570)	3,950	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	7,926	266,185	86,185
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	15,832	527,724	159,228
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	132,687	(34,500)	98,188	-	47,250	47,250	-	48,997	1,658,713	190,437
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,987	-	1,987	-	-	-	-	949	32,642	12,474
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	1,000	1,000	-	28,742	957,575	274,394
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	10,421
18	331	Transmission & Distribution Mains	3.00%	290,233	-	290,233	-	-	-	-	71,173	2,517,556	1,033,056
19	333	Services	3.00%	435,687	-	435,687	49,692	-	49,692	-	76,738	2,750,923	237,176
20	334	Meters	3.00%	64,897	-	64,897	-	-	-	-	19,000	665,790	189,509
21	335	Hydrants	3.00%	120,601	-	120,601	-	500	500	-	22,815	820,550	368,460
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,186
25	340.1	Computers & Software	3.00%	2,631	-	2,631	-	-	-	-	190	7,646	742
26	341	Transportation Equipment	3.00%	24,945	-	24,945	2,000	5,533	7,533	-	2,428	89,623	(23,231)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,337	-	2,337	-	928	928	-	2,551	85,752	28,325
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	10,411
31	346	Communication Equipment	3.00%	4,287	-	4,287	-	-	-	-	6,382	214,891	31,867
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,086,811	(37,070)	1,049,742	51,692	55,211	106,903	-	309,340	10,880,380	2,611,642

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2004 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	5,091	-	5,091	-	2,600	2,600	-	8,023	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	268,677	91,608
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	15,832	527,724	175,060
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	64,740	(24,716)	40,024	-	11,686	11,686	-	50,186	1,687,051	228,938
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	14,326	-	14,326	-	1,319	1,319	-	1,174	45,649	12,329
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	303,122
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	12,597
18	331	Transmission & Distribution Mains	3.00%	27,203	-	27,203	-	-	-	-	75,935	2,544,759	1,108,991
19	333	Services	3.00%	332,191	-	332,191	35,998	-	35,998	-	86,971	3,047,116	288,149
20	334	Meters	3.00%	50,270	-	50,270	-	-	-	-	20,728	716,060	210,237
21	335	Hydrants	3.00%	8,282	-	8,282	-	500	500	-	24,733	828,332	392,693
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,500	-	1,500	-	-	-	-	146	5,623	2,332
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	229	7,646	972
26	341	Transportation Equipment	3.00%	11,372	-	11,372	16,536	2,431	18,967	9,425	2,575	82,027	(30,198)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,964	-	1,964	-	-	-	-	2,602	87,716	30,927
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	13,727
31	346	Communication Equipment	3.00%	9,716	-	9,716	-	-	-	-	6,592	224,607	38,460
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		526,656	(24,716)	501,939	52,534	18,536	71,070	9,425	329,945	11,311,249	2,879,942

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	99,668
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	33,092	-	33,092	-	15,457	15,457	-	16,096	545,359	175,699
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%	83,364	(71,431)	11,933	-	-	-	-	50,791	1,698,984	279,728
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	4,531	-	4,531	-	5,988	5,988	-	1,348	44,192	7,689
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	331,849
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	14,772
18	331	Transmission & Distribution Mains	3.00%	344,940	-	344,940	-	-	-	-	81,517	2,889,700	1,190,508
19	333	Services	3.00%	472,257	-	472,257	37,474	-	37,474	-	97,935	3,481,899	348,610
20	334	Meters	3.00%	79,639	-	79,639	-	-	-	-	22,676	795,699	232,913
21	335	Hydrants	3.00%	43,480	-	43,480	-	-	-	-	25,502	871,811	418,195
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,501
25	340.1	Computers & Software	3.00%	15,827	-	15,827	-	-	-	-	467	23,473	1,439
26	341	Transportation Equipment	3.00%	750	-	750	-	7,521	7,521	-	2,359	75,256	(35,360)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,200	-	1,200	-	-	-	-	2,649	88,916	33,576
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	17,044
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,738	224,607	45,198
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,079,081	(71,431)	1,007,650	37,474	28,966	66,440	-	350,527	12,252,458	3,164,028

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	8,060	268,677	107,728
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	16,361	545,359	192,060
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	89,679	(58,153)	31,527	-	6,714	6,714	-	51,342	1,723,797	324,356
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	6,347	-	6,347	-	-	-	-	1,421	50,539	9,110
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	360,576
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	16,947
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	86,691	2,889,700	1,277,199
19	333	Services	3.00%	357,742	-	357,742	29,274	-	29,274	-	109,384	3,810,367	428,720
20	334	Meters	3.00%	34,418	(3,089)	31,329	-	-	-	-	24,341	827,028	257,254
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,154	871,811	444,349
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,669
25	340.1	Computers & Software	3.00%	431	-	431	-	-	-	-	711	23,903	2,149
26	341	Transportation Equipment	3.00%	-	-	-	-	908	908	-	2,244	74,348	(34,024)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	8,050	8,050	-	2,547	80,866	28,073
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	20,360
31	346	Communication Equipment	3.00%	4,243	-	4,243	-	3,150	3,150	-	6,755	225,700	48,803
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		492,861	(61,242)	431,619	29,274	18,822	48,096	-	370,397	12,635,981	3,486,330

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	115,788
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	16,361	545,359	208,421
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%	272,215	(21,213)	251,002	-	43,805	43,805	-	54,822	1,930,993	335,373
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	1,516	50,539	10,626
16	330.1	Storage Tanks	3.00%	136,912	-	136,912	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	30,781	1,094,487	391,357
18	331	Transmission & Distribution Mains	3.00%	1,879	-	1,879	-	-	-	-	2,175	72,505	19,122
19	333	Services	3.00%	275,451	-	275,451	23,698	-	23,698	-	86,719	2,891,578	1,363,918
20	334	Meters	3.00%	19,990	-	19,990	-	-	-	-	118,087	4,062,120	523,109
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	25,111	847,018	282,365
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	26,154	871,811	470,504
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	204	-	204	-	-	-	-	-	-	-
25	340.1	Computers & Software	3.00%	3,082	-	3,082	-	-	-	-	172	5,826	2,841
26	341	Transportation Equipment	3.00%	14,300	-	14,300	21,162	-	21,162	1,851	763	26,985	2,913
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	2,128	67,486	(51,208)
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	5,900	5,900	-	-	-	-
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	2,337	74,966	24,510
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	23,676
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	55,574
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress		-	-	-	-	-	-	-	-	-	-
35													
36		TOTALS		724,033	(21,213)	702,819	44,860	49,705	94,565	1,851	385,274	13,244,236	3,778,890

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 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%	-	-	-	-	-	-	-	-	-	-
4	304	Structures & Improvements	3.00%	83,986	(44,313)	39,673	-	-	-	-	-	97,637	-
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	8,655	308,350	124,444
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	229,783	(179,493)	50,290	-	-	-	-	-	-	-
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	17,115	595,649	225,536
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	375,212	(262,374)	112,838	-	15,295	15,295	-	-	-	-
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	59,393	2,028,536	379,471
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	5,165	-	5,165	-	3,500	3,500	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	1,541	52,205	8,667
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	32,835	1,094,487	424,192
18	331	Transmission & Distribution Mains	3.00%	20,188	-	20,188	-	-	-	-	2,175	72,505	21,297
19	333	Services	3.00%	293,123	(6,613)	286,510	20,664	-	20,664	-	87,050	2,911,766	1,450,968
20	334	Meters	3.00%	20,720	(2,055)	18,666	-	-	-	-	125,851	4,327,966	628,297
21	335	Hydrants	3.00%	15,570	-	15,570	-	-	-	-	25,691	865,684	308,055
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	26,388	887,381	496,892
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,600	-	1,600	1,500	-	1,500	-	-	-	-
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	176	5,926	1,517
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	810	26,985	3,722
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	2,025	67,486	(49,183)
28	343	Tools, Shop & Garage Equipment	3.00%	35,000	-	35,000	-	-	-	-	-	-	-
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	2,774	109,966	27,284
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	26,993
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	62,345
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress									-	-	-
35													
36		TOTALS		1,080,346	(494,847)	585,499	22,164	18,795	40,959	-	402,566	13,788,776	4,140,497

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.19
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 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%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,576	-	10,576	-	3,800	3,800	-	9,352	315,125	129,996
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	17,869	595,649	243,405
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%	226,802	(21,325)	205,476	-	61,631	61,631	-	63,014	2,172,382	380,854
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	1,566	52,205	10,233
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	7,710	-	7,710	-	-	-	-	32,950	1,102,197	457,142
17	330.2	Pressure Tanks	3.00%	1,431	-	1,431	-	-	-	-	2,197	73,937	23,494
18	331	Transmission & Distribution Mains	3.00%	4,282	-	4,282	-	-	-	-	87,417	2,916,048	1,538,385
19	333	Services	3.00%	220,238	-	220,238	17,958	-	17,958	-	132,873	4,530,246	743,212
20	334	Meters	3.00%	27,743	-	27,743	-	-	-	-	26,387	893,426	334,442
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,621	887,381	523,513
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	152	4,239	(17)
25	340.1	Computers & Software	3.00%	2,641	-	2,641	-	1,687	1,687	-	774	24,613	(518)
26	341	Transportation Equipment	3.00%	-	-	-	-	5,014	5,014	-	2,025	67,486	(47,158)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	-	-	-	3,299	109,966	30,583
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	9,115	-	9,115	-	-	-	-	3,453	119,660	30,446
31	346	Communication Equipment	3.00%	13,239	-	13,239	-	-	-	-	6,970	238,939	69,314
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		523,776	(21,325)	502,451	17,958	72,132	90,090	-	416,920	14,201,137	4,467,326

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.20
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Rate Case 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%	-	-		-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-		-	-	-	-	-	9,454	315,125	139,450
5	305	Collecting & Impounding Reservoirs	3.00%	-	-		-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-		-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	11,050	-	3,902	14,952	-	-	-	-	18,094	610,601	261,499
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%	220,917	(52,091)	5,937	174,763	-	77,407	77,407	-	66,632	2,269,738	370,078
12	320	Water Treatment Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-		-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	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%	-	-		-	-	-	-	-	33,066	1,102,197	490,208
17	330.2	Pressure Tanks	3.00%	1,433	-		1,433	-	1,433	1,433	-	2,218	73,937	24,279
18	331	Transmission & Distribution Mains	3.00%	-	-		-	-	-	-	-	87,481	2,916,048	1,625,867
19	333	Services	3.00%	199,648	-	15,692	215,340	20,746	-	20,746	-	138,826	4,724,840	861,292
20	334	Meters	3.00%	29,776	-		29,776	-	-	-	-	27,249	923,202	361,692
21	335	Hydrants	3.00%	-	-		-	-	-	-	-	26,621	887,381	550,134
22	336	Backflow Prevention Devices	3.00%	-	-		-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-		-	-	-	-	-	127	4,239	110
25	340.1	Computers & Software	3.00%	3,867	-		3,867	-	-	-	-	796	28,479	278
26	341	Transportation Equipment	3.00%	-	-		-	5,851	-	5,851	-	1,937	61,635	(51,073)
27	342	Stores Equipment	3.00%	-	-		-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	24,539	-		24,539	-	-	-	-	3,667	134,506	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%	-	-		-	-	-	-	-	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		504,520	(52,091)	25,531	477,960	26,597	80,840	107,437	-	428,663	14,571,659	4,788,552

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Adjusted Accum. Depr.	A Depr. Related to Capitalized Expenses	B Difference to Computed Balance	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	301	Organization Cost	-		-				-
7	302	Franchise Cost	-		-				-
8	303	Land and Land Rights	-		-				-
9	304	Structures and Improvements	139,450		-				139,450
10	305	Collecting and Impounding Res.	-		-				-
11	306	Lake River and Other Intakes	-		-				-
12	307	Wells and Springs	261,440	59	-				261,499
13	308	Infiltration Galleries and Tunnels	-		-				-
14	309	Supply Mains	-		-				-
15	310	Power Generation Equipment	-		-				-
16	311	Electric Pumping Equipment	369,989	89	-				370,078
17	320	Water Treatment Equipment	-		-				-
18	320.1	Water Treatment Plant	-		-				-
19	320.2	Chemical Solution Feeders	9,890		-				9,890
20	330	Dist. Reservoirs & Standpipe	-		-				-
21	330.1	Storage tanks	490,208		-				490,208
22	330.2	Pressure Tanks	24,279		-				24,279
23	331	Trans. and Dist. Mains	1,625,867		-				1,625,867
24	333	Services	861,057	235	-				861,292
25	334	Meters	361,692		-				361,692
26	335	Hydrants	550,134		-				550,134
27	336	Backflow Prevention Devices	-		-				-
28	339	Other Plant and Misc. Equip.	-		-				-
29	340	Office Furniture and Fixtures	110		(0)				110
30	340.1	Computers and Software	278		-				278
31	341	Transportation Equipment	(51,073)		-				(51,073)
32	342	Stores Equipment	-		-				-
33	343	Tools and Work Equipment	34,251		-				34,251
34	344	Laboratory Equipment	-		-				-
35	345	Power Operated Equipment	34,114		-				34,114
36	346	Communications Equipment	76,482		-				76,482
37	347	Miscellaneous Equipment	-		-				-
38	348	Other Tangible Plant	-		-				-
39			-						-
40		TOTALS	$ 4,788,169	$ 383	$ (0)	$ -	$ -	$ -	$ 4,788,552

42	Accumulated Depreciation per Direct	$ 4,788,169
44	Increase (decrease) in Accumulated Depreciation	$ 383
46	Adjustment to Accumulated Depreciation	$ 383

48 SUPPORTING SCHEDULES
49 B-2, pages 4.1
50 B-2, pages 3.2 to 3.19

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - A
Depreciation Related to Capitalized Expenses

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Plant Acct	Description	Amount	Depr Rate	Years	Depreciation
1	307	Wells and Springs	$ 3,902	3.00%	0.5	$ 59
2	311	Electric Pumping Equipment	5,937	3.00%	0.5	89
3	333	Services	15,692	3.00%	0.5	235
4						
5		Total				$ 383
6						
7						
8	Increase in Accumulated Depreciation					$ 383
9						
10						
11						
12						
13						
14						
15						
16	Reference/Supporting Schedule					
17	Staff Rate Base Adjustment No. 2, Schedule CSB-5					
18						
19						
20						
21						
22						
23						
24						
25						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
B-2 Adjustment 3
Reclassify AIAC to CIAC

Exhibit
Rejoinder Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	Advances-in-aid of Construction related to bankrupt developer	$ 374,236
2	Unrefunded AIAC related to bankrupt developer	49,353
3		
4	Total	$ 423,589
5		
6		
7	Increase (Decrease) in AIAC	$ (374,236)
8		
9		
10	Increase (Decrease) in CIAC	$ 423,589
11		
12		
13		
14		
15	Reference/Supporting Schedule	
16	RUCO Rate Base Adjustment No. 1, Schedule RBM-6	
17		
18		
19		
20		
21		
22		
23		
24		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	87,231
3	Pumping Power (1/24 of Pumping Power)		10,519
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	97,750
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	1,735,082
19	Less:		
20	Income Tax	$	40,270
21	Property Tax		77,191
22	Depreciation		667,321
23	Purchased Water		-
24	Pumping Power		252,453
25	Allowable Expenses	$	697,847
26	1/8 of allowable expenses	$	87,231
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Direct Adjusted Results	Adjustment	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 1,970,366	$ -	$ 1,970,366	$ 712,426	$ 2,682,792
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	7,261	-	7,261		7,261
5		$ 1,977,627	$ -	$ 1,977,627	$ 712,426	$ 2,690,054
6	**Operating Expenses**					
7	Salaries and Wages	$ 220,827	-	$ 220,827		$ 220,827
8	Salaries and Wages - Off. and Dir.	90,294	(50,096)	40,198		40,198
9	Employee Pensions and Benefits	64,900	(1,040)	63,860		63,860
10	Purchased Water	-	-	-		-
11	Purchased Power	252,453	-	252,453		252,453
12	Chemicals	16,721	-	16,721		16,721
13	Repairs and Maintenanc e	100,885	(29,489)	71,396		71,396
14	Office Supplies and Expense	67,321	(460)	66,861		66,861
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	(415)	54,382		54,382
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 - Vehic le	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	Reg. Comm. Exp.	3,671	-	3,671		3,671
26	Reg. Comm. Exp. - Rate Case	50,000	(50,000)	-		-
27	Bad Debt Expense	4,766	-	4,766		4,766
28	Miscellaneous Expense	15,934	(6,354)	9,580		9,580
29	Depreciation Expense	686,998	(19,677)	667,321		667,321
30	Taxes Other Than Income	40,883	-	40,883		40,883
31	Property Taxes	83,358	(6,167)	77,191	9,541	86,732
32	Income Tax	(27,157)	67,427	40,270	193,253	233,523
33			-	-		-
34	**Total Operating Expenses**	$ 1,845,067	$ (109,986)	$ 1,735,082	$ 202,794	$ 1,937,876
35	**Operating Income**	$ 132,560	$ 109,986	$ 242,546	$ 509,632	$ 752,178
36	**Other Income (Expense)**					
37	Interest Income	48,219	-	48,219		48,219
38	Other income	1,254	-	1,254		1,254
39	Interest Expense	(203,041)	66,693	(136,349)		(136,349)
40	Other Expense	(1,692)	-	(1,692)		(1,692)
41		(758)	-	(758)		(758)
42	**Total Other Income (Expense)**	$ (156,017)	$ 66,693	$ (89,325)	$ -	$ (89,325)
43	**Net Profit (Loss)**	$ (23,457)	$ 176,678	$ 153,221	$ 509,632	$ 662,853
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.1
Witness: Bourassa

Line No.		LABEL>>>>> Direct Adjusted Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Repairs & Maintenance	7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other
1	**Revenues**										
2	Metered Water Revenues	$ 1,970,366									
3	Unmetered Water Revenues	-									
4	Other Water Revenues	7,261									
5		$ 1,977,627	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	Salaries and Wages	$ 220,827									
8	Salaries and Wages - Off. and Dir.	90,294									
9	Employee Pensions and Benefits	64,900				(50,096)					
10	Purchased Water	-				(1,040)					
11	Purchased Power	252,453									
12	Chemicals	16,721									
13	Repairs and Maintenance	100,885									
14	Office Supplies and Expense	67,321						(29,489)			
15	Contractual Services - Engineering	5,283					(460)				
16	Contractual Services - Accounting	3,067							(3,902)		
17	Contractual Services - Legal	14,175									
18	Contractual Services - Other	54,797									
19	Contr. Services - Water Testing	18,737									(415)
20	Rents - Equipment	3,203								(9,812)	
21	Transportation Expenses	44,637									
22	Insurance - Vehicle	17,464									
23	Insurance - General Liability	10,840									
24	Insurance - Worker's Comp	1,009									
25	Reg. Comm. Exp.	3,671									
26	Reg. Comm. Exp. - Rate Case	50,000			(50,000)						
27	Bad Debt Expense	4,766									
28	Miscellaneous Expense	15,934									
29	Depreciation Expense	686,998	(19,677)								
30	Taxes Other Than Income	40,883									
31	Property Taxes	83,358		(6,167)							
32	Income Tax	(27,157)									
33											
34	**Total Operating Expenses**	$ 1,845,067	$ (19,677)	$ (6,167)	$ (50,000)	$ (51,136)	$ (460)	$ (29,489)	$ (3,902)	$ (9,812)	$ (415)
35	**Operating Income**	$ 132,560	$ 19,677	$ 6,167	$ 50,000	$ 51,136	$ 460	$ 29,489	$ 3,902	$ 9,812	$ 415
36	**Other Income (Expense)**										
37	Interest Income	48,219									
38	Other income	1,254									
39	Interest Expense	(203,041)									
40	Other Expense	(1,692)									
41	Gain/Loss on Disposal	(758)									
42	**Total Other Income (Expense)**	$ (156,017)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	**Net Profit (Loss)**	$ (23,457)	$ 19,677	$ 6,167	$ 50,000	$ 51,136	$ 460	$ 29,489	$ 3,902	$ 9,812	$ 415
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Intentionally Left Blank	15 Interest Synch.	16 Income tax	Rebuttal Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**										
2	Metered Water Revenues								$ 1,970,366	$ 712,426	$ 2,682,792
3	Unmetered Water Revenues								-		-
4	Other Water Revenues								7,261		7,261
5		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,977,627	$ 712,426	$ 2,690,054
6	**Operating Expenses**										
7	Salaries and Wages								$ 220,827		$ 220,827
8	Salaries and Wages - Off. and Dir.								40,198		40,198
9	Employee Pensions and Benefits								63,860		63,860
10	Purchased Water								-		-
11	Purchased Power								252,453		252,453
12	Chemicals								16,721		16,721
13	Repairs and Maintenance								71,396		71,396
14	Office Supplies and Expense								66,861		66,861
15	Contractual Services - Engineering								1,381		1,381
16	Contractual Services - Accounting								3,067		3,067
17	Contractual Services - Legal								14,175		14,175
18	Contractual Services - Other								54,382		54,382
19	Contr. Services - Water Testing								8,925		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	Reg. Comm. Exp.								3,671		3,671
26	Reg. Comm. Exp. - Rate Case								-		-
27	Bad Debt Expense								4,766		4,766
28	Miscellaneous Expense	(6,354)							9,580		9,580
29	Depreciation Expense								667,321		667,321
30	Taxes Other Than Income								40,883		40,883
31	Property Taxes								77,191	9,541	86,732
32	Income Tax							67,427	40,270	193,253	233,523
33											
34	**Total Operating Expenses**	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ 67,427	$ 1,735,082	$ 202,794	$ 1,937,876
35	**Operating Income**	$ 6,354	$ -	$ -	$ -	$ -	$ -	$ (67,427)	$ 242,546	$ 509,632	$ 752,178
36	**Other Income (Expense)**										
37	Interest Income								48,219		48,219
38	Other income								1,254		1,254
39	Interest Expense						66,693		(136,349)		(136,349)
40	Other Expense								(1,692)		(1,692)
41	Gain/Loss on Disposal								(758)		(758)
42	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ 66,693	$ -	$ (89,325)	$ -	$ (89,325)
43	**Net Profit (Loss)**	$ 6,354	$ -	$ -	$ -	$ -	$ 66,693	$ (67,427)	$ 153,221	$ 509,632	$ 662,853
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Rate Case Expense	Salaries & Wages	Office Supplies and Expense	Repairs & Maintenance	
4	Revenues							-
6	Expenses	(19,677)	(6,167)	(50,000)	(51,136)	(460)	(29,489)	(156,929)
9	Operating Income	19,677	6,167	50,000	51,136	460	29,489	156,929
12	Interest Expense							-
15	Other Income / Expense						-	-
17	Net Income	19,677	6,167	50,000	51,136	460	29,489	156,929

Adjustments to Revenues and Expenses

Line No.		7	8	9	10	11	12	Subtotal
		Contractual Services - Engineering	Contractual Services - Testing	Contractual Services - Other	Bank Fees	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							-
27	Expenses	(3,902)	(9,812)	(415)	(6,354)			(177,413)
30	Operating Income	3,902	9,812	415	6,354	-	-	177,413
33	Interest Expense	-						-
36	Other Income / Expense							-
38	Net Income	3,902	9,812	415	6,354	-	-	177,413

Adjustments to Revenues and Expenses

Line No.		13	14	15	16	17	18	Total
		Intentionally Left Blank	Intentionally Left Blank	Interest Synch.	Income Taxes	Intentionally Left Blank	Intentionally Left Blank	
46	Revenues							-
48	Expenses				67,427			(109,986)
51	Operating Income	-	-	-	(67,427)	-	-	109,986
54	Interest Expense			66,693				66,693
57	Other Income / Expense							-
59	Net Income	-	-	66,693	(67,427)	-	-	176,678

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3					
4					
5	301	Organization Cost	-	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	97,637	0.00%	-
8	304	Structures and Improvements	315,125	3.33%	10,494
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	610,601	3.33%	20,333
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	2,269,738	12.50%	283,717
16	320	Water Treatment Equipment	-	3.33%	-
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	58,255	20.00%	11,651
19	330	Dist. Reservoirs & Standpipe	-	2.22%	-
20	330.1	Storage tanks	1,102,197	2.22%	24,469
21	330.2	Pressure Tanks	73,937	5.00%	3,697
22	331	Trans. and Dist. Mains	2,916,048	2.00%	58,321
23	333	Services	4,724,840	3.33%	157,337
24	334	Meters	923,202	8.33%	76,903
25	335	Hydrants	887,381	2.00%	17,748
26	336	Backflow Prevention Devices	-	6.67%	-
27	339	Other Plant and Misc. Equip.	-	6.67%	-
28	340	Office Furniture and Fixtures	4,239	6.67%	283
29	340.1	Computers and Software	28,479	20.00%	5,696
30	341	Transportation Equipment	61,635	20.00%	12,327
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	134,506	5.00%	6,725
33	344	Laboratory Equipment	-	10.00%	-
34	345	Power Operated Equipment	124,899	5.00%	6,245
35	346	Communications Equipment	238,939	10.00%	23,894
36	347	Miscellaneous Equipment	-	10.00%	-
37	348	Other Tangible Plant	-	10.00%	-
38		TOTALS	$ 14,571,659		$ 719,839
39					
40			Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions		$ 1,056,007	4.9733%	$ (52,518)
42	Total Depreciation Expense				$ 667,321
43					
44	Adjusted Test Year Depreciation Expense				686,998
45					
46	Increase (decrease) in Depreciation Expense				(19,677)
47					
48	Adjustment to Revenues and/or Expenses				$ (19,677)
49					
50	SUPPORTING SCHEDULE				
51	B-2, page 3				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 1,977,627	$ 1,977,627
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,955,255	3,955,255
4	Company Recommended Revenue	1,977,627	2,690,054
5	Subtotal (Line 4 + Line 5)	5,932,882	6,645,309
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,977,627	2,215,103
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,955,255	4,430,206
10	Plus: 10% of CWIP - 2010	-	-
11	Less: Net Book Value of Licensed Vehicles	112,708	112,708
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,842,547	4,317,498
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	768,509	863,500
15	Composite Property Tax Rate - Obtained from ADOR	10.0442%	10.0442%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 77,191	$ 86,732
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 77,191	
19	Test Year Property Taxes	$ 83,358	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ (6,167)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 86,732
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 77,191
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 9,541
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 9,541
27	Increase in Revenue Requirement		$ 712,426
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.33923%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3			
4			
5			
6			
7	Annual Rate Case Expense per Direct	$	50,000
8			
9	Amount to include in operating expenses	$	-
10			
11			
12	Increase(decrease) Rate Case Expense	$	(50,000)
13			
14	Adjustment to Revenue and/or Expense	$	(50,000)
15			
16			
17			
18			
19	REFERENCE		
20	See Testimony		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Salaries and Wages - Offices and Directors

Line No.				
1				
2	Proposed Salaries and Wages for Officers and Directors		$	40,198
3				
4	Test Year Salaries and Wages - Officers and Directors		$	90,294
5				
6	Increase (decrease) in Salaries and Wages - Officers and Directors		$	(50,096)
7				
8	Proposed Payroll Burden			
9	Proposed Salaries and Wages	$ 40,198		
10	Burden Rate	2.085440%		
11	Proposed Payroll Burden		$	838
12				
13	Test Year Payroll Burden			1,878
14				
15	Increase (decrease) in Employee Pensions and Benefits		$	(1,040)
16				
17				
18				
19	Adjustment to Revenue and/or Expense		$	(51,136)
20				
21				
22				
23				
24				
25				
26				
27				
28				
29	REFERENCE			
30	Testimony			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Office Supplies and Expense

Line No.			
1			
2			
3			
4	Remove coffee service expense	$	460
5			
6			
7			
8	Increase (decrease) in Office Supplies and Expense	$	(460)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(460)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 4, Schedule CSB-11		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Repairs and Maintenance

Line No.			
1			
2			
3	Remove capitalized expenses from Repairs and Maintenance	$	21,629
4	Normalization adjustment for tree removal costs		7,860
5	Total	$	29,489
6			
7			
8	Increase (decrease) in Repairs and Maintenance	$	(29,489)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(29,489)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 3, Schedule CSB-10		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Contractual Services - Engineering

Line No.			
1			
2	Remove capitalized expenses from Contractual Services - Eng.	$	3,902
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Eng.	$	(3,902)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(3,902)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 5, Schedule CSB-12		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Contractual Services - Testing

Line No.			
1			
2	Staff Recommended Testing Expenses	$	8,925
3			
4	Test Year Testing Expenses	$	18,737
5			
6	Increase (decrease) in Testing Expense	$	(9,812)
7			
8			
9		$	(9,812)
10			
11			
12			
13			
14			
15			
16	REFERENCE/SUPPORTING SCHEDULES		
17	Staff Adjustment No. 6, Schedule CSB-13		
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Contractual Services - Other

Line No.			
1			
2	Remove expenses from Contractual Services -Other	$	415
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Other	$	(415)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(415)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 7, Schedule CSB-14		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2			
3			
4	WW Division bank fees recorded on Water Division's books	$	6,354
5			
6			
7			
8	Increase (decrease) in Miscellaneous Expense	$	(6,354)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(6,354)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	RUCO Adjustment No. 6, Schedule RBM-15		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 15

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,073,324	
5	Weighted Cost of Debt	1.50%	
6	Interest Expense		$ 136,349
7			
8	Test Year Interest Expense		$ 203,041
9			
10	Increase (decrease) in Interest Expense		(66,693)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 66,693
15			
16			
17	Weighted Cost of Debt Computation		

Line No.			Amount	Percent	Cost	Weighted Cost
18						
19						
20	Debt	$	8,370,000	35.36%	4.25%	1.50%
21	Equity	$	15,301,736	64.64%	10.50%	6.79%
22	Total	$	23,671,736	100.00%		8.29%
23						
24						
25						
26						
27						
28						
29						
30						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 16

Exhibit
Rejoinder Schedule C-2
Page 13
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 1,977,627	$ 2,690,054
7	Operating Expenses Excluding Income Taxes		1,694,812	1,704,353
8	Synchronized Interest		136,349	136,349
9				
10	Income Before Taxes		$ 146,467	$ 849,352
11				
12	Arizona Income Before Taxes		$ 146,467	$ 849,352
13				
14	Less: Effective Arizona Income Tax		$ 6,479	$ 37,573
15	Rate =	4.4237% [1]		
16				
17				
18				
19				
20	Federal Income Before Taxes		$ 146,467	$ 849,352
21				
22	Less Arizona Income Taxes		$ 6,479	$ 37,573
23				
24	Federal Taxable Income		$ 139,988	$ 811,780
25				
26				
27				
28	FEDERAL INCOME TAXES:			
29	Effective Federal Tax Rate =	24.1383% [1]	$ 33,791	$ 195,950
30				
31				
32				
33				
34				
35	Federal Income Taxes		$ 33,791	$ 195,950
36				
37				
38	Total Income Tax		$ 40,270	$ 233,523
39				
40	Overall Tax Rate		27.49%	27.49%
41				
42	Income Tax		$ 40,270	$ 233,523
43	Test Year Income tax Expense		(27,157)	40,270
44	Adjustment to Income Tax Expense		$ 67,427	$ 193,253
45				
46				
47	[1] See work papers/testimony			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.494%
2		
3	Property Taxes	0.971%
4		
5		
6	Total Tax Percentage	28.465%
7		
8	Operating Income % = 100% - Tax Percentage	71.535%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.3979
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
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40		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.4652%		
5	Subtotal (L3 - L4)	71.5348%		
6	**Revenue Conversion Factor (L1 / L5)**	1.397921		
	Calculation of Uncollectible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	27.4942%		
9	One Minus Combined Income Tax Rate (L7 - L8)	72.5058%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)		0.0000%	
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	4.4237%		
14	Federal Taxable Income (L12 - L13)	95.5763%		
15	Applicable Federal Income Tax Rate (Line 54)	24.1383%		
16	Effective Federal Income Tax Rate (L14 x L15)	23.0705%		
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.4942%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	27.4942%		
20	One Minus Combined Income Tax Rate (L18-L19)	72.5058%		
21	Property Tax Factor	1.3392%		
22	Effective Property Tax Factor (L20*L21)		0.9710%	
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22			28.4652%
24	Required Operating Income	$ 752,179		
25	AdjustedTest Year Operating Income (Loss)	$ 242,546		
26	Required Increase in Operating Income (L24 - L25)		$ 509,633	
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 233,523		
28	Income Taxes on Test Year Revenue (Col. (F), L52)	$ 40,270		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 193,253	
30	Recommended Revenue Requirement	$ 2,690,054		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	$ -		
33	Adjusted Test Year Uncollectible Expense	$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -	
35	Property Tax with Recommended Revenue	$ 86,732		
36	Property Tax on Test Year Revenue	$ 77,191		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 9,541	
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 712,427	

		(A)	(B)	(C)	(D)	(E)	(F)
		Test Year			Company Recommended		
		Total	Pima UtilityCompany - Water Division		Total	Pima UtilityCompany - Water Division	
	Calculation of Income Tax:						
39	Revenue	$ 1,977,627	$ 1,977,627		$ 2,690,054	$ 2,690,054	
40	Operating Expenses Excluding Income Taxes	$ 1,694,812	$ 1,694,812		$ 1,704,353	$ 1,704,353	
41	Synchronized Interest (L58)	$ 136,349	$ 136,349	$ -	$ 136,349	$ 136,349	
42	Arizona Taxable Income (L39 - L40 - L41)	$ 146,467	$ 146,467	$ -	$ 849,353	$ 849,353	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%
44	Arizona Income Tax (L42 x L43)	$ 6,479	$ 6,479	$ -	$ 37,573	$ 37,573	$ -
45	Federal Taxable Income (L42 - L44)	$ 139,988	$ 139,988	$ -	$ 811,781	$ 811,781	$ -
46	Effective Tax Rate (see work papers)	24.1383%	24.1383%		24.1383%	24.1383%	
47	Federal Income Tax (L45 x L46)	$ 33,791	$ 33,791		$ 195,950	$ 195,950	
48		$ -			$ -		
49		$ -			$ -		
50		$ -			$ -		
51	Total Federal Income Tax	$ 33,791	$ 33,791	$ -	$ 195,950	$ 195,950	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 40,270	$ 40,270	$ -	$ 233,523	$ 233,523	$ -
53	COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45				24.1383%		
54	WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45					24.1383%	
55							

	Calculation of Interest Synchronization:		N/A
56	Rate Base	$ 9,073,324	$ -
57	Weighted Average Cost of Debt	1.5027%	0.0000%
58	Synchronized Interest (L56 x L57)	$ 136,349	$ -

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Rejoinder Schedule G-1
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 1,983,814	$ 1,300,343	$ 1,819	$ 145,542	$ 10,567	$ 208,085	$ 317,458
2	Revenue Annualizations	(6,142)	(807)	-	1,735	(127)	381	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(7,306)	(7,031)	(3)	(191)	(8)	(70)	(3)
5	Total Revenues	$ 1,977,628	$ 1,299,493	$ 1,819	$ 147,276	$ 10,440	$ 208,466	$ 310,134
6								
7	Operating Expenses[2]	$ 950,300	$ 685,057	$ 584	$ 43,965	$ 3,206	$ 30,831	$ 186,657
8	Depreciation and							
9	Amortization[2]	667,321	554,518	343	30,939	2,263	33,453	45,805
10	Property Tax[3]	77,191	50,722	71	5,748	408	8,137	12,105
11	Income Tax[4]	40,270	(30,026)	208	16,761	1,149	35,895	16,284
12	Total Operating Expenses	$ 1,735,082	$ 1,260,271	$ 1,206	$ 97,413	$ 7,025	$ 108,316	$ 260,851
13	Operating Income	$ 242,546	$ 39,222	$ 613	$ 49,863	$ 3,415	$ 100,150	$ 49,283
14	Interest Expense[5]	136,349	118,404	65	5,662	386	5,491	6,341
15	Net Income	$ 106,198	$ (79,182)	$ 548	$ 44,201	$ 3,029	$ 94,660	$ 42,942
16	Rate Base[6]	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945
17	Return on Rate Base[7]	2.67%	0.50%	14.24%	13.23%	13.30%	27.41%	11.68%
18								
19	**Percent of Total Customers**		96.24%	0.04%	2.62%	0.11%	0.95%	0.04%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Present Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29
30

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Rejoinder Schedule G-2
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 2,688,984	$ 1,723,169	$ 2,855	$ 187,441	$ 15,295	$ 313,756	$ 446,468
2	Revenue Annualizations	(5,841)	(1,094)	-	2,169	(176)	583	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(351)	(338)	(0)	(9)	(0)	(3)	(0)
5	Total Revenues	$ 2,690,053	$ 1,728,726	$ 2,858	$ 189,792	$ 15,126	$ 314,405	$ 439,147
6								
7	Operating Expenses[2]	$ 950,300	$ 685,057	$ 584	$ 43,965	$ 3,206	$ 30,831	$ 186,657
8	Depreciation and							
9	Amortization[2]	667,321	554,518	343	30,939	2,263	33,453	45,805
10	Property Tax[3]	86,732	55,737	92	6,119	488	10,137	14,159
11	Income Tax[4]	233,523	86,610	488	28,348	2,415	64,472	51,190
12	Total Operating Expenses	$ 1,937,876	$ 1,381,922	$ 1,507	$ 109,371	$ 8,372	$ 138,893	$ 297,811
13	Operating Income	$ 752,178	$ 346,804	$ 1,351	$ 80,421	$ 6,754	$ 175,512	$ 141,336
14	Interest Expense[5]	136,349	118,404	65	5,662	386	5,491	6,341
15	Net Income	$ 615,829	$ 228,400	$ 1,286	$ 74,758	$ 6,369	$ 170,021	$ 134,995
16	Rate Base[6]	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945
17	Return on Rate Base[7]	8.29%	4.40%	31.37%	21.34%	26.31%	48.04%	33.50%
18								
19	**Percent of Total Customers**		96.241%	0.039%	2.621%	0.108%	0.952%	0.039%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Rejoinder Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation	Totals
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)								
2	Commodity	$ 583,630	$ 258,397	$ 508	$ 31,823	$ 2,476	$ 15,009	$ 275,417	$ 583,630
3	Demand	3,322,710	2,768,101	1,694	188,445	15,527	219,077	129,865	3,322,710
4	Customer	741,926	714,035	291	19,444	801	7,064	291	741,926
5	Service	3,863,548	3,670,225	1,497	111,174	5,089	67,723	7,840	3,863,548
6	Meter	561,511	468,451	314	25,924	1,780	56,509	8,532	561,511
7	Totals	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945	$ 9,073,324
8									
9									-
10	Net Rate Base	$ 9,073,324	$ 7,879,209	$ 4,305	$ 376,811	$ 25,673	$ 365,381	$ 421,945	$ 9,073,324
11									
12	Allocation %	100.00%	86.84%	0.05%	4.15%	0.28%	4.03%	4.65%	100.00%
13									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Rejoinder Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
	Operation and Maintenance Expense (from Schedule G-6, Page 1)							
1	Commodity	$ 372,158	$ 164,770	$ 324	$ 20,293	$ 1,579	$ 9,571	$ 175,623
2	Demand	279,306	232,686	142	15,841	1,305	18,416	10,916
3	Customer	298,836	287,602	117	7,832	323	2,845	117
4	Service	-	-	-	-	-	-	-
5	Meter	-	-	-	-	-	-	-
6	Totals	$ 950,300	$ 685,057	$ 584	$ 43,965	$ 3,206	$ 30,831	$ 186,657
7								
8	Depreciaton Expense on Plant (from Schedule G-6, Page 2)							
9	Commodity	67,834	30,033	59	3,699	288	1,744	32,011
10	Demand	314,355	261,884	160	17,828	1,469	20,726	12,286
11	Customer	50,892	48,979	20	1,334	55	485	20
12	Service	157,337	149,464	61	4,527	207	2,758	319
13	Meter	76,903	64,158	43	3,551	244	7,739	1,169
14	Totals	$ 667,321	$ 554,518	$ 343	$ 30,939	$ 2,263	$ 33,453	$ 45,805
15								
16								
17	Total Expenses (excluding Income Tax and							
18	Property Taxes)	$ 1,617,621	$ 1,239,575	$ 927	$ 74,904	$ 5,469	$ 64,284	$ 232,462
19								
20	Property Taxes, Allocated on Schedules G-1 & G-2	$ 77,191						
21	Income Tax, Allocated on Schedules G-1 & G-2	40,270						
22	Total Adjusted TY Expenses	$ 1,735,082						
23								

Exhibit
Rejoinder Schedule G-4
Page 2
Witness: Bourassa

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Commodity	$ 439,992	$ 164,770	$ 324	$ 20,293	$ 1,579	$ 9,571	$ 175,623
2	Demand	593,661	494,570	303	33,669	2,774	39,142	23,203
3	Customer	349,728	336,580	137	9,165	378	3,330	137
4	Service	157,337	149,464	61	4,527	207	2,758	319
5	Meter	76,903	64,158	43	3,551	244	7,739	1,169
6								
7		$ 1,617,621	$ 1,209,542	$ 868	$ 71,205	$ 5,181	$ 62,539	$ 200,451
8	Totals							
9								
10								
11								
12								
13	Total Expenses (excluding Income Tax and	$ 1,617,621	$ 1,209,542	$ 868	$ 71,205	$ 5,181	$ 62,539	$ 200,451
14	Property Taxes)							
15								
16	Property Taxes, Allocated on Schedules G-1 & G-2	$ 77,191						
17	Income Tax, Allocated on Schedules G-1 & G-2	40,270						
18	Total Adjusted TY Expenses	$ 1,735,082						
19								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Rejoinder Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	**Rate Base**							
2	Plant minus (Accumulated Depreciation	$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548	$ 9,073,324
3	Contributions in Aid of Construction							
4	Advances in Aid of Construction,							
5	Meter Deposits and Deferred Income Tax)							
6								
7								
8								
9		9,073,324	3,322,710	583,630	741,926	561,511	3,863,548	9,073,324
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1		**Intangible**								
2	301	Organization	$ -		$ -					
3	302	Franchises	-		-					
4										
5		**Subtotal Intangible**	-		-	-	-	-	-	-
6										
7		**Source of Supply & Pumping Plant**								
8	303	Land and Land Rights	$ 97,637		$ 97,637	$ 97,637	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	139,450	175,676	175,676	-	-		
10	305	Collecting and Impounding Res.	-	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	-	-					
12	307	Wells and Springs	610,601	261,499	349,102	279,281	69,820	-		
13	308	Infiltration Galleries and Tunnels	-	-	-					
14	309	Supply Mains	-	-	-	-	-			
15	310	Power Generation Equipment	-	-	-	-	-			
16	311	Electric Pumping Equipment	2,269,738	370,078	1,899,660	1,519,728	379,932			
17		**Subtotal Source of Supply & Pumping Plant**	$ 3,293,101	$ 771,027	$ 2,522,074	$ 2,072,322	$ 449,752	$ -	$ -	$ -
18										
19		**Water Treatment**								
20	320.2	Water Treat. Equip. - Chem Sol Feeder	$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673			
21		**Subtotal Water Treatment**	$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673	$ -	$ -	$ -
22										
23		**Transmission and Distribution Plant**								
24	330	Distribution Reservoirs & Standpipe	$ -	$ -	$ -	$ -	$ -			
25	330.1	Storage tanks	1,102,197	490,208	611,989	550,790	61,199			
26	330.2	Pressure Tanks	73,937	24,279	49,658	44,692	4,966			
27	331	Transmission and Distribution Mains	2,916,048	1,625,867	1,290,182	1,161,164	129,018			
28	333	Services	4,724,840	861,292	3,863,548					3,863,548
29	334	Meters	923,202	361,692	561,511				561,511	
30	335	Hydrants	887,381	550,134	337,246			337,246		
31	336	Backflow Prevention Devices	-	-	-	-	-			
32	339	Other Plant and Miscellaneous Equip.	-	-	-	-	-			
33		**Subtotal Transmission and Distribution Plant**	$ 10,627,605	$ 3,913,472	$ 6,714,134	$ 1,756,646	$ 195,183	$ 337,246	$ 561,511	$ 3,863,548
34										
35		**General Plant**								
36	340	Office Furniture and Fixtures	$ 4,239	$ 110	$ 4,129			$ 4,129		
37	340.1	Computers and Software	28,479	278	28,201			28,201		
38	341	Transportation Equipment	61,635	(51,073)	112,708	28,177		84,531		
39	342	Stores Equipment	-	-	-					
40	343	Tools and Work Equipment	134,506	34,251	100,255	25,064		75,191		
41	344	Laboratory Equipment	-	-	-					
42	345	Power Operated Equipment	124,899	34,114	90,785			90,785		
43	346	Communications Equipment	238,939	76,482	162,457	40,614		121,843		
44										

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Rejoinder Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**							-		
2	347	Miscellaneous Equipment	-	-	-	-				
3	348	Other Tangible Plant	-	-	-			-		
4	**Subtotal General Plant**		$ 592,698	$ 94,163	$ 498,535	$ 93,855	$ -	$ 404,680	$ -	$ -
5	Total Plant		$ 14,571,659	$ 4,788,552	$ 9,783,107	$ 3,961,514	$ 654,608	$ 741,926	$ 561,511	$ 3,863,548
6										
7	Contributions in Aid of Construction, Net		(709,783)		(709,783)	(638,805)	(70,978)	-		
8	Advances in Aid of Construction		0		0	0	0			
9	Meter Deposits		-		-				-	
10			-		-	-	-			
11			-		-			-		
12			-		-			-		
13	Totals		$ 13,861,876	$ 4,788,552	$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 9,073,324	$ 3,322,710	$ 583,630	$ 741,926	$ 561,511	$ 3,863,548

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Rejoinder Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ 220,827	$88,330.68	$44,165.34	$88,330.68	$ -	$ -	$ 220,826.69
2	Salaries and Wages - Officers & Dir[1]	40,198	16,079	8,040	16,079	-	-	40,198
3	Employee Pensions and Benefits[1]	63,860	25,544	12,772	25,544	-	-	63,860
4	Purchased Water[1]	-		-				-
5	Purchased Power[1]	252,453	-	252,453	-	-	-	252,453
6	Chemicals[1]	16,721	-	16,721	-	-	-	16,721
7	Repairs and Maintenance[1]	71,396	49,977	21,419	-	-	-	71,396
8	Office Supplies and Expense	66,861			66,861			66,861
9	Outside Services - Acctng & Eng.	4,448	1,779	890	1,779	-	-	4,448
10	Outside Services - Other[1]	54,382	21,753	10,876	21,753	-	-	54,382
11	Outside Services - Legal	14,175	5,670	2,835	5,670	-	-	14,175
12	Water Testing[1]	8,925	7,140	1,785	-	-	-	8,925
13	Rents - Equipment	3,203	801	-	2,402	-	-	3,203
14	Transportation Expenses[1]	44,637	11,159	-	33,478	-	-	44,637
15	Insurance - Vehicle	17,464	4,366	-	13,098	-	-	17,464
16	Insurance - General Liability	10,840	5,420		5,420			10,840
17	Insurance - Worker's Comp	1,009	404	202	404	-	-	1,009
18	Reg. Comm. Exp.	3,671			3,671			3,671
19	Reg. Comm. Exp. - Rate Case	-	-		-			-
20	Miscellaneous Expense	9,580			9,580			9,580
21	Bad Debt Expense	4,766			4,766			4,766
22	Depreciation Expense[2]	667,321	314,355	67,834	50,892	76,903	157,337	667,321
23	Taxes Other Than Income	40,883	40,883					40,883
24	Property Taxes, Allocated on Schedules G-1 & G-2	**77,191**						
25	Income Tax, Allocated on Schedules G-1 & G-2	**40,270**						
26								
27	Total	$ 1,735,082	$ 593,661	$ 439,992	$ 349,728	$ 76,903	$ 157,337	$ **1,617,621**
28								
29								
30	[1] See Schedule G-7, page 2.1.							
31	[2] Depreciation allocation computed on Schedule G-6, Page 2.							
32								
33								
34								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Rejoinder Schedule G-6
Page 2.0
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ -		$ -						
3	302	Franchises	-		-						
4											
5	**Subtotal Intangible**		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7		**Source of Supply & Pumping Plant**									
8	303	Land and Land Rights	$ 97,637	0.000%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	3.330%	10,494	10,494	10,494	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	-					
12	307	Wells and Springs	610,601	3.330%	20,333	20,333	16,266	4,067			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	-					
14	309	Supply Mains	-	2.000%	-	-	-	-			
15	310	Power Generation Equipment	-	5.000%	-	-	-				
16	311	Electric Pumping Equipment	2,269,738	12.500%	283,717	283,717	226,974	56,743			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,293,101		$ 314,544	$ 314,544	$ 253,734	$ 60,810	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320.2	Water Treat. Equip. - Chem Sol Feeder	58,255	20.000%	11,651	11,651	9,321	2,330			
21	**Subtotal Water Treatment**		$ 58,255		$ 11,651	$ 11,651	$ 9,321	$ 2,330	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
25	330.1	Storage tanks	1,102,197	2.220%	24,469	24,469	22,022	2,447	-	-	-
26	330.2	Pressure Tanks	73,937	5.000%	3,697	3,697	3,327	370	-	-	-
27	331	Transmission and Distribution Mains	2,916,048	2.000%	58,321	58,321	52,489	5,832			
28	333	Services	4,724,840	3.330%	157,337	157,337					157,337
29	334	Meters	923,202	8.330%	76,903	76,903				76,903	
30	335	Hydrants	887,381	2.000%	17,748	17,748			17,748		
31	336	Backflow Prevention Devices	-	6.670%	-	-	-	-			
32	339	Other Plant and Miscellaneous Equipment	-	6.670%	-	-	-				
33	**Subtotal Transmission and Distribution Plant**		$ 10,627,605		$ 338,474	$ 338,474	$ 77,838	$ 8,649	$ 17,748	$ 76,903	$ 157,337
34											
35	**General Plant**										
36	340	Office Furniture and Fixtures	$ 4,239	6.670%	$ 283	$ 283	$ -	$ -	$ 283	$ -	$ -
37	340.1	Computers and Software	28,479	20.000%	5,696	5,696	-	-	5,696	-	-
38	341	Transportation Equipment	61,635	20.000%	12,327	12,327	3,082		9,245		
39	342	Stores Equipment	-	4.000%	-	-			-		
40	343	Tools and Work Equipment	134,506	5.000%	6,725	6,725	6,053	673			
41	344	Laboratory Equipment	-	10.000%	-	-	-	-			
42	345	Power Operated Equipment	124,899	5.000%	6,245	6,245	5,620	624			
43	346	Communications Equipment	238,939	10.000%	23,894	23,894	5,973	-	17,920		

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Rejoinder Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**										
2	347	Miscellaneous Equipment	-	10.00%	-	-					
3	348	Other Tangible Plant	-	10.00%	-	-	-		-		
4	**Subtotal General Plant**		$ 592,698		$ 55,170	$ 55,170	$ 20,728	$ 1,297	$ 33,144	$ -	$ -
5	**Total Plant**		$ 14,571,659		$ 719,839	$ 719,839	$ 361,621	$ 73,086	$ 50,892	$ 76,903	$ 157,337
6											
7											
8	Less: Amortization of Contributions										
9		Composite	$ 1,056,007	4.9733%	$ (52,518)	$ (52,518)	$ (47,267)	$ (5,252)			
10					-	-	-	-			
11											
12											
13											
14	Total Depreciation Expense		1,056,007		$ 667,321	$ 667,321	$ 314,355	$ 67,834	$ 50,892	$ 76,903	$ 157,337
15											
16											
17											
18											
19											

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Summary of Commodity - Demand Method Functions Factors

Exhibit
Rejoinder Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
1											
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
3	Commodity	44.274%	0.087%	5.453%	0.424%	2.572%	0.000%	0.000%	0.000%	47.19%	100.00%
4	Demand	83.309%	0.051%	5.671%	0.467%	6.593%	0.000%	0.000%	0.000%	3.91%	100.00%
5	Customer	96.241%	0.039%	2.621%	0.108%	0.952%	0.000%	0.000%	0.000%	0.04%	100.00%
6	Services	94.996%	0.039%	2.877%	0.132%	1.753%	0.000%	0.000%	0.000%	0.20%	100.00%
7	Meters	83.427%	0.056%	4.617%	0.317%	10.064%	0.000%	0.000%	0.000%	1.52%	100.00%
8											
9											
10											
11											
12	SUPPORTING SCHEDULES										
13	G-7, page 3										

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Rejoinder Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Total	Demand	Commodity	Customer
1					
2					
3	Wells	1.00	0.80	0.20	
4	Pumps & Equipment	1.00	0.80	0.20	
5	Trans. & Dist. Mains	1.00	0.90	0.10	
6	Structures & Improv.	1.00	1.00		
7	Land	1.00	1.00		
8	Customer	1.00			1.00
9	Services	1.00			1.00
10	Meters	1.00			1.00
11	Fire Hydrants	1.00			1.00
12	Transportation Equip.	1.00	0.25		0.75
13	Office Furniture	1.00			1.00
14	Communication Equip.	1.00	0.25		0.75
15	Water Treatment Equip.	1.00	0.10	0.90	
16					
17					
18					
19					
20					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Rejoinder Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Total	Demand	Commodity	Customer	Meters	Services
1							
2	Repairs and Maintenance[1]	1.00	0.70	0.30	-	-	-
3	Contractual Services[2]	1.00	0.40	0.20	0.40	-	-
4	Purchased Power/Fuel for Power Prod.[3]	1.00	-	1.00	-	-	-
5	Purchased Water[4]	1.00	-	1.00	-	-	-
6	Transportation[5]	1.00	0.25	-	0.75	-	-
7	Chemicals[6]	1.00	-	1.00	-	-	-
8	Water Testing[7]	1.00	0.80	0.20	-	-	-
9	Salaries and Wages[8]	1.00	0.40	0.20	0.40	-	-
10							
11							
12							

13 [1] Estimated based on examination of costs in repairs and maintenance and professional judgement.
14 [2] Estimated based on examination of costs included in contractual services and professional judgement.
15 [3] 100% related to pumping and water production.
16 [4] 100% related to pumping and water production.
17 [5] Based on allocation of transportation equipment. See G-7, page 2.
18 [6] 100% related to water production.
19 [7] Based on allocation of well plant and equipment. See G-7, page 2.
20 [8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.
21
22
23
24
25

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Rejoinder Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	768,141	44.27%
3/4"	1,511	0.09%
1"	94,602	5.45%
1-1/2"	7,359	0.42%
2"	44,617	2.57%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.000%
Irrigation	818,738	47.190%
Totals	1,734,968	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4"	9,805	1.0	9,805	83.31%
3/4"	4	1.5	6	0.05%
1"	267	2.5	668	5.67%
1-1/2"	11	5.0	55	0.47%
2"	97	8.0	776	6.59%
3"	-	16.0	0	0.00%
4"	-	25.0	0	0.00%
6"	-	50.0	0	0.00%
8"	-	80.0	0	0.00%
Irrigation	4	115.0	460	3.91%
Totals	10,188		11,770	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	9,805	96.24%
3/4"	4	0.04%
1"	267	2.62%
1-1/2"	11	0.11%
2"	97	0.95%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.00%
Irrigation	4	0.04%
Totals	10,188	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4"	9,805	$ 445.00	4,363,225	95.00%
3/4"	4	445.00	1,780	0.04%
1"	267	495.00	132,165	2.88%
1-1/2"	11	550.00	6,050	0.13%
2"	97	830.00	80,510	1.75%
3"	0	1,165.00	0	0.00%
4"	0	1,670.00	0	0.00%
6"	0	2,330.00	0	0.00%
8"	0	2,330.00	0	0.00%
Irrigation	4	2,330.00	9,320	0.20%
Totals	10,188		4,593,050	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	9,805	$ 155.00	1,519,775	83.43%
3/4"	4	255.00	1,020	0.06%
1"	267	315.00	84,105	4.62%
1-1/2"	11	525.00	5,775	0.32%
2"	97	1,890.00	183,330	10.06%
3"	0	2,545.00	0	0.00%
4"	0	3,645.00	0	0.00%
6"	0	6,920.00	0	0.00%
8"	0	6,920.00	0	0.00%
10"	4	6,920.00	27,680	1.52%
Totals	10,188		1,821,685	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	8.29%				61,506	46,549	320,288
2	Misc. Revenues					(338)		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					349,728	157,337	76,903
4	Property Taxes					86,732		
5	Income Taxes					233,523		
6	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)					731,150	203,886	397,190
7								
8	**Customer Charge**							
9	Number of Bills =	10,188	times		12			
10						122,256		
11	**Charge per Bill**							
12	(Customer Revenue Requirement divided by Annualized Number of Bills)					$ 5.98		
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters							
16			11,770	times	12		141,234	141,234
17	**Charge per Equivalent Meter**						$ 1.44	$ 2.81
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 5.98	
23	Charge per Equivalent Service Line						1.44	
24	Charge per Equivalent Meter						2.81	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 10.24	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Bourassa

Line No.	DEMAND CHARGE:		
1			
2	Return on Rate Base	8.29%	
3	Demand Expenses, from Schedule G-6, Page 1		275,452
4			593,661
5	Totals		
6	Total Revenue Requirement / Demand Component		869,113
7	Equivalent Number of 5/8 Meters billings		
8	Demand Charge for 5/8 Inch Meter		141,234
9			$ 6.15
10			

Line No.	Demand Charge Per Equivalent	5/8" Demand Charge	Meter Ratio	Demand Charge
11				
12	5/8 Inch Meter	$ 6.15	1.0	$ 6.15
13	3/4 Inch Meter	$ 6.15	1.5	$ 9.23
14	1 Inch Meter	$ 6.15	2.5	$ 15.38
15	1 1/2 Inch Meter	$ 6.15	5.0	$ 30.77
16	2 Inch Meter	$ 6.15	8.0	$ 49.23
17	3 Inch Meter	$ 6.15	16.0	$ 98.46
18	4 Inch Meter	$ 6.15	25.0	$ 153.84
19	6 Inch Meter	$ 6.15	50.0	$ 307.69
20				
21				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	8.29%	48,383	61,506	320,288	46,549	275,452
2	Less: Miscellaneous Revenues			(7,261)			
3							
4	Expenses (From Sch. G-6. Page 1)		439,992	349,728	157,337	76,903	593,661
5	Property taxes			86,732			
6	Income Taxes			233,523			
7	Total Revenue Requirement by function		488,375	724,227	477,625	123,452	869,113
8	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)		1,734,968				
9	Computed Commodity Rate (line 7 divided by line 8)		$ 0.2815				
10	Annualized Number of Bills (from G-8, page 1)			122,256			
11	Equivalent Meters and Service Lines (from G-8, page 1)				141,234	141,234	141,234
12	Customer Charge (line 7 divided by line 10)			$ 5.92			
13	Meter, Service Line & Demand Charge (Line 7 divided by Line 11)				$ 3.38	$ 0.87	$ 6.15
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 16.33
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
18				
19	5/8 Inch Meter	$ 16.33	1.0	$ 16.33
20	3/4 Inch Meter	$ 16.33	1.5	$ 24.50
21	1 Inch Meter	$ 16.33	2.5	$ 40.83
22	1 1/2 Inch Meter	$ 16.33	5.0	$ 81.67
23	2 Inch Meter	$ 16.33	8.0	$ 130.67
24	3 Inch Meter	$ 16.33	16.0	$ 261.34
25	4 Inch Meter	$ 16.33	25.0	$ 408.34
26	6 Inch Meter	$ 16.33	50.0	$ 816.67
27	8 Inch Meter	$ 16.33	80.0	$ 1,306.68
28				
29				
30				
31				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Bourassa

Line No.		Total Rev. Req.	%	Portion of Rev. Req.	
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4					
5					
6	Customer, Service, and Meter Costs	$ 1,325,304	45%	$ 596,387	
7	Demand Costs	869,113	45%	391,101	
8	Commodity Costs	488,375	100%	488,375	
9	Total Costs to be Collected via Commodity			$ 1,475,863	
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)			1,734,968	
11					
12	Commodity Charge (per 1,000 gallons) (Line 9 divided by line 10)			$ 0.851	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 2,682,792	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,475,863)	
19	Balance to be Recovered through Monthly Minimum			$ 1,206,929	44.99%
20					
21	Number of Equivalent 5/8 Inch Meter Billings (from G-8, page 1)			141,234	
22					
23	Computed Monthly Minimum 5/8 Inch Meter Equivalent (line 19 divided by line 21)			$ 8.55	
24					
25					
26					
27	Meter Size	5/8" Minimum	Meter Ratio	Monthly Minimum	
28	5/8 Inch Meter	$ 8.55	1.0	$ 8.55	
29	3/4 Inch Meter	$ 8.55	1.5	$ 12.82	
30	1 Inch Meter	$ 8.55	2.5	$ 21.36	
31	1 1/2 Inch Meter	$ 8.55	5.0	$ 42.73	
32	2 Inch Meter	$ 8.55	8.0	$ 68.36	
33	3 Inch Meter	$ 8.55	16.0	$ 136.73	
34	4 Inch Meter	$ 8.55	25.0	$ 213.64	
35	6 Inch Meter	$ 8.55	50.0	$ 427.28	
36	8 Inch Meter	$ 8.55	80.0	$ 683.65	
37	10 Inch Meter				
38					

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

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons
1	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,685,953	$ 411,041	32.24%	64.47%	62.67%		
2	1 Inch	Residential	116,781	149,026	32,244	27.61%	5.91%	5.54%		
3										
4	5/8x3/4 Inch	Commercial	$ 25,431	$ 37,216	$ 11,785	46.34%	1.29%	1.38%		
5	3/4 Inch	Commercial	1,819	2,855	1,036	56.95%	0.09%	0.11%		
6	1 Inch	Commercial	28,761	38,416	9,655	33.57%	1.45%	1.43%		
7	1 1/2 Inch	Commercial	10,567	15,295	4,727	44.74%	0.53%	0.57%		
8	2 Inch	Commercial	208,085	313,756	105,670	50.78%	10.52%	11.66%		
9										
10	Irrigation		310,134	439,144	129,010	41.60%	15.68%	16.32%		
11	Irrigation - recovered effluent		7,324	7,324	-	0.00%	0.37%	0.27%		
12										
13	**Subtotals of Revenues**		$ 1,983,814	$ 2,688,984	$ 705,169	35.55%	100.31%	99.96%		
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (464)	$ (597)	$ (133)	28.66%	-0.02%	-0.02%	(46)	(265,673)
16	1 Inch	Residential	1,345	1,666	320	23.82%	0.07%	0.06%	32	179,482
17										
18	5/8x3/4 Inch	Commercial	$ (343)	$ (497)	$ (154)	44.77%	-0.02%	-0.02%	(11)	(285,257)
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	390	504	114	29.20%	0.02%	0.02%	6	286,139
21	1 1/2 Inch	Commercial	(127)	(176)	(49)	38.73%	-0.01%	-0.01%	(2)	(83,192)
22	2 Inch	Commercial	381	583	202	53.12%	0.02%	0.02%	5	244,063
23										
24	Irrigation - recovered effluent		(7,324)	(7,324)	-	0.00%	-0.37%	-0.27%	(12)	(21,544,200)
25	(belongs to Wastewater Division)									
26										
27	**Subtotal Revenue Annualization**		(6,142)	(5,841)	301	-4.90%	-0.31%	-0.30%	(28)	(21,468,639)
28										
29	**Total Revenues w/ Annualization**		$ 1,977,673	$ 2,683,143	$ 705,470	35.67%	100.00%	99.74%		
30	**Misc Revenues**		7,261	7,261	-	0.00%	0.37%	0.27%		
31	**Reconciling Amount**		(7,306)	(351)	6,955	-95.20%	-0.37%	-0.01%		
32	**Total Revenues**		$ 1,977,628	$ 2,690,053	$ 712,425	36.02%	100.00%	100.00%		
33										
34										

Pima Utility Company - Water Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	6,395	$ 10.66	$ 13.74	$ 3.08	28.87%	95.87%
2	1 Inch	Residential	220	28,258	44.00	53.63	9.63	21.89%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	27,442	$ 32.82	47.60	14.78	45.03%	0.62%
5	3/4 Inch	Commercial	4	31,484	37.18	57.71	20.53	55.22%	0.04%
6	1 Inch	Commercial	46	35,570	51.90	65.47	13.58	26.16%	0.45%
7	1 1/2 Inch	Commercial	11	55,541	78.46	105.68	27.21	34.68%	0.11%
8	2 Inch	Commercial	72	51,537	79.14	119.99	40.86	51.62%	0.71%
9									
10	Irrigation		4	15,854,381	$ 5,851.58	$ 8,285.73	$ 2,434.16	41.60%	0.04%
11									
12									
13									
14									
15									
16									
17									
18	Totals								
19			10,167						100.00%
20	Actual Year End Number								
21	of Customers:								
22			10,188						
23									
24									
25									

Pima Utility Company - Water Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	4,500	$ 8.92	$ 11.43	$ 2.51	28.14%	95.87%
2	1 Inch	Residential	220	22,500	37.78	45.30	7.52	19.90%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	6,500	$ 10.76	$ 15.07	$ 4.31	40.06%	0.62%
5	3/4 Inch	Commercial	4	4,500	$ 8.92	$ 16.20	7.28	81.61%	0.04%
6	1 Inch	Commercial	46	11,000	$ 25.36	$ 31.27	5.91	23.30%	0.45%
7	1 1/2 Inch	Commercial	11	32,500	53.58	75.35	21.77	40.63%	0.11%
8	2 Inch	Commercial	72	65,000	93.68	136.42	42.74	45.62%	0.71%
9									
10	Irrigation		4	8,864,900	$ 3,335.36	$ 4,721.10	$ 1,385.74	41.55%	0.04%
11									
12									
13									
14									
15									
16									
17	Totals		10,167						100.00%
18									
19	Actual Year End Number								
20	of Customers:		10,188						
21									
22									
23									
24									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4 Inch	$ 5.70	$ 7.14	$ 1.44	25.26%
2	3/4 Inch	5.70	10.71	5.01	87.89%
3	1 Inch	16.00	17.85	1.85	11.56%
4	1 1/2 Inch	21.00	35.70	14.70	70.00%
5	2 Inch	26.00	57.12	31.12	119.69%
6	3 Inch	40.00	114.24	74.24	185.60%
7	4 Inch	52.00	178.50	126.50	243.27%
8	6 Inch	100.00	357.00	257.00	257.00%
9					
10	Irrigation	180.00	200.00	20.00	11.11%
11					
12	Gallons In Minimum (All Classes, except irrigation)	1,000	-		
13					
14	Gallons In Minimum (Irrigation)	100,000	-		
15					
16					
17					

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
18				
19				
20	5/8x3/4 Inch (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92	[redacted]
21		Over 10,000 gallons	$ 1.08	
22				
23	5/8x3/4 Inch - Residential	1 gallons to 4,000 gallons	[redacted]	$ 0.92
24		4,001 gallons to 10,000 gallons		$ 1.22
25		over 10,000 gallons		$ 1.62
26				
27	5/8x3/4 Inch - Commercial	1 gallons to 10,000 gallons	[redacted]	$ 1.22
28		over 10,000 gallons		$ 1.62
29				
30	3/4 Inch Meter (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92	[redacted]
31		Over 10,000 gallons	$ 1.08	
32				
33	3/4 Inch Meter - Residential	1 gallons to 4,000 gallons	[redacted]	$ 0.92
34		4,001 gallons to 10,000 gallons		$ 1.22
35		over 10,000 gallons		$ 1.62
36				
37	3/4 Inch Meter - Commercial	1 gallons to 10,000 gallons	[redacted]	$ 0.92
38		over 10,000 gallons		$ 1.22
39				
40				
41	NT = No Tariff			
42				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 2

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**
4	1 Inch Meter (All classes)	Over Minimum up to 10,000 gallons	$ 0.92	
5		Over 10,000 gallons	$ 1.08	
6				
7	1 Inch Meter - Residential, Commercial	1 gallons to 25,000 gallons		$ 1.22
8		over 25,000 gallons		$ 1.62
9				
10	1.5 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
11		Over 10,000 gallons	$ 1.08	
12				
13	1.5 Inch Meter - Residential, Commercial	1 gallons to 50,000 gallons		$ 1.22
14		over 50,000 gallons		$ 1.62
15				
16	2 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
17		Over 10,000 gallons	$ 1.08	
18				
19	2 Inch Meter - Residential, Commercial	1 gallons to 80,000 gallons		$ 1.22
20		over 80,000 gallons		$ 1.62
21				
22	3 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
23		Over 10,000 gallons	$ 1.08	
24				
25	3 Inch Meter - Residential, Commercial	1 gallons to 160,000 gallons		$ 1.22
26		over 160,000 gallons		$ 1.62
27				
28	4 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
29		Over 10,000 gallons	$ 1.08	
30				
31	4 Inch Meter - Residential, Commercial	1 gallons to 250,000 gallons		$ 1.22
32		over 250,000 gallons		$ 1.62
33				
34	6 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
35		Over 10,000 gallons	$ 1.08	
36				
37	6 Inch Meter - Residential, Commercial	1 gallons to 500,000 gallons		$ 1.22
38		over 500,000 gallons		$ 1.62
39				
40	Irrigation (all meter sizes)	Over Minimum	$ 0.36	$ 0.51
41				
42	Construction/Standpipe	All gallons	NT	$ 1.62
43				
44	NT = No Tariff			

Pima Utility Company - Water Division
Present and Proposed Rates
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.

1 Meter and Service Line Charges[1]

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

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008
NT = No Tariff

Other Charges:

	Present	Proposed
Establishment	NT	$ 25.00
Reestablishment (within 12 months)	*	*
Reconnection (Deliquent)	NT	$ 25.00
Meter Test (if correct)	$ 20.00	$ 20.00
Meter Re-read (if correct)	$ 25.00	$ 25.00
Deposit	**	**
Deposit Interest	**	**
NSF Check	$ 15.00	$ 15.00
Deferred Payment, per month	1.5%	1.5%
Late Payment Fee (per month)	1.5%	1.5%
After hours service charge	NT	$ 50.00

* Number of months off the system times the monthly minimum.
** Per Rule R14-2-403.B

NT = No Tariff

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 7.14	$ 1.44	25.26%
1,000	5.70	8.06	$ 2.36	41.40%
2,000	6.62	8.98	$ 2.36	35.65%
3,000	7.54	9.90	$ 2.36	31.30%
4,000	8.46	10.82	$ 2.36	27.90%
5,000	9.38	12.04	$ 2.66	28.36%
6,000	10.30	13.26	$ 2.96	28.74%
7,000	11.22	14.48	$ 3.26	29.06%
8,000	12.14	15.70	$ 3.56	29.32%
9,000	13.06	16.92	$ 3.86	29.56%
10,000	13.98	18.14	$ 4.16	29.76%
12,000	16.14	21.38	$ 5.24	32.47%
14,000	18.30	24.62	$ 6.32	34.54%
16,000	20.46	27.86	$ 7.40	36.17%
18,000	22.62	31.10	$ 8.48	37.49%
20,000	24.78	34.34	$ 9.56	38.58%
25,000	30.18	42.44	$ 12.26	40.62%
30,000	35.58	50.54	$ 14.96	42.05%
35,000	40.98	58.64	$ 17.66	43.09%
40,000	46.38	66.74	$ 20.36	43.90%
45,000	51.78	74.84	$ 23.06	44.53%
50,000	57.18	82.94	$ 25.76	45.05%
60,000	67.98	99.14	$ 31.16	45.84%
70,000	78.78	115.34	$ 36.56	46.41%
80,000	89.58	131.54	$ 41.96	46.84%
90,000	100.38	147.74	$ 47.36	47.18%
100,000	111.18	163.94	$ 52.76	47.45%
Average Usage				
6,395	$ 10.66	$ 13.74	$ 3.08	28.87%
Median Usage				
4,500	$ 8.92	$ 11.43	$ 2.51	28.14%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	7.14
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	0.92
Up to	10,000	$	1.22
Over	10,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 17.85	$ 1.85	11.56%
1,000	16.00	19.07	$ 3.07	19.19%
2,000	16.92	20.29	$ 3.37	19.92%
3,000	17.84	21.51	$ 3.67	20.57%
4,000	18.76	22.73	$ 3.97	21.16%
5,000	19.68	23.95	$ 4.27	21.70%
6,000	20.60	25.17	$ 4.57	22.18%
7,000	21.52	26.39	$ 4.87	22.63%
8,000	22.44	27.61	$ 5.17	23.04%
9,000	23.36	28.83	$ 5.47	23.42%
10,000	24.28	30.05	$ 5.77	23.76%
12,000	26.44	32.49	$ 6.05	22.88%
14,000	28.60	34.93	$ 6.33	22.13%
16,000	30.76	37.37	$ 6.61	21.49%
18,000	32.92	39.81	$ 6.89	20.93%
20,000	35.08	42.25	$ 7.17	20.44%
25,000	40.48	48.35	$ 7.87	19.44%
30,000	45.88	56.45	$ 10.57	23.04%
35,000	51.28	64.55	$ 13.27	25.88%
40,000	56.68	72.65	$ 15.97	28.18%
45,000	62.08	80.75	$ 18.67	30.07%
50,000	67.48	88.85	$ 21.37	31.67%
60,000	78.28	105.05	$ 26.77	34.20%
70,000	89.08	121.25	$ 32.17	36.11%
80,000	99.88	137.45	$ 37.57	37.62%
90,000	110.68	153.65	$ 42.97	38.82%
100,000	121.48	169.85	$ 48.37	39.82%
Average Usage				
28,258	$ 44.00	$ 53.63	$ 9.63	21.89%
Median Usage				
22,500	$ 37.78	$ 45.30	$ 7.52	19.90%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	17.85
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.22
Over	25,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 7.14	$ 1.44	25.26%
1,000	5.70	8.36	$ 2.66	46.67%
2,000	6.62	9.58	$ 2.96	44.71%
3,000	7.54	10.80	$ 3.26	43.24%
4,000	8.46	12.02	$ 3.56	42.08%
5,000	9.38	13.24	$ 3.86	41.15%
6,000	10.30	14.46	$ 4.16	40.39%
7,000	11.22	15.68	$ 4.46	39.75%
8,000	12.14	16.90	$ 4.76	39.21%
9,000	13.06	18.12	$ 5.06	38.74%
10,000	13.98	19.34	$ 5.36	38.34%
12,000	16.14	22.58	$ 6.44	39.90%
14,000	18.30	25.82	$ 7.52	41.09%
16,000	20.46	29.06	$ 8.60	42.03%
18,000	22.62	32.30	$ 9.68	42.79%
20,000	24.78	35.54	$ 10.76	43.42%
25,000	30.18	43.64	$ 13.46	44.60%
30,000	35.58	51.74	$ 16.16	45.42%
35,000	40.98	59.84	$ 18.86	46.02%
40,000	46.38	67.94	$ 21.56	46.49%
45,000	51.78	76.04	$ 24.26	46.85%
50,000	57.18	84.14	$ 26.96	47.15%
60,000	67.98	100.34	$ 32.36	47.60%
70,000	78.78	116.54	$ 37.76	47.93%
80,000	89.58	132.74	$ 43.16	48.18%
90,000	100.38	148.94	$ 48.56	48.38%
100,000	111.18	165.14	$ 53.96	48.53%
Average Usage				
27,442	$ 32.82	$ 47.60	$ 14.78	45.03%
Median Usage				
6,500	$ 10.76	$ 15.07	$ 4.31	40.06%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	7.14
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.22
Over	10,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 10.71	$ 5.01	87.89%
1,000	5.70	11.93	$ 6.23	109.30%
2,000	6.62	13.15	$ 6.53	98.64%
3,000	7.54	14.37	$ 6.83	90.58%
4,000	8.46	15.59	$ 7.13	84.28%
5,000	9.38	16.81	$ 7.43	79.21%
6,000	10.30	18.03	$ 7.73	75.05%
7,000	11.22	19.25	$ 8.03	71.57%
8,000	12.14	20.47	$ 8.33	68.62%
9,000	13.06	21.69	$ 8.63	66.08%
10,000	13.98	22.91	$ 8.93	63.88%
12,000	16.14	26.15	$ 10.01	62.02%
14,000	18.30	29.39	$ 11.09	60.60%
16,000	20.46	32.63	$ 12.17	59.48%
18,000	22.62	35.87	$ 13.25	58.58%
20,000	24.78	39.11	$ 14.33	57.83%
25,000	30.18	47.21	$ 17.03	56.43%
30,000	35.58	55.31	$ 19.73	55.45%
35,000	40.98	63.41	$ 22.43	54.73%
40,000	46.38	71.51	$ 25.13	54.18%
45,000	51.78	79.61	$ 27.83	53.75%
50,000	57.18	87.71	$ 30.53	53.39%
60,000	67.98	103.91	$ 35.93	52.85%
70,000	78.78	120.11	$ 41.33	52.46%
80,000	89.58	136.31	$ 46.73	52.17%
90,000	100.38	152.51	$ 52.13	51.93%
100,000	111.18	168.71	$ 57.53	51.74%
Average Usage				
31,484	$ 37.18	$ 57.71	$ 20.53	55.22%
Median Usage				
4,500	$ 8.92	$ 16.20	$ 7.28	81.61%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	10.71
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.22
Over	10,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 17.85	$ 1.85	11.56%
1,000	16.00	19.07	$ 3.07	19.19%
2,000	16.92	20.29	$ 3.37	19.92%
3,000	17.84	21.51	$ 3.67	20.57%
4,000	18.76	22.73	$ 3.97	21.16%
5,000	19.68	23.95	$ 4.27	21.70%
6,000	20.60	25.17	$ 4.57	22.18%
7,000	21.52	26.39	$ 4.87	22.63%
8,000	22.44	27.61	$ 5.17	23.04%
9,000	23.36	28.83	$ 5.47	23.42%
10,000	24.28	30.05	$ 5.77	23.76%
12,000	26.44	32.49	$ 6.05	22.88%
14,000	28.60	34.93	$ 6.33	22.13%
16,000	30.76	37.37	$ 6.61	21.49%
18,000	32.92	39.81	$ 6.89	20.93%
20,000	35.08	42.25	$ 7.17	20.44%
25,000	40.48	48.35	$ 7.87	19.44%
30,000	45.88	56.45	$ 10.57	23.04%
35,000	51.28	64.55	$ 13.27	25.88%
40,000	56.68	72.65	$ 15.97	28.18%
45,000	62.08	80.75	$ 18.67	30.07%
50,000	67.48	88.85	$ 21.37	31.67%
60,000	78.28	105.05	$ 26.77	34.20%
70,000	89.08	121.25	$ 32.17	36.11%
80,000	99.88	137.45	$ 37.57	37.62%
90,000	110.68	153.65	$ 42.97	38.82%
100,000	121.48	169.85	$ 48.37	39.82%
Average Usage				
35,570	$ 51.90	$ 65.47	$ 13.58	26.16%
Median Usage				
11,000	$ 25.36	$ 31.27	$ 5.91	23.30%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	17.85
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.22
Over	25,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 21.00	$ 35.70	$ 14.70	70.00%
1,000	21.00	36.92	$ 15.92	75.81%
2,000	21.92	38.14	$ 16.22	74.00%
3,000	22.84	39.36	$ 16.52	72.33%
4,000	23.76	40.58	$ 16.82	70.79%
5,000	24.68	41.80	$ 17.12	69.37%
6,000	25.60	43.02	$ 17.42	68.05%
7,000	26.52	44.24	$ 17.72	66.82%
8,000	27.44	45.46	$ 18.02	65.67%
9,000	28.36	46.68	$ 18.32	64.60%
10,000	29.28	47.90	$ 18.62	63.59%
12,000	31.44	50.34	$ 18.90	60.11%
14,000	33.60	52.78	$ 19.18	57.08%
16,000	35.76	55.22	$ 19.46	54.42%
18,000	37.92	57.66	$ 19.74	52.06%
20,000	40.08	60.10	$ 20.02	49.95%
25,000	45.48	66.20	$ 20.72	45.56%
30,000	50.88	72.30	$ 21.42	42.10%
35,000	56.28	78.40	$ 22.12	39.30%
40,000	61.68	84.50	$ 22.82	37.00%
45,000	67.08	90.60	$ 23.52	35.06%
50,000	72.48	96.70	$ 24.22	33.42%
60,000	83.28	112.90	$ 29.62	35.57%
70,000	94.08	129.10	$ 35.02	37.22%
80,000	104.88	145.30	$ 40.42	38.54%
90,000	115.68	161.50	$ 45.82	39.61%
100,000	126.48	177.70	$ 51.22	40.50%
Average Usage				
55,541	$ 78.46	$ 105.68	$ 27.21	34.68%
Median Usage				
32,500	$ 53.58	$ 75.35	$ 21.77	40.63%

Present Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons
Up to 10,000
Over 10,000

Proposed Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons
Up to 50,000
Over 50,000

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.00	$ 57.12	$ 31.12	119.69%
1,000	26.00	58.34	$ 32.34	124.38%
2,000	26.92	59.56	$ 32.64	121.25%
3,000	27.84	60.78	$ 32.94	118.32%
4,000	28.76	62.00	$ 33.24	115.58%
5,000	29.68	63.22	$ 33.54	113.01%
6,000	30.60	64.44	$ 33.84	110.59%
7,000	31.52	65.66	$ 34.14	108.31%
8,000	32.44	66.88	$ 34.44	106.17%
9,000	33.36	68.10	$ 34.74	104.14%
10,000	34.28	69.32	$ 35.04	102.22%
12,000	36.44	71.76	$ 35.32	96.93%
14,000	38.60	74.20	$ 35.60	92.23%
16,000	40.76	76.64	$ 35.88	88.03%
18,000	42.92	79.08	$ 36.16	84.25%
20,000	45.08	81.52	$ 36.44	80.83%
25,000	50.48	87.62	$ 37.14	73.57%
30,000	55.88	93.72	$ 37.84	67.72%
35,000	61.28	99.82	$ 38.54	62.89%
40,000	66.68	105.92	$ 39.24	58.85%
45,000	72.08	112.02	$ 39.94	55.41%
50,000	77.48	118.12	$ 40.64	52.45%
60,000	88.28	130.32	$ 42.04	47.62%
70,000	99.08	142.52	$ 43.44	43.84%
80,000	109.88	154.72	$ 44.84	40.81%
90,000	120.68	170.92	$ 50.24	41.63%
100,000	131.48	187.12	$ 55.64	42.32%
Average Usage				
51,537	$ 79.14	$ 119.99	$ 40.86	51.62%
Median Usage				
65,000	$ 93.68	$ 136.42	$ 42.74	45.62%

Present Rates:

Monthly Minimum:		$	26.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	57.12
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.22
Over	80,000	$	1.62

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Irrigation
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
10,000	180.00	205.10	$ 25.10	13.94%
20,000	180.00	210.20	$ 30.20	16.78%
30,000	180.00	215.30	$ 35.30	19.61%
40,000	180.00	220.40	$ 40.40	22.44%
50,000	180.00	225.50	$ 45.50	25.28%
100,000	180.00	251.00	$ 71.00	39.44%
150,000	198.00	276.50	$ 78.50	39.65%
200,000	216.00	302.00	$ 86.00	39.81%
250,000	234.00	327.50	$ 93.50	39.96%
300,000	252.00	353.00	$ 101.00	40.08%
350,000	270.00	378.50	$ 108.50	40.19%
400,000	288.00	404.00	$ 116.00	40.28%
450,000	306.00	429.50	$ 123.50	40.36%
500,000	324.00	455.00	$ 131.00	40.43%
1,000,000	504.00	710.00	$ 206.00	40.87%
1,500,000	684.00	965.00	$ 281.00	41.08%
2,000,000	864.00	1,220.00	$ 356.00	41.20%
2,500,000	1,044.00	1,475.00	$ 431.00	41.28%
3,000,000	1,224.00	1,730.00	$ 506.00	41.34%
3,500,000	1,404.00	1,985.00	$ 581.00	41.38%
4,000,000	1,584.00	2,240.00	$ 656.00	41.41%
4,500,000	1,764.00	2,495.00	$ 731.00	41.44%
5,000,000	1,944.00	2,750.00	$ 806.00	41.46%
10,000,000	3,744.00	5,300.00	$ 1,556.00	41.56%
15,000,000	5,544.00	7,850.00	$ 2,306.00	41.59%
20,000,000	7,344.00	10,400.00	$ 3,056.00	41.61%
Average Usage				
15,854,381	$ 5,851.58	$ 8,285.73	$ 2,434.16	41.60%
Median Usage				
8,864,900	$ 3,335.36	$ 4,721.10	$ 1,385.74	41.55%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.36

Proposed Rates:

Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.51

Pima Utility Company

Thomas Bourassa Direct Testimony
(Rate Base)

Wastewater Division Schedules

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,832,800
2			
3	Adjusted Operating Income		517,362
4			
5	Current Rate of Return		5.26%
6			
7	Required Operating Income	$	815,139
8			
9	Required Rate of Return on Fair Value Rate Base		8.29%
10			
11	Operating Income Deficiency	$	297,777
12			
13	Gross Revenue Conversion Factor		1.3979
14			
15	Increase in Gross Revenue		
16	Requirement	$	416,275
17			
18	Adjusted Test Year Revenues	$	3,096,775
19	Increase in Gross Revenue Revenue Requirement	$	416,275
20	Proposed Revenue Requirement	$	3,513,050
21	% Increase		13.44%

	Customer Classification (Residential Commercial, Irrigation)		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
26	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,044,035	$ 385,489	14.50%
27	1 Inch	Residential	145,477	166,571	21,094	14.50%
29	5/8x3/4 Inch	Commercial	6,410	7,339	929	14.50%
30	3/4 Inch	Commercial	$ 1,272	$ 1,456	184	14.50%
31	1 Inch	Commercial	16,909	19,361	2,452	14.50%
32	1 1/2 Inch	Commercial	12,672	14,509	1,837	14.50%
33	2 Inch	Commercial	115,770	132,557	16,787	14.50%
35	Effluent		121,512	109,907	(11,605)	-9.55%
37	Revenue Annualization		13,363	11,981	(1,382)	-10.34%
39	**Subtotal**		$ 3,091,931	$ 3,507,716	$ 415,785	13.45%
41	Other Water Revenues		6,030	6,030	-	0.00%
42	Reconciling Amount		(1,186)	(696)	490	-41.32%
43	Rounding				-	0.00%
44	**Total of Water Revenues**		$ 3,096,775	$ 3,513,050	$ 416,275	13.44%

47 SUPPORTING SCHEDULES:
48 B-1
49 C-1
50 C-3
51 H-1

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 22,039,554	$ 22,039,554
3	Less: Accumulated Depreciation	11,503,741	11,503,741
4			
5	Net Utility Plant in Service	$ 10,535,813	$ 10,535,813
6			
7	Less:		
8	Advances in Aid of Construction	(0)	(0)
9			
10	Contributions in Aid of Construction	1,281,106	1,281,106
11			
12	Accumulated Amortization of CIAC	(578,093)	(578,093)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20			
21			
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Cash Working Capital	-	-
25			
26	Total Rate Base	$ 9,832,800	$ 9,832,800
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 22,055,018	(15,465)	$ 22,039,554
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	11,546,833	(43,092)	11,503,741
7				
8				
9	Net Utility Plant			
10	in Service	$ 10,508,186		$ 10,535,813
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	285,313	(285,313)	(0)
15				
16	Contributions in Aid of			
17	Construction - Gross	937,694	343,412	1,281,106
18				
19	Accumulated Amortization of CIAC	(578,093)	-	(578,093)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23		-		-
24		-		-
25				
26	**Plus:**			
27				
28				
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Allowance for Cash Working Capital	-	-	-
32		-		-
33				
34	Total	$ 9,863,272		$ 9,832,800
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
46	B-2, pages 2		B-1	
47	E-1			
48				
49				
50				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 22,055,018	(15,465)					$ 22,039,554
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	11,546,833		(43,092)				11,503,741
7								
8								
9	Net Utility Plant							
10	in Service	$ 10,508,186	$ (15,465)	$ 43,092	$ -	$ -	$ -	$ 10,535,813
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	285,313			(285,313)			(0)
15								
16	Contributions in Aid of							
17	Construction (CIAC)	937,694			343,412			1,281,106
18								
19	Accumulated Amort of CIAC	(578,093)						(578,093)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-						-
23								
24								
25	**Plus:**							
26								
27								
28	Prepayments	-						
29	Materials and Supplies	-						
30	Allowance for Cash Working Capital	-						
31								-
32	Total	$ 9,863,272	$ (15,465)	$ 43,092	$ (58,099)	$ -	$ -	$ 9,832,800
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Direct Adjusted Orginal Cost	A Capitalized Expenses	B Prior Case Adjustments	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Original Cost
1	351	Organization Cost	$ -						-
2	352	Franchise Cost	-						-
3	353	Land and Land Rights	91,528						91,528
4	354	Structures & Improvements	250,433						250,433
5	355	Power Generation Equipment	-						-
6	360	Collection Sewers - Force	97,523						97,523
7	361.1	Collection Sewers - Gravity	3,854,512						3,854,512
8	361.2	Manholes & Cleanouts	1,791,722						1,791,722
9	362	Special Collecting Structures	-						-
10	363	Servcies to Customers	632,249						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	9,179	(22,507)				1,530,818
17	371.2	Other Pumping Equipment	103,441						103,441
18	371.3	Pumping Equipment - Recharge Wells	1,436,200		(10,665)				1,425,535
19	374	Reuse Distribution Reserviors	-						-
20	375	Reuse Transmission and Distribution	137,444		(3,260)				134,184
21	380	Treatment & Disposal Equipment	9,884,071	13,212					9,897,283
22	381	Plant Sewers	-						-
23	382	Outfall Sewer Lines	-						-
24	389	Other Plant & Misc Equipment	972,509						972,509
25	390	Office Furniture & Equipment	6,529						6,529
26	390.1	Computers & Software	10,884						10,884
27	391	Transportation Equipment	21,830						21,830
28	392	Stores Equipment	-						-
29	393	Tools, Shop & Garage Equipment	156,200						154,777
30	394	Laboratory Equipment	1,993		(1,423)				1,993
31	395	Power Operated Equipment	0						0
32	396	Communication Equipment	118,828						118,828
33	397	Miscellaneous Equipment	-						-
34	398	Other Tangible Plant	-						-
35		Post-in-service AFUDC	716,722						716,722
36		TOTALS	$ 22,055,018	$ 22,391	$ (37,856)	$ -	$ -	$ -	$ 22,039,554
37		Plant-in-Service per Direct							$ 22,055,018
38		Increase (decrease) in Plant-in-Service							$ (15,465)
39		Adjustment to Plant-in-Service							$ (15,465)
40		SUPPORTING SCHEDULES							
41		B-2, pages 3.1 and 3.2							
42		B-2, pages 3.3 to 3.20							

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - A
Capitalized Expenses

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	9,179
2	380	Treatment & Disposal Equipment		13,212
3				
4				
5		Total	$	22,391
6				
7				
8	Increase in Plant-in-Service		$	22,391
9				
10				
11				
12				
13				
14				
15				
16	Reference/Supporting Schedule			
17	Staff Rate Base Adjustment No. 2, Schedule CSB-4			
18				
19				
20				
21				
22				
23				
24				
25				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 1 - B
Prior Rate Case Plant

Exhibit
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	(22,507)
2	371.3	Pumping Equipment - Recharge Wells		(10,665)
3	375	Reuse Transmission and Distribution		(3,260)
4	393	Tools, Shop & Garage Equipment		(1,423)
5				
6		Total	$	(37,856)
7				
8				
9	Increase in Plant-in-Service		$	(37,856)
10				
11				
12				
13				
14				
15				
16				
17	Reference/Supporting Schedule			
18	RUCO Rate Base Adjustment No. 1, Schedule TJC-3			
19				
20				
21				
22				
23				
24				
25				
26				

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Per Decision No. 62184 - January 5, 2000: Company Plant at 12/31/1997	Company Pro Forma Adjust	Adopted Staff Adjust	Adopted RUCO Adjust	Order Plant at 12/31/1997	Accum. Deprec. At 12/31/1997	Current Books: G/L Plant at 12/31/1997	NARUC Plant at 12/31/1997	Allocate A/D Accum. Deprec. At 12/31/1997
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				76,709		76,709	76,709	-
4	354	Structures & Improvements	3.00%	3.33%	4,326	(4,326)			-		-	-	-
5	355	Power Generation Equipment	3.00%	5.00%					-		-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%					-		-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	2,559,281	149,529	(149,529)		2,559,281		2,559,281	2,559,281	267,514
8	361.2	Manholes & Cleanouts	3.00%	2.00%	1,118,725				1,118,725		1,118,725	1,118,725	116,937
9	362	Special Collecting Structures	3.00%	2.00%					-		-	-	-
10	363	Servcies to Customers	3.00%	12.00%			149,529		149,529		149,529	149,529	15,630
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%				226,251	226,251		-	226,251	23,649
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	765,619		1,017		766,636		766,637	766,637	80,134
17	371.2	Other Pumping Equipment	3.00%	10.00%				100,000	100,000		-	100,000	10,453
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%					-		-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%					-		-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	343,041			(326,251)	16,790		343,041	16,790	1,755
21	380	Treatment & Disposal Equipment	3.00%	5.00%	8,545,663	2,135			8,547,798		8,547,798	8,547,798	893,476
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%					-		-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%					-		-	-	-
26	390.1	Computers & Software	3.00%	20.00%					-		-	-	-
27	391	Transportation Equipment	3.00%	20.00%				3,261	3,261		-	3,260	341
28	392	Stores Equipment	3.00%	4.00%					-		-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	189,765		(5,612)	(3,261)	180,892		184,153	180,893	18,908
30	394	Laboratory Equipment	3.00%	10.00%					-		-	-	-
31	395	Power Operated Equipment	3.00%	5.00%					-		-	-	-
32	396	Communication Equipment	3.00%	10.00%					-		-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%					-		-	-	-
34	398	Other Tangible Plant	3.00%						-		-	-	-
35													
36		Sub Total			13,603,129	147,338	(4,595)	-	13,745,872	1,428,798	13,745,873	13,745,873	1,428,798
37													
38		Post-In Service AFUDC		4.52%	1,865,546		(1,148,824)	-	716,722	-	716,722	716,722	-
39													
40		TOTAL			15,468,675	147,338	(1,153,419)	-	14,462,594	1,428,798	14,462,595	14,462,595	1,428,798
41													
42		Depreciable Plant											
43		Composite Depreciation Rate											
44													
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.											
46													

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1994									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%		-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%		-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.62%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1995									
					Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included In Decision 62184									
					1996									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%		-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%		-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%		-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%		-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%		-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%		-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%		-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%		-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%		-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%		-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
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%		-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%		-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%		-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%		-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%		-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%		-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%		-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%			-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Sewer Plant Recorded on Water Books - Not Included in Decision 62184 1997 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
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%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	-	-	-
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	-	-	-
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1998 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	480	480	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	202,986	-	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	-	28,319	-	-	-	-	425	28,319	425
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	24,402	(9,148)	15,254	-	-	-	-	77,007	2,574,535	344,521
8	361.2	Manholes & Cleanouts	3.00%	2.00%	21,257	-	21,257	-	-	-	-	33,881	1,139,982	150,818
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	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%	3.57%	-	-	-	-	-	-	-	6,788	226,251	30,437
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	432,170	-	432,170	-	63,740	63,740	-	28,526	1,135,067	44,920
17	371.2	Other Pumping Equipment	3.00%	10.00%	54,700	-	54,700	-	65,250	65,250	-	2,842	89,450	(51,955)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	838,888	-	838,888	-	-	-	-	12,583	838,888	12,583
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	104,135	-	104,135	-	-	-	-	2,066	120,925	3,821
21	380	Treatment & Disposal Equipment	3.00%	5.00%	606,887	-	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	-	500,000	-	-	-	-	7,500	500,000	7,500
25	390	Office Furniture & Equipment	3.00%	6.67%	1,870	-	1,870	-	-	-	-	28	1,870	28
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	584	-	584	-	-	-	-	107	3,844	448
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,860	-	2,860	-	47,661	47,661	-	4,755	136,091	(23,998)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	1,068	-	1,068	-	-	-	-	16	1,068	16
32	396	Communication Equipment	3.00%	10.00%	36,607	-	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			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	450,139	16,416,326	1,702,285
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	32,396
39														
40		TOTAL			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	482,535	17,133,048	1,734,681
41														
42		Depreciable Plant											16,340,097	
43		Composite Depreciation Rate											2.9531%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1999 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	76,229	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	6,090	202,986	9,134
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	400,340	-	400,340	-	-	-	-	850	28,319	1,274
8	361.2	Manholes & Cleanouts	3.00%	2.00%	129,190	-	129,190	-	-	-	-	83,241	2,974,876	427,762
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	36,137	1,269,172	186,955
10	363	Servcies to Customers	3.00%	2.00%	213,312	-	213,312	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	7,686	362,841	27,801
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%	3.51%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	54,090	-	54,090	-	14,000	14,000	-	6,788	226,251	37,224
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	34,653	1,175,157	65,573
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	82,615	-	82,615	-	2,406	2,406	-	2,684	89,450	(49,272)
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	26,370	919,096	36,547
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	73,913	-	73,913	-	17,618	17,618	-	3,628	120,925	7,448
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	275,485	9,210,980	1,416,880
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	745	-	745	-	-	-	-	15,000	500,000	22,500
26	390.1	Computers & Software	3.00%	20.00%	1,512	-	1,512	-	-	-	-	67	2,615	95
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	23	1,512	23
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	115	3,844	563
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,363	-	1,363	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	4,103	137,454	(19,895)
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	13,860	-	13,860	-	-	-	-	32	1,068	48
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	1,306	50,467	1,855
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35												-	-	-
36		Sub Total			970,940	-	970,940	-	34,024	34,024	-	504,257	17,353,243	2,172,518
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	64,792
39														
40		TOTAL			970,940	-	970,940	-	34,024	34,024	-	536,652	18,069,965	2,237,310
41														
42		Depreciable Plant											17,277,013	
43		Composite Depreciation Rate											3.1062%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2000 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	76,229	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	6,759	202,986	15,894
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	1,841
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	59,498	2,974,876	487,260
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	25,383	1,269,172	212,338
10	363	Servcies to Customers	3.00%	2.00%	515	-	515	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	7,262	363,356	35,063
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	101,860	-	101,860	-	8,564	8,564	-	8,077	226,251	45,301
17	371.2	Other Pumping Equipment	3.00%	10.00%	6,592	-	6,592	-	-	-	-	122,181	1,268,454	179,190
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	20,717	-	20,717	-	7,216	7,216	-	9,275	96,042	(39,997)
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	92,585	932,598	121,916
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	6.00%	139,747	-	139,747	-	25,869	25,869	-	2,418	120,925	9,867
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	463,396	9,324,858	1,854,407
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	3,752	-	3,752	-	-	-	-	33,350	500,000	55,850
26	390.1	Computers & Software	3.00%	20.00%	2,360	-	2,360	-	-	-	-	300	6,367	395
27	391	Transportation Equipment	3.00%	20.00%	21,500	-	21,500	-	-	-	-	538	3,872	561
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	2,919	25,344	3,482
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,725	-	1,725	1,236	149	1,385	-	13,762	137,795	(7,517)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	643	-	643	-	-	-	-	69	1,711	118
32	396	Communication Equipment	3.00%	10.00%	15,319	-	15,319	-	1,917	1,917	-	5,717	63,869	5,655
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			314,731	-	314,731	1,236	43,715	44,951	-	854,056	17,623,023	2,981,623
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	97,188
39														
40		TOTAL			314,731	-	314,731	1,236	43,715	44,951	-	886,452	18,339,745	3,078,810
41														
42		Depreciable Plant											17,546,794	
43		Composite Depreciation Rate											5.0519%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2001 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	76,229	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	6,759	202,986	22,653
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	1,355	-	1,355	-	-	-	-	566	28,319	2,407
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	59,511	2,976,231	548,771
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	25,383	1,269,172	237,722
10	363	Servcies to Customers	3.00%	2.00%	1,640	-	1,640	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	7,284	364,996	42,347
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,409	-	11,409	-	5,303	5,303	-	8,077	226,251	53,378
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,207	-	11,207	-	495	495	-	127,151	1,274,559	301,037
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	47,141	-	47,141	-	6,651	6,651	-	10,140	106,754	(30,352)
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	95,284	973,087	210,549
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	66,653	-	66,653	-	15,672	15,672	-	2,418	120,925	12,285
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	467,517	9,375,839	2,306,253
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	5,438	-	5,438	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	33,531	505,438	89,381
26	390.1	Computers & Software	3.00%	20.00%	1,691	-	1,691	-	-	-	-	425	6,367	820
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	944	5,564	1,505
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	5,069	25,344	8,550
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,757	-	9,757	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	14,267	147,552	6,750
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	9,560	-	9,560	-	680	680	-	86	1,711	203
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	6,831	72,749	11,806
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35					-	-	-	-	-	-	-	-	-	-
36		Sub Total			165,851	-	165,851	-	28,801	28,801	-	871,244	17,760,073	3,824,066
37												32,396	716,722	129,583
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			165,851	-	165,851	-	28,801	28,801	-	903,640	18,476,795	3,953,649
41														
42		Depreciable Plant											17,683,844	
43		Composite Depreciation Rate											5.1100%	
44														
45		[1] Shaded cells are per Decision No. 62164. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2002 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	-	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	-	230,146	-	-	-	-	61,826	3,206,377	608,597
8	361.2	Manholes & Cleanouts	3.00%	2.00%	134,175	-	134,175	-	-	-	-	26,725	1,403,347	264,447
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	106,678	-	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%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	61,456
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,844	-	11,844	-	1,681	1,681	-	127,964	1,284,722	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	-	16,178	-	8,760	8,760	-	97,680	980,505	299,469
19	374	Reuse Distribution Reservoirs	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,418	120,925	14,704
21	380	Treatment & Disposal Equipment	3.00%	5.00%	84,553	-	84,553	-	19,766	19,766	-	470,412	9,440,626	2,756,899
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	-	287,579	-	-	-	-	43,303	793,016	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	-	1,728	-	-	-	-	1,286	7,292	2,790
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	5,069	25,344	13,619
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	5,634	-	5,634	-	2,853	2,853	-	14,894	150,333	18,791
30	394	Laboratory Equipment	3.00%	10.00%	1,993	-	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	-	1,592	-	3,919	3,919	-	7,159	70,422	15,046
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			883,450	-	883,450	-	36,979	36,979	-	893,813	18,606,544	4,680,900
37														
38		Post-In Service AFUDC		4.62%								32,396	716,722	161,979
39														
40		TOTAL			883,450	-	883,450	-	36,979	36,979	-	926,209	19,323,266	4,842,879
41														
42		Depreciable Plant											18,530,315	
43		Composite Depreciation Rate											4.9983%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2003 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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	3,055	-	6,754	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	-	378,861	-	-	-	-	67,916	3,585,238	676,513
8	361.2	Manholes & Cleanouts	3.00%	2.00%	156,785	-	156,785	-	-	-	-	29,635	1,560,132	294,082
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	89,529	-	89,529	-	-	-	-	10,329	561,202	61,042
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	69,533
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	35,524	-	35,524	-	20,117	20,117	-	129,243	1,300,129	536,446
17	371.2	Other Pumping Equipment	3.00%	10.00%	4,853	-	4,853	-	-	-	-	10,918	111,608	(8,759)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	34,368	-	34,368	-	13,353	13,353	-	99,101	1,001,520	385,217
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,702	-	2,702	-	-	-	-	2,446	123,627	17,149
21	380	Treatment & Disposal Equipment	3.00%	5.00%	78,286	-	78,286	-	16,849	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	793,016	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	-	4,307	-	3,872	3,872	-	1,502	7,727	420
27	391	Transportation Equipment	3.00%	20.00%	13,747	-	13,747	-	-	-	-	6,444	39,091	20,063
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,638	(6,255)	3,384	-	113	113	-	15,197	153,603	33,875
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	-	31,795	-	10,731	10,731	-	8,095	91,487	12,410
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			840,395	(6,255)	834,140	-	68,091	68,091	-	923,393	19,372,594	5,536,202
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	194,375
39														
40		TOTAL			840,395	(6,255)	834,140	-	68,091	68,091	-	955,789	20,089,316	5,730,577
41														
42		Depreciable Plant											19,296,365	
43		Composite Depreciation Rate											4.9532%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2004 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	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	-	10,421	-	-	-	-	71,809	3,595,659	748,322
8	361.2	Manholes & Cleanouts	3.00%	2.00%	6,766	-	6,766	-	-	-	-	31,270	1,566,898	325,352
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	3,435	-	3,435	-	-	-	-	11,258	564,637	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	-	76,413	-	28,063	28,063	-	132,430	1,348,479	640,813
17	371.2	Other Pumping Equipment	3.00%	10.00%	1,251	-	1,251	-	-	-	-	11,223	112,859	2,465
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	24,716	-	24,716	-	9,721	9,721	-	100,902	1,016,515	476,398
19	374	Reuse Distribution Reservlors	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	-	379,961	-	118,948	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	793,016	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	7,727	1,966
27	391	Transportation Equipment	3.00%	20.00%	1,909	-	1,909	-	1,261	1,261	-	7,883	39,739	26,685
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,585	-	1,585	-	1,000	1,000	-	15,390	154,188	48,265
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	-	25,038	-	2,052	2,052	-	10,298	114,473	20,656
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			546,795	-	546,795	-	161,045	161,045	-	947,060	19,758,344	6,322,217
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	226,771
39														
40		TOTAL			546,795	-	546,795	-	161,045	161,045	-	979,456	20,475,066	6,548,988
41														
42		Depreciable Plant											19,666,816	
43		Composite Depreciation Rate											4.9802%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2005 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	-	69,204	-	-	-	-	1,258	97,523	5,365
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	225,293	-	225,293	-	-	-	-	74,166	3,820,952	822,488
8	361.2	Manholes & Cleanouts	3.00%	2.00%	132,296	-	132,296	-	-	-	-	32,661	1,699,194	358,013
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	50,514	-	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%	-	-	-	-	-	-	-	8,077	226,251	85,687
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	75,225	-	75,225	64,361	30,922	95,283	-	133,845	1,328,421	679,375
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,343	-	3,343	-	-	-	-	11,453	116,201	13,918
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	71,431	-	71,431	-	15,449	15,449	-	104,451	1,072,498	565,399
19	374	Reuse Distribution Reservioirs	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	-	427,259	331,845	260,594	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	793,016	291,367
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	2,813	2,813	-	331	3,554	(389)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	1,691	1,691	-	1,376	6,036	1,651
27	391	Transportation Equipment	3.00%	20.00%	5,500	-	5,500	-	-	-	-	8,498	45,239	35,183
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	8,313	-	8,313	-	2,885	2,885	-	15,690	159,616	61,070
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	697
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	545
32	396	Communication Equipment	3.00%	10.00%	5,986	-	5,986	-	3,150	3,150	-	11,589	117,309	29,095
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			1,074,365	-	1,074,365	396,207	317,504	713,711	-	961,572	20,118,998	6,570,078
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	259,167
39														
40		TOTAL			1,074,365	-	1,074,365	396,207	317,504	713,711	-	993,968	20,835,720	6,829,245
41														
42		Depreciable Plant											20,027,470	
43		Composite Depreciation Rate											4.9630%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2006 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
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%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	91,528	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	6,703	201,282	53,242
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	7,315
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	76,419	3,820,952	898,907
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	33,984	1,699,194	391,997
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	12,303	615,152	96,402
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	10,630	-	10,630	-	5,000	5,000	-	8,077	226,251	93,764
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	133,124	1,334,051	807,499
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	58,153	-	58,153	-	18,992	18,992	-	11,620	116,201	25,538
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	109,208	1,111,658	655,615
20	375	Reuse Transmission and Distribution	3.00%	2.00%	3,089	-	3,089	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	72,002	-	72,002	-	10,214	10,214	-	2,503	126,716	24,598
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	481,439	9,659,683	3,939,106
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	344,261
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	237	3,554	(151)
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	1,207	6,036	2,858
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	9,048	45,239	44,231
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,962	159,616	77,031
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	199	1,993	897
32	396	Communication Equipment	3.00%	10.00%	16,537	-	16,537	-	643	643	-	69	1,068	(28)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	12,558	133,847	41,653
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35												-	-	-
36		Sub Total			160,411	-	160,411	-	34,849	34,849	-	969,505	20,244,560	7,504,734
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	291,563
39														
40		TOTAL			160,411	-	160,411	-	34,849	34,849	-	1,001,901	20,961,282	7,796,297
41														
42		Depreciable Plant											20,153,032	
43		Composite Depreciation Rate											4.9715%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2007 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	91,528	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	6,703	201,282	59,945
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	9,266
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	76,419	3,820,952	975,326
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	33,984	1,699,194	425,981
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	12,303	615,152	108,705
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,215	-	29,215	-	14,835	14,835	-	8,077	226,251	101,841
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,170	-	11,170	-	29,789	29,789	-	134,124	1,348,431	926,788
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,213	-	21,213	-	7,228	7,228	-	10,689	97,582	6,438
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	111,865	1,125,644	760,252
20	375	Reuse Transmission and Distribution	3.00%	2.00%	5,414	-	5,414	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	33,470	-	33,470	-	3,675	3,675	-	2,588	132,129	27,186
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	483,729	9,689,478	4,419,160
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	397,156
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	237	3,554	86
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	1,207	6,036	4,065
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	1,909	1,909	-	1,619	43,330	43,940
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,574	-	2,574	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	951	951	-	16,043	161,239	92,123
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	199	1,993	1,096
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	53	1,068	25
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	13,427	13,427	-	12,713	120,420	40,939
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35					-	-	-	-	-	-	-	-	-	-
36		Sub Total			103,057	-	103,057	-	71,814	71,814	-	967,398	20,275,803	8,400,318
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	323,958
39														
40		TOTAL			103,057	-	103,057	-	71,814	71,814	-	999,794	20,992,525	8,724,276
41														
42		Depreciable Plant											20,184,275	
43		Composite Depreciation Rate											4.9533%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	49,150	-	49,150	-	-	-	-	-	91,528	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	7,521	250,433	67,466
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	33,561	-	33,561	-	-	-	-	1,950	97,523	11,216
8	361.2	Manholes & Cleanouts	3.00%	2.00%	15,412	-	15,412	-	-	-	-	76,755	3,854,512	1,052,081
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	34,138	1,714,606	460,119
10	363	Servcies to Customers	3.00%	2.00%	17,097	-	17,097	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	12,474	632,249	121,179
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%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,252	-	29,252	-	11,030	11,030	-	8,077	226,251	109,919
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,616	-	3,616	-	-	-	-	135,754	1,366,653	1,051,513
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	262,374	-	262,374	-	890	890	-	9,939	101,198	16,377
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	125,639	1,387,128	885,001
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,055	-	2,055	-	-	-	-	-	-	-
21	380	Treatment & Disposal Equipment	3.00%	5.00%	170,263	-	170,263	-	79,777	79,777	-	2,663	134,184	29,850
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	486,736	9,779,964	4,826,119
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	179,493	-	179,493	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	58,880	972,509	456,036
26	390.1	Computers & Software	3.00%	20.00%	982	-	982	-	-	-	-	237	3,554	323
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	21,500	-	21,500	1,500	1,305	7,018	5,371
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	(2,110)	21,830	21,830
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	1,463	5,000	6,463	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,801	154,777	101,461
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	1,068	1,068	-	199	1,993	1,295
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	6,706	6,706	-	27	0	(1,016)
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	11,707	113,714	45,940
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35					-	-	-	-	-	-	-	-	-	-
36		Sub Total			763,255	-	763,255	22,963	104,471	127,434	1,500	987,693	20,911,624	9,262,076
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	356,354
39														
40		TOTAL			763,255	-	763,255	22,963	104,471	127,434	1,500	1,020,088	21,628,346	9,618,431
41														
42		Depreciable Plant											20,820,096	
43		Composite Depreciation Rate											4.8995%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.19
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	250,433	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	1,129,171
8	361.2	Manholes & Cleanouts	3.00%	2.00%	3,765	-	3,765	-	-	-	-	34,330	1,718,371	494,448
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies 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	-	211,774	-	90,630	90,630	-	142,723	1,487,797	1,103,605
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	10,120	101,198	26,496
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,325	-	21,325	-	14,635	14,635	-	139,047	1,393,818	1,009,413
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,684	134,184	32,533
21	380	Treatment & Disposal Equipment	3.00%	5.00%	102,914	-	102,914	-	57,810	57,810	-	490,126	9,825,068	5,258,434
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	972,509	520,902
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	560
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,404	7,018	6,774
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,478	154,777	116,939
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,495
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	5,115	-	5,115	-	-	-	-	11,627	118,828	57,567
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			344,894	-	344,894	-	163,075	163,075	-	1,020,942	21,093,442	10,119,943
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	388,750
39														
40		TOTAL			344,894	-	344,894	-	163,075	163,075	-	1,053,338	21,810,164	10,508,693
41														
42		Depreciable Plant											21,001,914	
43		Composite Depreciation Rate											5.0154%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.20
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2010 Plant Additions (Per Books)	Plant Adjustments	Rate Case Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization 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	250,433	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	1,206,261
8	361.2	Manholes & Cleanouts	3.00%	2.00%	73,351	-		73,351	-	-	-	-	35,101	1,791,722	529,549
9	362	Special Collecting Structures	3.00%	2.00%	-	-		-	-	-	-	-	-	-	-
10	363	Servcies 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	-	9,179	74,501	-	31,480	31,480	-	150,931	1,530,818	1,223,056
17	371.2	Other Pumping Equipment	3.00%	10.00%	2,243	-		2,243	-	-	-	-	10,232	103,441	36,728
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	52,091	-		52,091	-	20,374	20,374	-	140,968	1,425,535	1,130,007
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-		-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-		-	-	-	-	-	2,684	134,184	35,217
21	380	Treatment & Disposal Equipment	3.00%	5.00%	80,127	-	13,212	93,339	-	21,123	21,123	-	493,059	9,897,283	5,730,370
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	972,509	585,769
25	390	Office Furniture & Equipment	3.00%	6.67%	2,975	-		2,975	-	-	-	-	336	6,529	896
26	390.1	Computers & Software	3.00%	20.00%	3,867	-		3,867	-	-	-	-	1,790	10,884	8,564
27	391	Transportation Equipment	3.00%	20.00%	-	-		-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-		-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-		-	-	-	-	-	15,478	154,777	132,416
30	394	Laboratory Equipment	3.00%	10.00%	-	-		-	-	-	-	-	199	1,993	1,694
31	395	Power Operated Equipment	3.00%	5.00%	-	-		-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	-	-		-	-	-	-	-	11,883	118,828	69,450
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-		-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-		-	-	-	-	-	-	-	-
35															
36		Sub Total			279,976	-	22,391	302,367	-	72,977	72,977	-	1,035,629	21,322,832	11,082,595
37															
38		Post-In Service AFUDC		4.52%									32,396	716,722	421,146
39															
40		TOTAL			279,976	-	22,391	302,367	-	72,977	72,977	-	1,068,025	22,039,554	11,503,741
41															
42		Depreciable Plant												21,231,304	
43		Composite Depreciation Rate												5.0304%	
44															
45		[1] Shaded cells are per Decision No. 62184. Other cells per Sta													
46															

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Direct Adjusted Accum. Depr.	A Depr. Related to Capitalized Expenses	B Prior Case Adjustments	Adjustments C Difference to Computed Balance	D Intentionally Left Blank	E Intentionally Left Blank	Rebuttal Adjusted Accum. Depr.
1	351	Organization Cost	-			-			-
2	352	Franchise Cost	-			-			-
3	353	Land and Land Rights	-			-			-
4	354	Structures & Improvements	84,144			-			84,144
5	355	Power Generation Equipment	-			-			-
6	360	Collection Sewers - Force	15,117			-			15,117
7	361.1	Collection Sewers - Gravity	1,206,261			-			1,206,261
8	361.2	Manholes & Cleanouts	529,549			-			529,549
9	362	Special Collecting Structures	-			-			-
10	363	Servcies to Customers	146,469			-			146,469
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	126,073			-			126,073
16	371.1	Pumping Equipment - Lift Stations	1,250,667	459	(28,070)	(0)			1,223,056
17	371.2	Other Pumping Equipment	36,728			-			36,728
18	371.3	Pumping Equipment - Recharge Wells	1,142,980		(12,973)	-			1,130,007
19	374	Reuse Distribution Reserviors	-			-			-
20	375	Reuse Transmission and Distribution	36,340		(1,123)	-			35,217
21	380	Treatment & Disposal Equipment	5,730,039	330		-			5,730,370
22	381	Plant Sewers	-			-			-
23	382	Outfall Sewer Lines	-			-			-
24	389	Other Plant & Misc Equipment	585,769			-			585,769
25	390	Office Furniture & Equipment	896			-			896
26	390.1	Computers & Software	8,564			-			8,564
27	391	Transportation Equipment	21,830			-			21,830
28	392	Stores Equipment	-			-			-
29	393	Tools, Shop & Garage Equipment	134,132		(1,715)	(0)			132,416
30	394	Laboratory Equipment	1,694			-			1,694
31	395	Power Operated Equipment	(1,016)			-			(1,016)
32	396	Communication Equipment	69,450			-			69,450
33	397	Miscellaneous Equipment	-			-			-
34	398	Other Tangible Plant	-			-			-
35		Post-in-service AFUDC	421,146			-			421,146
36		TOTALS	$ 11,546,833	$ 789	$ (43,881)	$ (0)	$ -	$ -	$ 11,503,741
37		Accumulated Depreciation per Direct							$ 11,546,833
38		Increase (decrease) in Accumulated Depreciation							$ (43,092)
39		Adjustment to Accumulated Depreciation							$ (43,092)
40		SUPPORTING SCHEDULES							
41		B-2, pages 4.1 and 4.2							
42		B-2, pages 3.3 to 3.20							

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - A
Depreciation Related to Capitalized Expenses

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.	Plant Acct	Description	Amount	Depr Rate	Years	Depreciation
1	371.1	Pumping Equipment - Lift Station	$ 9,179	10.00%	0.5	$ 459
2	380	Treatment & Disposal Equipment	13,212	5.00%	0.5	330
3					0.5	-
4						
5		Total				$ 789
6						
7						
8	Increase in Accumulated Depreciation					$ 789
9						
10						
11						
12						
13						
14						
15						
16	Reference/Supporting Schedule					
17	RUCO Rate Base Adjustment No. 3, Schedule TJC-6					
18						
19						
20						
21						
22						
23						
24						
25						

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 2 - B
Prior Rate Case Plant

Exhibit
Rejoinder Schedule B-2
Page 4.2
Witness: Bourassa

Line No.	Plant Acct	Description		Amount
1	371.1	Pumping Equipment - Lift Stations	$	(28,400)
2	371.3	Pumping Equipment - Recharge Wells		(12,973)
3	375	Reuse Transmission and Distribution		(1,123)
4	393	Tools, Shop & Garage Equipment		(1,423)
5				
6		Total	$	(43,920)
7				
8				
9	Increase in Plant-in-Service		$	(43,920)
10				
11				
12				
13				
14				
15				
16				
17	Reference/Supporting Schedule			
18	RUCO Rate Base Adjustment No. 1, Schedule TJC-3			
19				
20				
21				
22				
23				
24				
25				
26				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
B-2 Adjustment 3
Reclassify AIAC to CIAC

Exhibit
Rejoinder Schedule B-2
Page 5
Witness: Bourassa

Line No.		
1	Advances-in-aid of Construction related to bankrupt developer	$ 285,313
2	Unrefunded AIAC related to bankrupt developer	58,099
3		
4	Total	$ 343,412
5		
6		
7	Increase (Decrease) in AIAC	$ (285,313)
8		
9		
10	Increase (Decrease) in CIAC	$ 343,412
11		
12		
13		
14		
15	Reference/Supporting Schedule	
16	RUCO Rate Base Adjustment No. 2, Schedule TJC-5	
17		
18		
19		
20		
21		
22		
23		
24		

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	145,812
3	Pumping Power (1/24 of Pumping Power)		5,597
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	$	151,409
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	2,579,413
19	Less:		
20	Income Tax	$	140,153
21	Property Tax		124,635
22	Depreciation		1,013,793
23	Purchased Water		-
24	Pumping Power		134,337
25	Allowable Expenses	$	1,166,495
26	1/8 of allowable expenses	$	145,812
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
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39			
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Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Flat Rate Revenues	$ 2,997,389	$ -	$ 2,997,389	$ 416,275	$ 3,413,664
3	Metered Revenues	93,356	-	93,356		93,356
4	Other Revenues	6,030	-	6,030		6,030
5		$ 3,096,775	$ -	$ 3,096,775	$ 416,275	$ 3,513,050
6	**Operating Expenses**					
7	Salaries and Wages	$ 345,644	-	$ 345,644		$ 345,644
8	Salaries and Wages - Off. and Dir.	90,294	(50,096)	40,198		40,198
9	Employee Pensions and Benefits	115,720	(1,040)	114,680		114,680
10	Purchased Power	134,337	-	134,337		134,337
11	Chemicals	84,059	-	84,059		84,059
12	Materials and Supplies	184,532	(22,391)	162,141		162,141
13	Office Supplies and Expense	188,906	(460)	188,446		188,446
14	Contractual Services - Engineering	20,305	(19,524)	781		781
15	Contractual Services - Accounting	3,067	-	3,067		3,067
16	Contractual Services - Legal	108	-	108		108
17	Contractual Services - Other	61,500	(7,138)	54,362		54,362
18	Contractual Services - Water Testing	15,729	12,157	27,886		27,886
19	Rents - Equipment	698	-	698		698
20	Transportation Expenses	28,808	-	28,808		28,808
21	Insurance - Vehicle	3,067	-	3,067		3,067
22	Insurance - General Liability	20,916	-	20,916		20,916
23	Insurance - Worker's Comp	222	-	222		222
24	Reg. Comm. Exp.	-	-	-		-
25	Reg. Comm. Exp. - Rate Case	50,000	(50,000)	-		-
26	Bad Debt Expense	9,509	-	9,509		9,509
27	Miscellaneous Expense	2,174	6,354	8,528		8,528
28	Depreciation Expense	1,010,700	3,093	1,013,793		1,013,793
29	Amortization of Deferred Operating Costs	62,925	-	62,925		62,925
30	Taxes Other Than Income	10,449	-	10,449		10,449
31	Property Taxes	125,916	(1,281)	124,635	5,581	130,216
32	Income Tax	85,405	54,748	140,153	112,917	253,070
33			-	-		-
34	**Total Operating Expenses**	$ 2,654,991	$ (75,578)	$ 2,579,413	$ 118,498	$ 2,697,911
35	**Operating Income**	$ 441,784	$ 75,578	$ 517,362	$ 297,777	$ 815,139
36	**Other Income (Expense)**					
37	Interest Income	97	-	97		97
38	Other income	52	-	52		52
39	Interest Expense	(220,131)	72,370	(147,762)		(147,762)
40	Other Expense	(1,639)	-	(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets	-	-	-		-
42	**Total Other Income (Expense)**	$ (221,621)	$ 72,370	$ (149,251)	$ -	$ (149,251)
43	**Net Profit (Loss)**	$ 220,163	$ 147,948	$ 368,111	$ 297,777	$ 665,888
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.1
Witness: Bourassa

Line No.	LABEL>>>>>	Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Salaries & Wages	5 Office Supplies and Expense	6 Materials and Supplies	7 Contractual Services - Engineering	8 Contractual Services - Testing	9 Contractual Services - Other
1	**Revenues**										
2	Flat Rate Revenues	$ 2,997,389									
3	Metered Revenues	93,356									
4	Other Revenues	6,030									
5		$ 3,096,775	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	**Operating Expenses**										
7	Salaries and Wages	$ 345,644									
8	Salaries and Wages - Off. and Dir.	90,294									
9	Employee Pensions and Benefits	115,720				(50,096)					
10	Purchased Power	134,337				(1,040)					
11	Chemicals	84,059									
12	Materials and Supplies	184,532									
13	Office Supplies and Expense	188,906						(22,391)			
14	Contractual Services - Engineering	20,305					(460)				
15	Contractual Services - Accounting	3,067							(19,524)		
16	Contractual Services - Legal	108									
17	Contractual Services - Other	61,500									
18	Contr. Services - Water Testing	15,729									
19	Rents - Equipment	698									(7,138)
20	Transportation Expenses	28,808								12,157	
21	Insurance - Vehicle	3,067									
22	Insurance - General Liability	20,916									
23	Insurance - Worker's Comp	222									
24	Reg. Comm. Exp.	-									
25	Reg. Comm. Exp. - Rate Case	50,000			(50,000)						
26	Bad Debt Expense	9,509									
27	Miscellaneous Expense	2,174									
28	Depreciation Expense	1,010,700	3,093								
29	Amortization of Deferred Op. Costs	62,925									
30	Taxes Other Than Income	10,449									
31	Property Taxes	125,916		(1,281)							
32	Income Tax	85,405									
33											
34	**Total Operating Expenses**	$ 2,654,991	$ 3,093	$ (1,281)	$ (50,000)	$ (51,136)	$ (460)	$ (22,391)	$ (19,524)	$ 12,157	$ (7,138)
35	**Operating Income**	$ 441,784	$ (3,093)	$ 1,281	$ 50,000	$ 51,136	$ 460	$ 22,391	$ 19,524	$ (12,157)	$ 7,138
36	**Other Income (Expense)**										
37	Interest Income	97									
38	Other Income	52									
39	Interest Expense	(220,131)									
40	Other Expense	(1,639)									
41	Gain/Loss Sale of Fixed Assets	-									
42	**Total Other Income (Expense)**	$ (221,621)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	**Net Profit (Loss)**	$ 220,163	$ (3,093)	$ 1,281	$ 50,000	$ 51,136	$ 460	$ 22,391	$ 19,524	$ (12,157)	$ 7,138
44											
45	SUPPORTING SCHEDULES:										
46	C-2										
47	E-2										

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 2.2
Witness: Bourassa

Line No.		10 Bank Fees	11 Intentionally Left Blank	12 Intentionally Left Blank	13 Intentionally Left Blank	14 Intentionally Left Blank	15 Intentionally Left Blank	16 Interest Syncrhronization	17 Income tax	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	***Revenues***											
2	Flat Rate Revenues									$ 2,997,389	$ 416,275	$ 3,413,664
3	Metered Revenues									93,356		93,356
4	Other Revenues									6,030		6,030
5												
6	***Operating Expenses***	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,096,775	$ 416,275	$ 3,513,050
7	Salaries and Wages									$ 345,644		$ 345,644
8	Salaries and Wages - Off. and Dir.									40,198		40,198
9	Employee Pensions and Benefits									114,680		114,680
10	Purchased Power									134,337		134,337
11	Chemicals									84,059		84,059
12	Materials and Supplies									162,141		162,141
13	Office Supplies and Expense									188,446		188,446
14	Contractual Services - Engineering									781		781
15	Contractual Services - Accounting									3,067		3,067
16	Contractual Services - Legal									108		108
17	Contractual Services - Other									54,362		54,362
18	Contr. Services - Water Testing									27,886		27,886
19	Rents - Equipment									698		698
20	Transportation Expenses									28,808		28,808
21	Insurance - Vehicle									3,067		3,067
22	Insurance - General Liability									20,916		20,916
23	Insurance - Worker's Comp									222		222
24	Reg. Comm. Exp.									-		-
25	Reg. Comm. Exp. - Rate Case									-		-
26	Bad Debt Expense									9,509		9,509
27	Miscellaneous Expense									8,528		8,528
28	Depreciation Expense	6,354								1,013,793		1,013,793
29	Amortization of Deferred Op. Costs									62,925		62,925
30	Taxes Other Than Income									10,449		10,449
31	Property Taxes								54,748	124,635	5,581	130,216
32	Income Tax									140,153	112,917	253,070
33												
34	**Total Operating Expenses**	$ 6,354	$ -	$ -	$ -	$ -	$ -	$ -	$ 54,748	$ 2,579,413	$ 118,498	$ 2,697,911
35	**Operating Income**	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ -	$ (54,748)	$ 517,362	$ 297,777	$ 815,139
36	**Other Income (Expense)**											
37	Interest Income									97		97
38	Other Income							72,370		52		52
39	Interest Expense									(147,762)		(147,762)
40	Other Expense									(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets									-		-
42	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,370	$ -	$ (149,251)	$ -	$ (149,251)
43	**Net Profit (Loss)**	$ (6,354)	$ -	$ -	$ -	$ -	$ -	$ 72,370	$ (54,748)	$ 368,111	$ 297,777	$ 665,888
44												
45	SUPPORTING SCHEDULES:											
46	C-2											
47	E-2											

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Adjustments to Revenues and Expenses

Line No.		1	2	3	4	5	6	Subtotal
		Depreciation Expense	Property Taxes	Rate Case Expense	Salaries & Wages	Office Supplies and Expense	Materials and Supplies	
4	Revenues							-
6	Expenses	3,093	(1,281)	(50,000)	(51,136)	(460)	(22,391)	(122,175)
9	Operating Income	(3,093)	1,281	50,000	51,136	460	22,391	122,175
12	Interest Expense							-
15	Other Income / Expense							-
17	Net Income	(3,093)	1,281	50,000	51,136	460	22,391	122,175

Adjustments to Revenues and Expenses

Line No.		7	8	9	10	11	12	Subtotal
		Contractual Services - Engineering	Contractual Services - Testing	Contractual Services - Other	Bank Fees	Intentionally Left Blank	Intentionally Left Blank	
25	Revenues							-
27	Expenses	(19,524)	12,157	(7,138)	6,354	-	-	(130,326)
30	Operating Income	19,524	(12,157)	7,138	(6,354)	-	-	130,326
33	Interest Expense			-				-
36	Other Income / Expense							-
38	Net Income	19,524	(12,157)	7,138	(6,354)	-	-	130,326

Adjustments to Revenues and Expenses

Line No.		13	14	15	16	17	18	Total
		Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Interest Syncrhronization	Income tax	Intentionally Left Blank	
46	Revenues							-
48	Expenses					54,748		(75,578)
51	Operating Income	-	-	-	-	(54,748)	-	75,578
54	Interest Expense				72,370			72,370
57	Other Income / Expense							-
59	Net Income	-	-	-	72,370	(54,748)	-	147,948

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Cost	Proposed Rates	Depreciation Expense
5	351	Organization Cost	-	0.00%	-
6	352	Franchise Cost	-	0.00%	-
7	353	Land and Land Rights	91,528	0.00%	-
8	354	Structures & Improvements	250,433	3.33%	8,339
9	355	Power Generation Equipment	-	5.00%	-
10	360	Collection Sewers - Force	97,523	2.00%	1,950
11	361.1	Collection Sewers - Gravity	3,854,512	2.00%	77,090
12	361.2	Manholes & Cleanouts	1,791,722	2.00%	35,834
13	362	Special Collecting Structures	-	2.00%	-
14	363	Servcies to Customers	632,249	2.00%	12,645
15	364	Flow Measuring Devices	-	10.00%	-
16	365	Flow Measuring Installations	-	10.00%	-
17	366	Reuse Services	-	2.00%	-
18	367	Reuse Meters and Meter Installations	-	8.33%	-
19	370	Receiving Wells	226,251	3.57%	8,077
20	371.1	Pumping Equipment - Lift Stations	1,530,818	10.00%	153,082
21	371.2	Other Pumping Equipment	103,441	10.00%	10,344
22	371.3	Pumping Equipment - Recharge Wells	1,425,535	10.00%	142,554
23	374	Reuse Distribution Reserviors	-	2.50%	-
24	375	Reuse Transmission and Distribution	134,184	2.00%	2,684
25	380	Treatment & Disposal Equipment	9,897,283	5.00%	494,864
26	381	Plant Sewers	-	5.00%	-
27	382	Outfall Sewer Lines	-	3.33%	-
28	389	Other Plant & Misc Equipment	972,509	6.67%	64,866
29	390	Office Furniture & Equipment	6,529	6.67%	435
30	390.1	Computers & Software	10,884	20.00%	2,177
31	391	Transportation Equipment	21,830	20.00%	-
32	392	Stores Equipment	-	4.00%	-
33	393	Tools, Shop & Garage Equipment	154,777	10.00%	15,478
34	394	Laboratory Equipment	1,993	10.00%	199
35	395	Power Operated Equipment	0	5.00%	0
36	396	Communication Equipment	118,828	10.00%	11,883
37	397	Miscellaneous Equipment	-	10.00%	-
38	398	Other Tangible Plant	-	10.00%	-
39		Post-in-service AFUDC	716,722	4.52%	32,396
41		TOTALS	$ 22,039,554		$ 1,074,898

	Gross CIAC	Amort. Rate	
44 Less: Amortization of Contributions	$ 1,281,106	4.7698%	$ (61,106)
45 Total Depreciation Expense			$ 1,013,793
47 Adjusted Test Year Depreciation Expense			1,010,700
49 Increase (decrease) in Depreciation Expense			3,093
51 Adjustment to Revenues and/or Expenses			$ 3,093

53 SUPPORTING SCHEDULE
54 B-2, page 3

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Rejoinder Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 3,096,775	$ 3,096,775
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	6,193,550	6,193,550
4	Company Recommended Revenue	3,096,775	3,513,050
5	Subtotal (Line 4 + Line 5)	9,290,325	9,706,600
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,096,775	3,235,533
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	6,193,550	6,471,066
10	Plus: 10% of CWIP - 2010	3,971	3,971
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	6,197,521	6,475,038
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,239,504	1,295,008
15	Composite Property Tax Rate - Obtained from ADOR	10.0552%	10.0552%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 124,635	$ 130,216
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	$ 124,635	
19	Test Year Property Taxes	$ 125,916	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (1,281)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 130,216
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 124,635
24	Increase in Property Tax Due to Increase in Revenue Requiremenl		**$ 5,581**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 5,581
27	Increase in Revenue Requirement		$ 416,275
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.34070%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

No.			
1			
2			
3			
4			
5			
6			
7	Annual Rate Case Expense per Direct	$	50,000
8			
9	Amount to include in operating expenses	$	-
10			
11			
12	Increase(decrease) Rate Case Expense	$	(50,000)
13			
14	Adjustment to Revenue and/or Expense	$	(50,000)
15			
16			
17			
18			
19	REFERENCE		
20	See Testimony		
21			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Salaries and Wages - Offices and Directors

Line No.			
1			
2	Proposed Salaries and Wages for Officers and Directors		$ 40,198
3			
4	Test Year Salaries and Wages - Officers and Directors		$ 90,294
5			
6	Increase (decrease) in Salaries and Wages - Officers and Directors		$ (50,096)
7			
8			
9	Proposed Payroll Burden		
10	Proposed Salaries and Wages	$ 40,198	
11	Burden Rate	2.085440%	
12	Proposed Payroll Burden		$ 838
13			
14	Test Year Payroll Burden		1,878
15			
16	Increase (decrease) in Employee Pensions and Benefits		$ (1,040)
17			
18			
19			
20			
21	Adjustment to Revenue and/or Expense		$ (51,136)
22			
23			
24			
25	REFERENCE		
26	See Testimony		
27			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Office Supplies and Expense

Line No.			
1			
2			
3			
4	Remove coffee service expense	$	460
5			
6			
7			
8	Increase (decrease) in Office Supplies and Expense	$	(460)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(460)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 4, Schedule CSB-12		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Materials and Supplies Expense

Line No.			
1			
2			
3	Remove capitalized expenses from Material and Supplies expense	$	22,391
4			
5	Total	$	22,391
6			
7			
8	Increase (decrease) in Materials and Supplies	$	(22,391)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(22,391)
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	Staff Adjustment No. 3, Schedule CSB-11		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Contractual Services - Engineering

Line No.			
1			
2	Remove capitalized expenses from Contractual Services - Eng.	$	19,524
3			
4			
5			
6			
7	Increase (decrease) in Contractual Services - Eng.	$	(19,524)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(19,524)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 5, Schedule CSB-13		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Contractual Services - Testing

Line No.			
1			
2	Staff Recommended Testing Expenses	$	27,886
3			
4	Test Year Testing Expenses	$	15,729
5			
6	Increase (decrease) in Testing Expense	$	12,157
7			
8			
9		$	12,157
10			
11			
12			
13			
14			
15			
16	REFERENCE/SUPPORTING SCHEDULES		
17	Staff Adjustment No. 7, Schedule CSB-15		
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Rejoinder Schedule C-2
Page 10
Witness: Bourassa

Contractual Services - Other

Line No.			
1			
2	IDA Bond Fees	$	6,700
3	Bonuses		438
4	Total		7,138
5			
6			
7	Increase (decrease) in Contractual Services - Other	$	(7,138)
8			
9			
10	Adjustment to Revenue and/or Expense	$	(7,138)
11			
12	REFERENCE/SUPPORTING SCHEDULES		
13	Staff Adjustment No. 6, Schedule CSB-14		
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Miscellaneous Expense

Line No.			
1			
2			
3			
4	Bank fees recorded on Water Division's books	$	6,354
5			
6			
7			
8	Increase (decrease) in Miscellaneous Expense	$	6,354
9			
10			
11	Adjustment to Revenue and/or Expense	$	6,354
12			
13	REFERENCE/SUPPORTING SCHEDULES		
14	RUCO Adjustment No. 6, Schedule TJC-14		
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 16

Exhibit
Rejoinder Schedule C-2
Page 12
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,832,800	
5	Weighted Cost of Debt	1.50%	
6	Interest Expense		$ 147,762
7			
8	Test Year Interest Expense		$ 220,131
9			
10	Increase (decrease) in Interest Expense		(72,370)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 72,370
15			
16			
17	Weighted Cost of Debt Computation		

18					Weighted
19		Amount	Percent	Cost	Cost
20	Debt	$ 8,370,000	35.36%	4.25%	1.50%
21	Equity	$ 15,301,736	64.64%	10.50%	6.79%
22	Total	$ 23,671,736	100.00%		8.29%

23
24
25
26
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Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 17

Exhibit
Rejoinder Schedule C-2
Page 13
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 3,096,775	$ 3,513,050
7	Operating Expenses Excluding Income Taxes		2,439,260	2,444,841
8	Synchronized Interest		147,762	147,762
9				
10	Income Before Taxes		$ 509,753	$ 920,447
11				
12	Arizona Income Before Taxes		$ 509,753	$ 920,447
13				
14	Less: Effective Arizona Income Tax		$ 22,550	$ 40,718
15	Rate =	4.42% [1]		
16				
17				
18				
19				
20	Federal Income Before Taxes		$ 509,753	$ 920,447
21				
22	Less Arizona Income Taxes		$ 22,550	$ 40,718
23				
24	Federal Taxable Income		$ 487,203	$ 879,730
25				
26				
27				
28	FEDERAL INCOME TAXES:			
29	Effective Federal Tax Rate	24.14% [1]	$ 117,603	$ 212,352
30				
31				
32				
33				
34				
35	Federal Income Taxes		$ 117,603	$ 212,352
36				
37				
38	Total Income Tax		$ 140,153	$ 253,070
39				
40	Overall Tax Rate		27.49%	27.49%
41				
42	Income Tax		$ 140,153	$ 253,070
43	Adjusted Test Year Income tax Expense		85,405	140,153
44	Adjustment to Income Tax Expense		$ 54,748	$ 112,917
45				
46				
47	[1] See work papers/testimony			
48				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.4942%
2		
3	Property Taxes	0.9721%
4		
5		
6	Total Tax Percentage	28.4663%
7		
8	Operating Income % = 100% - Tax Percentage	71.5337%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.3979
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
30		
31		
32		
33		
34		
35		
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40		

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.4663%					
5	Subtotal (L3 - L4)	71.5337%					
6	**Revenue Conversion Factor (L1 / L5)**	1.397942					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	27.4942%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.5058%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.4237%					
14	Federal Taxable Income (L12 - L13)	95.5763%					
15	Applicable Federal Income Tax Rate (Line 54)	24.1383%					
16	Effective Federal Income Tax Rate (L14 x L15)	23.0705%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.4942%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.4942%					
20	One Minus Combined Income Tax Rate (L18-L19)	72.5058%					
21	Property Tax Factor	1.3407%					
22	Effective Property Tax Factor (L20*L21)		0.9721%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22			28.4663%			
24	Required Operating Income	$ 815,139					
25	AdjustedTest Year Operating Income (Loss)	$ 517,362					
26	Required Increase in Operating Income (L24 - L25)		$ 297,777				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 253,070					
28	Income Taxes on Test Year Revenue (Col. (F), L52)	$ 140,153					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 112,917				
30	Recommended Revenue Requirement	$ 3,513,050					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 130,216					
36	Property Tax on Test Year Revenue	$ 124,635					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 5,581				
38	Total Required Increase in Revenue (L26 + L29 + L37		$ 416,275				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total	Pima UtilityCompany - Wastewater Division		Total	Pima UtilityCompany - Wastewater Division	
	Calculation of Income Tax:						
39	Revenue	$ 3,096,775	$ 3,096,775		$ 3,513,050	$ 3,513,050	
40	Operating Expenses Excluding Income Taxes	$ 2,439,260	$ 2,439,260		$ 2,444,841	$ 2,444,841	
41	Synchronized Interest (L58)	$ 147,762	$ 147,762	$ -	$ 147,762	$ 147,762	
42	Arizona Taxable Income (L39 - L40 - L41)	$ 509,753	$ 509,753	$ -	$ 920,448	$ 920,448	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%	4.4237%
44	Arizona Income Tax (L42 x L43)	$ 22,550	$ 22,550	$ -	$ 40,718	$ 40,718	$ -
45	Federal Taxable Income (L42 - L44)	$ 487,203	$ 487,203	$ -	$ 879,731	$ 879,731	$ -
46	Effective Tax Rate (see work papers)	24.1383%	24.1383%		24.1383%	24.1383%	
47	Federal Income Tax (L45 x L46)	$ 117,603	$ 117,603	$ -	$ 212,352	$ 212,352	$ -
48							
49							
50							
51	Total Federal Income Tax	$ 117,603	$ 117,603	$ -	$ 212,352	$ 212,352	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 140,153	$ 140,153	$ -	$ 253,070	$ 253,070	$ -

53 COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45
54 WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45
55 24.1383%

	Calculation of Interest Synchronization:		
56	Rate Base	$ 9,832,800	N/A $ -
57	Weighted Average Cost of Debt	1.5027%	0.0000%
58	Synchronized Interest (L56 x L57)	$ 147,762	$ -

Pima Utility Company - Wastewater Division
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons Treated
1	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,044,035	$ 385,489	14.50%	85.85%	86.65%		
2	1 Inch	Residential	145,477	166,571	21,094	14.50%	4.70%	4.74%		
3										
4	5/8x3/4 Inch	Commercial	$ 6,410	$ 7,339	$ 929	14.50%	0.21%	0.21%		
5	3/4 Inch	Commercial	1,272	1,456	184	14.50%	0.04%	0.04%		
6	1 Inch	Commercial	16,909	19,361	2,452	14.50%	0.55%	0.55%		
7	1 1/2 Inch	Commercial	12,672	14,509	1,837	14.50%	0.41%	0.41%		
8	2 Inch	Commercial	115,770	132,557	16,787	14.50%	3.74%	3.77%		
9										
10	Effluent 1		44,582	40,870	(3,712)	-8.33%	1.44%	1.16%		
11	Effluent 2		76,930	69,037	(7,894)	-10.26%	2.48%	1.97%		
12										
13	**Subtotals of Revenues**		$ 3,078,568	$ 3,495,736	$ 417,168	13.55%	99.41%	99.51%		
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (1,046)	$ (1,197)	$ (152)	14.50%	-0.03%	-0.03%	(46)	(138,000)
16	1 Inch	Residential	1,899	2,174	275	14.50%	0.06%	0.06%	32	96,000
17										
18	5/8x3/4 Inch	Commercial	$ 136	$ 156	$ 20	14.50%	0.00%	0.00%	6	18,000
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	(1,246)	(1,427)	(181)	14.50%	-0.04%	-0.04%	(21)	(63,000)
21	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	-	-
22	2 Inch	Commercial	1,124	1,287	163	14.50%	0.04%	0.04%	6	18,000
23										
24	Effluent - water sales recovered effluent		12,496	10,988	(1,508)	-12.07%	0.40%	0.31%	12	
25										
26										
27	**Subtotal Revenue Annualization**		13,363	11,981	(1,382)	-10.34%	0.43%	0.39%	(11)	(69,000)
28										
29	**Total Revenues w/ Annualization**		$ 3,091,931	$ 3,507,716	$ 415,785	13.45%	99.84%	99.85%		
30	**Misc Revenues**		6,030	6,030	-	0.00%	0.19%	0.17%		
31	**Reconciling Amount**		(1,186)	(696)	489	-41.23%	-0.04%	-0.02%		
32	**Total Revenues**		$ 3,096,775	$ 3,513,050	$ 416,274	13.44%	100.00%	100.00%		
33										
34										

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 26.03	$ 3.30	14.50%	96.85%
2	1 Inch	Residential	204	-	59.33	67.93	8.60	14.50%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 26.03	$ 3.30	14.50%	0.23%
5	3/4 Inch	Commercial	3	-	35.33	40.45	5.12	14.50%	0.03%
6	1 Inch	Commercial	24	-	59.33	67.93	8.60	14.50%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	134.34	17.01	14.50%	0.09%
8	2 Inch	Commercial	52	-	187.33	214.49	27.16	14.50%	0.51%
9									
10	Irrigation		2	4,059,941	$ 2,476.77	$ 2,270.57	$ (206.20)	-8.33%	0.01%
11									
12									
13									
14									
15									
16									
17									
18	Totals								
19			10,063						100.00%
20	Actual Year End Number								
21	of Customers:								
22			10,058						
23									
24									
25									

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 26.03	$ 3.30	14.50%	96.85%
2	1 Inch	Residential	204	-	59.33	67.93	8.60	14.50%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 26.03	$ 3.30	14.50%	0.23%
5	3/4 Inch	Commercial	3	-	$ 35.33	$ 40.45	5.12	14.50%	0.03%
6	1 Inch	Commercial	24	-	$ 59.33	$ 67.93	8.60	14.50%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	134.34	17.01	14.50%	0.09%
8	2 Inch	Commercial	52	-	187.33	214.49	27.16	14.50%	0.51%
9									
10	Irrigation		2	1,784,000	$ 1,156.72	$ 1,109.84	$ (46.88)	-4.05%	0.01%
11									
12									
13									
14									
15									
16									
17	Totals								
18			10,063						100.00%
19	Actual Year End Number								
20	of Customers:								
21			10,058						
22									
23									
24									

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Rejoinder Schedule H-3
Page 1

Line No.		Present Rates	Proposed Rates	Change	Percent Change
1	Sewer Services				
2	5/8x3/4 Inch	$ 22.73	$ 26.03	$ 3.30	14.50%
2	3/4 Inch	35.33	40.45	5.12	14.50%
3	1 Inch	59.33	67.93	8.60	14.50%
4	1 1/2 Inch	117.33	134.34	17.01	14.50%
5	2 Inch	187.33	214.49	27.16	14.50%
6	3 Inch	NT	416.41	416.41	
7	4 Inch	NT	650.65	650.65	
8	6 Inch	NT	1,301.29	1,301.29	
9					
10	Effluent Sales				
11	Monthly Minimum	180.00	200.00	20.00	11.11%
12	Gallons In Minimum	100,000	-		
13	Charge per 1,000 gallons	$ 0.58	$ 0.51	(0.07)	-12.07%
14					
15	Recovered Effluent Sales				
16	Monthly Minimum	NT	$ 200.00		
17	Gallons In Minimum	NT	$ -		
18	Charge per 1,000 gallons	NT	$ 0.51		
19					
20					
21	Service Charges				
22	Impact Fee (new connection one-time only)	$ 260.00	NT		
23	Establishment Fee	NT	$ 25.00		
24	Reestablishment (within 12 months)	NT	*		
25	Deferred payment (per month)	1.50%	1.50%		
26	Deposit	**	**		
27	Deposit Interest	**	**		
28	NSF check	$ 15.00	$ 15.00		
29	Late payment fee (per month)***	1.50%	1.50%		
30	Disconnect/Reconnect (delinquent account)	$ 500.00	NT		
31	Reconnection (Delinquent)	NT	$ 25.00		
32	After Hours Servie Charge	NT	$ 50.00		
33					

34 * Number of months off the system times the applicable sewer charge.
35 ** Per Commission Rule R14-2-603.B.7 and 603.B.3
36 *** Late payment chrge based upon balance owing at the end of the billing cycle which is added to next bill.
37
38 [1] Recovered effluent was charged at the Water Division irrigation rate of $0.36 per 1,000 gallons during the test year.
39
40 NT = No Tariff

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 26.03	$ 3.30	14.50%
1,000	22.73	26.03	$ 3.30	14.50%
2,000	22.73	26.03	$ 3.30	14.50%
3,000	22.73	26.03	$ 3.30	14.50%
4,000	22.73	26.03	$ 3.30	14.50%
5,000	22.73	26.03	$ 3.30	14.50%
6,000	22.73	26.03	$ 3.30	14.50%
7,000	22.73	26.03	$ 3.30	14.50%
8,000	22.73	26.03	$ 3.30	14.50%
9,000	22.73	26.03	$ 3.30	14.50%
10,000	22.73	26.03	$ 3.30	14.50%
12,000	22.73	26.03	$ 3.30	14.50%
14,000	22.73	26.03	$ 3.30	14.50%
16,000	22.73	26.03	$ 3.30	14.50%
18,000	22.73	26.03	$ 3.30	14.50%
20,000	22.73	26.03	$ 3.30	14.50%
25,000	22.73	26.03	$ 3.30	14.50%
30,000	22.73	26.03	$ 3.30	14.50%
35,000	22.73	26.03	$ 3.30	14.50%
40,000	22.73	26.03	$ 3.30	14.50%
45,000	22.73	26.03	$ 3.30	14.50%
50,000	22.73	26.03	$ 3.30	14.50%
60,000	22.73	26.03	$ 3.30	14.50%
70,000	22.73	26.03	$ 3.30	14.50%
80,000	22.73	26.03	$ 3.30	14.50%
90,000	22.73	26.03	$ 3.30	14.50%
100,000	22.73	26.03	$ 3.30	14.50%
Average Usage				
-	$ 22.73	$ 26.03	$ 3.30	14.50%
Median Usage				
-	$ 22.73	$ 26.03	$ 3.30	14.50%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 26.03

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 67.93	$ 8.60	14.50%
1,000	59.33	67.93	$ 8.60	14.50%
2,000	59.33	67.93	$ 8.60	14.50%
3,000	59.33	67.93	$ 8.60	14.50%
4,000	59.33	67.93	$ 8.60	14.50%
5,000	59.33	67.93	$ 8.60	14.50%
6,000	59.33	67.93	$ 8.60	14.50%
7,000	59.33	67.93	$ 8.60	14.50%
8,000	59.33	67.93	$ 8.60	14.50%
9,000	59.33	67.93	$ 8.60	14.50%
10,000	59.33	67.93	$ 8.60	14.50%
12,000	59.33	67.93	$ 8.60	14.50%
14,000	59.33	67.93	$ 8.60	14.50%
16,000	59.33	67.93	$ 8.60	14.50%
18,000	59.33	67.93	$ 8.60	14.50%
20,000	59.33	67.93	$ 8.60	14.50%
25,000	59.33	67.93	$ 8.60	14.50%
30,000	59.33	67.93	$ 8.60	14.50%
35,000	59.33	67.93	$ 8.60	14.50%
40,000	59.33	67.93	$ 8.60	14.50%
45,000	59.33	67.93	$ 8.60	14.50%
50,000	59.33	67.93	$ 8.60	14.50%
60,000	59.33	67.93	$ 8.60	14.50%
70,000	59.33	67.93	$ 8.60	14.50%
80,000	59.33	67.93	$ 8.60	14.50%
90,000	59.33	67.93	$ 8.60	14.50%
100,000	59.33	67.93	$ 8.60	14.50%
Average Usage				
-	$ 59.33	$ 67.93	$ 8.60	14.50%
Median Usage				
-	$ 59.33	$ 67.93	$ 8.60	14.50%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 67.93

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 26.03	$ 3.30	14.50%
1,000	22.73	26.03	$ 3.30	14.50%
2,000	22.73	26.03	$ 3.30	14.50%
3,000	22.73	26.03	$ 3.30	14.50%
4,000	22.73	26.03	$ 3.30	14.50%
5,000	22.73	26.03	$ 3.30	14.50%
6,000	22.73	26.03	$ 3.30	14.50%
7,000	22.73	26.03	$ 3.30	14.50%
8,000	22.73	26.03	$ 3.30	14.50%
9,000	22.73	26.03	$ 3.30	14.50%
10,000	22.73	26.03	$ 3.30	14.50%
12,000	22.73	26.03	$ 3.30	14.50%
14,000	22.73	26.03	$ 3.30	14.50%
16,000	22.73	26.03	$ 3.30	14.50%
18,000	22.73	26.03	$ 3.30	14.50%
20,000	22.73	26.03	$ 3.30	14.50%
25,000	22.73	26.03	$ 3.30	14.50%
30,000	22.73	26.03	$ 3.30	14.50%
35,000	22.73	26.03	$ 3.30	14.50%
40,000	22.73	26.03	$ 3.30	14.50%
45,000	22.73	26.03	$ 3.30	14.50%
50,000	22.73	26.03	$ 3.30	14.50%
60,000	22.73	26.03	$ 3.30	14.50%
70,000	22.73	26.03	$ 3.30	14.50%
80,000	22.73	26.03	$ 3.30	14.50%
90,000	22.73	26.03	$ 3.30	14.50%
100,000	22.73	26.03	$ 3.30	14.50%
Average Usage				
-	$ 22.73	$ 26.03	$ 3.30	14.50%
Median Usage				
-	$ 22.73	$ 26.03	$ 3.30	14.50%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 26.03

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 35.33	$ 40.45	$ 5.12	14.50%
1,000	35.33	40.45	$ 5.12	14.50%
2,000	35.33	40.45	$ 5.12	14.50%
3,000	35.33	40.45	$ 5.12	14.50%
4,000	35.33	40.45	$ 5.12	14.50%
5,000	35.33	40.45	$ 5.12	14.50%
6,000	35.33	40.45	$ 5.12	14.50%
7,000	35.33	40.45	$ 5.12	14.50%
8,000	35.33	40.45	$ 5.12	14.50%
9,000	35.33	40.45	$ 5.12	14.50%
10,000	35.33	40.45	$ 5.12	14.50%
12,000	35.33	40.45	$ 5.12	14.50%
14,000	35.33	40.45	$ 5.12	14.50%
16,000	35.33	40.45	$ 5.12	14.50%
18,000	35.33	40.45	$ 5.12	14.50%
20,000	35.33	40.45	$ 5.12	14.50%
25,000	35.33	40.45	$ 5.12	14.50%
30,000	35.33	40.45	$ 5.12	14.50%
35,000	35.33	40.45	$ 5.12	14.50%
40,000	35.33	40.45	$ 5.12	14.50%
45,000	35.33	40.45	$ 5.12	14.50%
50,000	35.33	40.45	$ 5.12	14.50%
60,000	35.33	40.45	$ 5.12	14.50%
70,000	35.33	40.45	$ 5.12	14.50%
80,000	35.33	40.45	$ 5.12	14.50%
90,000	35.33	40.45	$ 5.12	14.50%
100,000	35.33	40.45	$ 5.12	14.50%
Average Usage				
-	$ 35.33	$ 40.45	$ 5.12	14.50%
Median Usage				
-	$ 35.33	$ 40.45	$ 5.12	14.50%

Present Rates:
Monthly Minimum: $ 35.33

Proposed Rates:
Monthly Minimum: $ 40.45

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 67.93	$ 8.60	14.50%
1,000	59.33	67.93	$ 8.60	14.50%
2,000	59.33	67.93	$ 8.60	14.50%
3,000	59.33	67.93	$ 8.60	14.50%
4,000	59.33	67.93	$ 8.60	14.50%
5,000	59.33	67.93	$ 8.60	14.50%
6,000	59.33	67.93	$ 8.60	14.50%
7,000	59.33	67.93	$ 8.60	14.50%
8,000	59.33	67.93	$ 8.60	14.50%
9,000	59.33	67.93	$ 8.60	14.50%
10,000	59.33	67.93	$ 8.60	14.50%
12,000	59.33	67.93	$ 8.60	14.50%
14,000	59.33	67.93	$ 8.60	14.50%
16,000	59.33	67.93	$ 8.60	14.50%
18,000	59.33	67.93	$ 8.60	14.50%
20,000	59.33	67.93	$ 8.60	14.50%
25,000	59.33	67.93	$ 8.60	14.50%
30,000	59.33	67.93	$ 8.60	14.50%
35,000	59.33	67.93	$ 8.60	14.50%
40,000	59.33	67.93	$ 8.60	14.50%
45,000	59.33	67.93	$ 8.60	14.50%
50,000	59.33	67.93	$ 8.60	14.50%
60,000	59.33	67.93	$ 8.60	14.50%
70,000	59.33	67.93	$ 8.60	14.50%
80,000	59.33	67.93	$ 8.60	14.50%
90,000	59.33	67.93	$ 8.60	14.50%
100,000	59.33	67.93	$ 8.60	14.50%
Average Usage				
-	$ 59.33	$ 67.93	$ 8.60	14.50%
Median Usage				
-	$ 59.33	$ 67.93	$ 8.60	14.50%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 67.93

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1.5 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 117.33	$ 134.34	$ 17.01	14.50%
1,000	117.33	134.34	$ 17.01	14.50%
2,000	117.33	134.34	$ 17.01	14.50%
3,000	117.33	134.34	$ 17.01	14.50%
4,000	117.33	134.34	$ 17.01	14.50%
5,000	117.33	134.34	$ 17.01	14.50%
6,000	117.33	134.34	$ 17.01	14.50%
7,000	117.33	134.34	$ 17.01	14.50%
8,000	117.33	134.34	$ 17.01	14.50%
9,000	117.33	134.34	$ 17.01	14.50%
10,000	117.33	134.34	$ 17.01	14.50%
12,000	117.33	134.34	$ 17.01	14.50%
14,000	117.33	134.34	$ 17.01	14.50%
16,000	117.33	134.34	$ 17.01	14.50%
18,000	117.33	134.34	$ 17.01	14.50%
20,000	117.33	134.34	$ 17.01	14.50%
25,000	117.33	134.34	$ 17.01	14.50%
30,000	117.33	134.34	$ 17.01	14.50%
35,000	117.33	134.34	$ 17.01	14.50%
40,000	117.33	134.34	$ 17.01	14.50%
45,000	117.33	134.34	$ 17.01	14.50%
50,000	117.33	134.34	$ 17.01	14.50%
60,000	117.33	134.34	$ 17.01	14.50%
70,000	117.33	134.34	$ 17.01	14.50%
80,000	117.33	134.34	$ 17.01	14.50%
90,000	117.33	134.34	$ 17.01	14.50%
100,000	117.33	134.34	$ 17.01	14.50%

Present Rates:
Monthly Minimum: $ 117.33

Proposed Rates:
Monthly Minimum: $ 134.34

Average Usage				
-	$ 117.33	$ 134.34	$ 17.01	14.50%
Median Usage				
-	$ 117.33	$ 134.34	$ 17.01	14.50%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 187.33	$ 214.49	$ 27.16	14.50%
1,000	187.33	214.49	$ 27.16	14.50%
2,000	187.33	214.49	$ 27.16	14.50%
3,000	187.33	214.49	$ 27.16	14.50%
4,000	187.33	214.49	$ 27.16	14.50%
5,000	187.33	214.49	$ 27.16	14.50%
6,000	187.33	214.49	$ 27.16	14.50%
7,000	187.33	214.49	$ 27.16	14.50%
8,000	187.33	214.49	$ 27.16	14.50%
9,000	187.33	214.49	$ 27.16	14.50%
10,000	187.33	214.49	$ 27.16	14.50%
12,000	187.33	214.49	$ 27.16	14.50%
14,000	187.33	214.49	$ 27.16	14.50%
16,000	187.33	214.49	$ 27.16	14.50%
18,000	187.33	214.49	$ 27.16	14.50%
20,000	187.33	214.49	$ 27.16	14.50%
25,000	187.33	214.49	$ 27.16	14.50%
30,000	187.33	214.49	$ 27.16	14.50%
35,000	187.33	214.49	$ 27.16	14.50%
40,000	187.33	214.49	$ 27.16	14.50%
45,000	187.33	214.49	$ 27.16	14.50%
50,000	187.33	214.49	$ 27.16	14.50%
60,000	187.33	214.49	$ 27.16	14.50%
70,000	187.33	214.49	$ 27.16	14.50%
80,000	187.33	214.49	$ 27.16	14.50%
90,000	187.33	214.49	$ 27.16	14.50%
100,000	187.33	214.49	$ 27.16	14.50%

Present Rates:
Monthly Minimum: $ 187.33

Proposed Rates:
Monthly Minimum: $ 214.49

Average Usage				
-	$ 187.33	$ 214.49	$ 27.16	14.50%
Median Usage				
-	$ 187.33	$ 214.49	$ 27.16	14.50%

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 1
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
1,000	180.00	200.51	$ 20.51	11.39%
2,000	180.00	201.02	$ 21.02	11.68%
3,000	180.00	201.53	$ 21.53	11.96%
4,000	180.00	202.04	$ 22.04	12.24%
5,000	180.00	202.55	$ 22.55	12.53%
6,000	180.00	203.06	$ 23.06	12.81%
7,000	180.00	203.57	$ 23.57	13.09%
8,000	180.00	204.08	$ 24.08	13.38%
9,000	180.00	204.59	$ 24.59	13.66%
10,000	180.00	205.10	$ 25.10	13.94%
12,000	180.00	206.12	$ 26.12	14.51%
14,000	180.00	207.14	$ 27.14	15.08%
16,000	180.00	208.16	$ 28.16	15.64%
18,000	180.00	209.18	$ 29.18	16.21%
20,000	180.00	210.20	$ 30.20	16.78%
25,000	180.00	212.75	$ 32.75	18.19%
30,000	180.00	215.30	$ 35.30	19.61%
35,000	180.00	217.85	$ 37.85	21.03%
40,000	180.00	220.40	$ 40.40	22.44%
45,000	180.00	222.95	$ 42.95	23.86%
50,000	180.00	225.50	$ 45.50	25.28%
60,000	180.00	230.60	$ 50.60	28.11%
70,000	180.00	235.70	$ 55.70	30.94%
80,000	180.00	240.80	$ 60.80	33.78%
90,000	180.00	245.90	$ 65.90	36.61%
100,000	180.00	251.00	$ 71.00	39.44%
Average Usage				
4,059,941	$ 2,476.77	$2,270.57	$(206.20)	-8.33%
Median Usage				
1,784,000	$ 1,156.72	$1,109.84	$ (46.88)	-4.05%

Present Rates:		
Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58
Proposed Rates:		
Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.51

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 2
Test Year Ended December 31, 2010

Exhibit
Rejoinder Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 200.00	$ 20.00	11.11%
1,000	180.00	200.51	$ 20.51	11.39%
2,000	180.00	201.02	$ 21.02	11.68%
3,000	180.00	201.53	$ 21.53	11.96%
4,000	180.00	202.04	$ 22.04	12.24%
5,000	180.00	202.55	$ 22.55	12.53%
6,000	180.00	203.06	$ 23.06	12.81%
7,000	180.00	203.57	$ 23.57	13.09%
8,000	180.00	204.08	$ 24.08	13.38%
9,000	180.00	204.59	$ 24.59	13.66%
10,000	180.00	205.10	$ 25.10	13.94%
12,000	180.00	206.12	$ 26.12	14.51%
14,000	180.00	207.14	$ 27.14	15.08%
16,000	180.00	208.16	$ 28.16	15.64%
18,000	180.00	209.18	$ 29.18	16.21%
20,000	180.00	210.20	$ 30.20	16.78%
25,000	180.00	212.75	$ 32.75	18.19%
30,000	180.00	215.30	$ 35.30	19.61%
35,000	180.00	217.85	$ 37.85	21.03%
40,000	180.00	220.40	$ 40.40	22.44%
45,000	180.00	222.95	$ 42.95	23.86%
50,000	180.00	225.50	$ 45.50	25.28%
60,000	180.00	230.60	$ 50.60	28.11%
70,000	180.00	235.70	$ 55.70	30.94%
80,000	180.00	240.80	$ 60.80	33.78%
90,000	180.00	245.90	$ 65.90	36.61%
100,000	180.00	251.00	$ 71.00	39.44%
Average Usage				
8,632,224	$ 5,128.69	$4,602.43	$ (526.26)	-10.26%
Median Usage				
6,029,361	$ 3,619.03	$3,274.97	$ (344.06)	-9.51%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58

Note: Present rates reflect the Water Division ir
This was an error.

Proposed Rates:

Monthly Minimum:	$	200.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.51

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Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

May 25, 2012

EXHIBIT
A-11
ADMITTED

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF REJOINDER TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY 1

A. Summary of Company's Rejoinder Recommendation 1

B. Summary of the Recommendations of Staff and RUCO 2

C. Responses to RUCO Surrebuttal Testimony 3

D. Responses to Staff Surrebuttal Testimony 5

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

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

A. I am testifying on behalf of the applicant, Pima Utilities Company ("Pima" or the "Company").

Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT AND REBUTTAL TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS CASE?

A. Yes. My background and qualifications are discussed in my direct testimony on those aspects of the case.

Q. DID YOU ALSO PREPARE DIRECT AND REBUTTAL TESTIMONY ON COST OF CAPITAL ON BEHALF OF PIMA IN THIS CASE?

A. Yes, I also provided direct and rebuttal testimony on the cost of capital in this case.

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

A. Summary of Company's Rejoinder Recommendation

Q. HAVE YOU UPDATED YOUR COST OF CAPITAL ANALYSIS?

A. No. I updated my cost of capital analysis in my rebuttal testimony filed on April 27, 2012. I updated my cost of capital in my rebuttal testimony because of the significant period of time between the Company's direct filing and its rebuttal filing. I did not feel the need to provide an additional update at this time as my rebuttal update is less than 1 month old.

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

A. I continue to recommend a cost of equity of 10.50 percent based on my most recent cost of capital analysis. The results of my cost of capital analysis can be found in my rebuttal testimony.[1] The Company's recommended capital structure consists of approximately 35.4 percent debt and 64.6 percent common equity as shown on Rejoinder Schedule D-1. The Company's recommended cost of debt is 4.25 percent. Based on the Company's recommended cost of equity, cost of debt and capital structure, the Company's weighted cost of capital ("WACC") is 8.29 percent, as shown on Rejoinder Schedule D-1.

B. <u>Summary of the Recommendations of Staff and RUCO</u>

Q. PLEASE SUMMARIZE THE COST OF DEBT AND EQUITY RECOMMENDED BY STAFF AND RUCO, AND THEIR RESPECTIVE RECOMMENDATIONS FOR THE RATE OF RETURN ON FAIR VALUE RATE BASE.

A. Staff has updated its cost of capital analysis in its surrebuttal testimony and now recommends a cost of equity of 9.4 percent based on the average cost of equity produced by its DCF and CAPM models.[2] Staff also now recommends a capital structure consisting of approximately 35.4 percent debt and 64.6 percent equity.[3] Based on Staff's recommended capital structure, Staff determined the WACC for Pima to be 7.6 percent.[4]

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[1] *See* Rebuttal Testimony of Thomas J. Bourassa – Cost of Capital ("Bourassa COC Rb.") at 2.
[2] *See* Surrebuttal Testimony of John A. Cassidy at 2.
[3] *Id.* at 3.
[4] *Id.*

RUCO still recommends a cost of equity of 9.4 percent.[5] RUCO is recommending a capital structure of 35.4 percent debt and 64.6 percent equity.[6] RUCO's recommended cost of debt is 4.25 percent. Based on RUCO's recommended capital structure, RUCO computed a WACC of 7.6 percent.[7]

C. **Responses to RUCO Surrebuttal Testimony**

Q. ON PAGE 14 OF HIS SURREBUTTAL TESTIMONY, MR. RIGSBY POINTS OUT THAT YOU DID NOT INCLUDE MIDDLESEX WATER IN YOUR COMPUTATION OF THE AVERAGE PROJECTED RETURNS FOR THE SAMPLE WATER UTILITIES. PLEASE RESPOND.

A. I did not include Middlesex Water Company (MSEX) in the average and this was an oversight. In the past, *Value Line* did not provide this information for MSEX. However, as you will note in Mr. Rigsby's Attachment A, the projected long-term book return for MSEX is 11.0 percent. Inclusion of MSEX in the average computed in my rebuttal testimony would result in an average return of 10.6 percent, which Mr. Rigsby does not mention.

Q. WHAT ABOUT AMERICAN WATER WORKS COMPANY?

A. Neither Mr. Rigsby nor I include American Water Works Company (AWK) in the respective proxy groups used in our cost of capital analyses. The primary reason I do not include AWK is that it went public in 2006 and there isn't enough historical earnings information yet to provide a reliable and meaningful basis for use in my analysis. I suspect that eventually I will include AWK but I should note that AWK is the largest water company in the United States, nearly 4 times larger than Aqua America (WTR) in terms of both annual revenues and net plant. See Rejoinder

[5] *See* Surrebuttal Testimony of William A. Rigsby at 11.
[6] *Id.* at 13.
[7] *Id.* at 14.

Exhibit TJB-COC-RJ1. In my view, AWK's massive size makes it even less relevant to small utilities like Pima. That said, the projected long-term return for AWK is 9.5 percent, as Mr. Rigsby noted.[8] Including AWK in the computation of the long-term averaged projected return would still result in a return that is over 10.4 percent. Mr. Rigsby doesn't disclose this either. Instead, Mr. Rigsby points out that the *Value Line* Water Industry long-term composite return is 9.5 percent.[9]

Q. WHAT'S WRONG WITH POINTING OUT THIS STATISTIC?

A. Nothing, except that we don't know how the composite is derived. *Value Line* does not provide long-term estimates for several of the water companies it follows so I cannot replicate 9.5 percent based on the available information from *Value Line*. Furthermore, the composite return likely includes companies that were excluded for each of our respective proxy groups for valid reasons. So this composite statistic should be relied upon with caution.

Q. ISN'T THE LONG-TERM COMPOSITE RETURN STATISTIC 14.5 PERCENT FOR THE LDC'S?

A. Yes. Mr. Rigsby points this out but then dismisses it stating "Pima is after all a water utility."[10] I find this ironic since Mr. Rigsby has been justifying using LDC's in his cost of capital analyses for water utilities for many years because the LDC's are similar to water utilities and therefore have comparable risks.[11] In fact, in his direct testimony, he states his proxy group LDC's "have similar operating characteristics to water providers."[12] If we are to believe Mr. Rigsby, then the LDC composite should be relevant to an evaluation of his cost of equity

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[8] *Id.*

[9] *Id.* at 15.

[10] *Id.*

[11] *See* Surrebuttal Testimony of William A. Rigsby, filed June 18, 2010 in Docket No. W-02465A-09-0411, *et al.*, at 12 - 13.

[12] *See* Direct Testimony of William A. Rigsby at 19.

recommendation. The average of the long-term composite returns Water Industry and the Natural Gas Industry is 12 percent, which is far greater than Mr. Rigsby's recommended 9.4 percent and yet another number he has failed to disclose.

Q. HAVE YOU ANYTHING ELSE TO ADD?

A. Yes. I have attached the most recent AUS Utility Reports statistics for regulated water utilities and natural gas distribution companies. See **Exhibit TJB-COC-RJ1**. You will note that the average authorized return for the water companies and the natural gas distribution companies is 9.98 percent and 10.6 percent, respectively. You will also note that the average earned return on common equity for the water companies and the natural gas distribution companies is 9.9 percent and 11.1 percent, respectively. All of these are significantly higher than Mr. Rigsby's recommendation of 9.4 percent in this case.

D. <u>Responses to Staff Surrebuttal Testimony</u>

Q. PLEASE RESPOND TO MR. CASSIDY'S CLAIM ON PAGE 5 THAT YOU MADE AN ERROR IN COMPUTING YOUR GROWTH RATES.

A. Mr. Cassidy asserts that I used the wrong growth rate for Connecticut Water Company (CTWS) resulting in an over-statement of my growth rate and ultimately my DCF cost of equity estimates. However, Mr. Cassidy is simply wrong. As I have done for many years, I use the average growth estimate of the other water utilities when there are no growth estimates from any one of my three sources of growth estimates or only one source provides a growth estimate for a company. This approach has the same effect as excluding the growth estimate for that company. Mr. Cassidy may not realize that my approach is no different than the approach Staff has employed in its own determination of growth estimates for many years and the approach Mr. Cassidy employs in the instant case. The difference being that Staff only uses one source for its growth rates (*Value Line*)

and I use three. I use three sources in order to provide for a more robust estimate of growth.

Q. ON PAGE 4 AND 5 OF HIS TESTIMONY, MR. CASSIDY POINTS OUT THAT YOUR FINANCIAL RISK ADJUSTMENT CHANGED IN YOUR UPDATED ANALYSIS. WHY DID YOUR FINANCIAL RISK ADJUSTMENT CHANGE FROM 40 BASIS POINT IN YOUR DIRECT TESTIMONY TO 30 BASIS POINT IN YOUR REBUTTAL TESTIMONY?

A. Because the recommended capital structure changed and contains more debt.[13] I thought this would be obvious to Staff and required no additional explanation. After all, Staff typically uses the Hamada adjustment just as I do when computing a financial risk adjustment. Additionally, I included the computation supporting the 30 basis point financial risk adjustment in my schedules.[14]

Q. HAS MR. CASSIDY PROVIDED ANY RESPONSE TO THE COMPARABLE EARNINGS ANALYSIS PROVIDED IN YOUR REBUTTAL TESTIMONY?

A. No. A check on the reasonableness of the results produced by the DCF and CAPM methods are highly relevant and should not be completely ignored. I am disappointed (but not surprised) that neither Mr. Cassidy nor Mr. Rigsby commented on the updated results using the *Duff and Phelps* risk premium study data which showed the indicated cost of equity for the water proxy group of 11.2 percent. *See* Exhibit TJB-COC-RB1. This analysis incorporated elements which I believed would have garnered acceptance by both RUCO and Staff such as a relatively low market risk premium and spot interest rates.[15] Further, the build-up

[13] *See* Bourassa COC Rb. at 5 – 6.
[14] *See* Rebuttal Cost of Capital Schedule D-4.13.
[15] Bourassa COC Rb. at 16.

method using Duff and Phelps study data does not suffer from many of the shortcomings of the CAPM, and the DCF for that matter. I can only guess that since the indicated cost of equity of 11.2 percent was greater than the results of DCF and CAPM models and, therefore, the results were ignored by both parties. Like Mr. Rigsby's recommendation, Mr. Cassidy's cost of equity recommendation fails the reasonableness check and should be rejected.

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

A. Yes.

Pima Utility Company

Thomas Bourassa Direct Testimony
(Cost of Capital)

Exhibit TJB-COC-RJ1

AUS UTILITY REPORTS
155 Gaither Drive Suite A
Mount Laurel, NJ 08054

APRIL 2012

AUS UTILITY REPORTS

THE INVESTOR'S EDGE

AUS MONTHLY UTILITY REPORT

ELECTRIC COMPANIES

NATURAL GAS COMPANIES

WATER COMPANIES

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NATURAL GAS DISTRIBUTION & INTEGRATED NAT. GAS COMPANIES

COMPANY	TOTAL REV $ MILL (1)	% REG GAS REV	NET PLANT $ MILL	NET PLANT PER $ REV (1)	S&P BOND RATING	MOODY'S BOND RATING	COMMON EQUITY RATIO (3)	% RETURN ON BOOK VALUE: COMMON EQUITY (4)	% RETURN ON BOOK VALUE: TOTAL CAPITAL	REGULATION: ALLOWED ROE	REGULATION: ORDER DATE
AGL Resources Inc. (NYSE-GAS)	[redacted]	68	[redacted]	3.38	[redacted]	Aa3	[redacted]	6.7	[redacted]	10.17	[redacted]
Atmos Energy Corporation (NYSE-ATO)	[redacted]	62	[redacted]	1.21	BBB+	Baa2	[redacted]	8.9	[redacted]	11.71	[redacted]
Delta Natural Gas Company (NDQ-DGAS)	[redacted]	54	[redacted]	1.58	NR	NR	[redacted]	9.3	[redacted]	10.40	[redacted]
El Paso Corporation (NYSE-EP)	[redacted]	63	[redacted]	3.94	BBB-	Baa3	[redacted]	3.7	[redacted]	NM	[redacted]
Energen Corporation (NYSE-EGN)	[redacted]	36	[redacted]	3.11	BBB+	A1	[redacted]	11.3	[redacted]	13.40	[redacted]
EQT Corporation (NYSE-EQT)	[redacted]	26	[redacted]	4.15	BBB-	NR	[redacted]	14.4	[redacted]	11.00	[redacted]
Gas Natural, Inc. (NDQ-EGAS)	[redacted]	94	[redacted]	0.90	NR	NR	[redacted]	10.0	[redacted]	12.63	[redacted]
Laclede Group, Inc. (NYSE-LG)	[redacted]	56	[redacted]	0.60	A-	A2	[redacted]	11.5	[redacted]	NM	[redacted]
National Fuel Gas Company (NYSE-NFG)	[redacted]	53	[redacted]	2.40	BBB-	Baa1	[redacted]	14.2	[redacted]	9.50	[redacted]
New Jersey Resources Corp. (NYSE-NJR)	[redacted]	30	[redacted]	0.47	A+	Aa3	[redacted]	17.2	[redacted]	10.30	[redacted]
Northwest Natural Gas Co. (NYSE-NWN)	[redacted]	56	[redacted]	2.87	A-	A1	[redacted]	9.1	[redacted]	10.20	[redacted]
ONEOK, Inc. (NYSE-OKE)	[redacted]	15	[redacted]	0.57	BBB+	Baa2	[redacted]	15.4	[redacted]	10.50	[redacted]
Piedmont Natural Gas Co., Inc. (NYSE-PNY)	[redacted]	100	[redacted]	2.15	A-	A3	[redacted]	10.3	[redacted]	10.40	[redacted]
Questar Corporation (NYSE-STR)	[redacted]	97	[redacted]	2.59	A-	A3	[redacted]	20.1	[redacted]	10.00	[redacted]
RGC Resources, Inc. (NDQ-RGCO)	[redacted]	98	[redacted]	1.30	NR	NR	[redacted]	9.2	[redacted]	9.85	[redacted]
South Jersey Industries, Inc. (NYSE-SJI)	[redacted]	58	[redacted]	1.63	A-	A2	[redacted]	15.0	[redacted]	10.30	[redacted]
Southern Union Company (NYSE-SUG)	[redacted]	55	[redacted]	2.15	BBB-	Baa3	[redacted]	9.9	[redacted]	9.73	[redacted]
Southwest Gas Corporation (NYSE-SWX)	[redacted]	74	[redacted]	1.71	BBB-	Baa2	[redacted]	9.4	[redacted]	10.22	[redacted]
WGL Holdings, Inc. (NYSE-WGL)	[redacted]	45	[redacted]	0.94	A-	A2	[redacted]	8.4	[redacted]	9.85	[redacted]
Williams Companies, Inc. (NYSE-WMB)	[redacted]	85	[redacted]	1.59	BBB-	Baa2	[redacted]	8.3	[redacted]	NM	[redacted]
AVERAGE	[redacted]		[redacted]		[redacted]		[redacted]	11.1	[redacted]	10.60	[redacted]

WATER COMPANIES

COMPANY	TOTAL REV $MILL (1)	% REG WATER REV	NET PLANT $MILL	NET PLANT PER $ REV (1)	S&P BOND RATING	MOODY'S BOND RATING	COMMON EQUITY RATIO (3)	%RETURN ON BOOK VALUE COMMON EQUITY (4)	%RETURN ON BOOK VALUE TOTAL CAPITAL	REGULATION ALLOWED ROE	REGULATION ORDER DATE
American States Water Co. (NYSE-AWR)	[redacted]	72	[redacted]	2.12	[redacted]	A2	[redacted]	11.7	[redacted]	9.99	[redacted]
American Water Works Co., Inc. (NYSE-AWK)	[redacted]	89	[redacted]	4.06	[redacted]	Baa1	[redacted]	15.8	[redacted]	9.61	[redacted]
Aqua America, Inc. (NYSE-WTR)	[redacted]	96	[redacted]	4.95	[redacted]	NR	[redacted]	11.8	[redacted]	10.33	[redacted]
Artesian Resources Corp. (NDQ-ARTNA)	[redacted]	91	[redacted]	5.40	[redacted]	NR	[redacted]	6.1	[redacted]	10.00	[redacted]
California Water Service Group (NYSE-CWT)	[redacted]	97	[redacted]	2.72	[redacted]	NR	[redacted]	8.5	[redacted]	9.99	[redacted]
Connecticut Water Service, Inc. (NDQ-CTWS)	[redacted]	98	[redacted]	4.87	[redacted]	NR	[redacted]	9.7	[redacted]	9.75	[redacted]
Middlesex Water Company (NDQ-MSEX)	[redacted]	90	[redacted]	4.16	[redacted]	NR	[redacted]	7.6	[redacted]	10.15	[redacted]
SJW Corporation (NYSE-SJW)	[redacted]	96	[redacted]	3.06	[redacted]	NR	[redacted]	8.0	[redacted]	9.99	[redacted]
York Water Company (NDQ-YORW)	[redacted]	100	[redacted]	5.72	[redacted]	NR	[redacted]	9.7	[redacted]	NM	[redacted]
AVERAGE	[redacted]		[redacted]		[redacted]		[redacted]	9.9	[redacted]	9.98	[redacted]

Pima Utility Company

Thomas Bourassa Direct Testimony
(Cost of Capital)

D Schedules

Pima Utility Company
Test Year Ended December 31, 2010
Summary of Cost of Capital

Exhibit
Rejoinder Schedule D-1
Page 1
Witness: Bourassa

Consolidated Capital Structure of Water and Sewer Division

Proforma End of Test Year

Line No.	Item of Capital	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	8,370,000	35.36%	4.250%	1.50%
2					
3	Stockholder's Equity	15,301,736	64.64%	10.50%	6.79%
4					
5	Totals	23,671,736	100.00%		8.29%
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	SUPPORTING SCHEDULES:				
23	D-1, page 2				
24	Testimony				
25					
26					
27					
28					
29					
30					

RECAP SCHEDULES:

Pima Utility Company
Test Year Ended December 31, 2010

Computation of Consolidated Capital Structure

Exhibit
Rejoinder Schedule D-1
Page 2
Witness: Bourassa

Line No.			
1	Equity Distribution		
2	Per E-1 Water	$	12,160,028
3	Per E-1 Wastewater		7,272,375
4	Water A/D Adjustments per Direct		588,942
5	Sewer A/D Adjustments per Direct		(2,219,610)
6	Subtotal		17,801,736
7	Equity Distribution		(2,500,000)
8	Net Equity Balance	$	15,301,736
9			
10	Debt		
11	Balance end of Test year	$	6,125,000
12	2011 principal payments		(1,755,000)
13	Subtotal		4,370,000
14	Increase in Debt		4,000,000
15	Net Debt Balance	$	8,370,000
16			
17	Total Capital	$	23,671,736
18	% Debt		35.36%
19	% Equity		64.64%
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Long Term Debt

Exhibit
Rejoinder Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Test Year Weighted Cost	Proforma End of Test Year Amount Outstanding	Proforma End of Test Year Annual Interest	Proforma End of Test Year Interest Rate	Proforma End of Test Year Weighted Cost	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate	End of Projected Year Weighted Cost
1													
2	IDA Bonds - Maricopa Cnty	6,125,000	471,380	7.696% [1]	7.696%	-	-	7.696%	0.000%	-	-	7.696%	0.000%
3	Proposed Long-term Debt				0.000%	8,370,000	355,728	4.250% [2]	4.250%	8,370,000	355,728	4.250%	4.250%
4													
5													
6													
7													
8													
9													
10													
11													
12													
13	Totals	$ 6,125,000	471,380		7.696%	$ 8,370,000	355,728		4.250%	$ 8,370,000	355,728		4.250%
14													
15													
16	Supporting Schdules:												
17	E-1												
18	Testimony												
19													
20													
21													
22													
23	[1] Effective interest rate using Effective Interest Method for amortizing bond issuance costs. See work papers.												
24	[2] Estimate of Effective interest rate using Effective Interest Method for amortizing bond issuance costs. See work papers.												
25													
26													
27													
28													
29													
30													

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Preferred Stock

Exhibit
Rejoinder Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22				D-1			
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Cost of Common Equity

Exhibit
Rejoinder Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.50% .
3		
4		
5		
6		
7		
8		
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10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.16	D-1
19		
20		

Pima Utility Company
Summary of Results

Exhibit
Rejoinder Schedule D-4.1
Witness: Bourassa

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	9.7%	11.3%	10.5%
8	Range of CAPM Estimates[2]	8.2%	13.7%	10.9%
11	Average of DCF and CAPM midpoint estimates	8.9%	12.5%	10.7%
14	Financial Risk Adjustment[3]	-0.3%	-0.3%	-0.3%
16	Small Company Risk Premium[4]	0.5%	1.0%	0.8%
18	Indicated Cost of Equity	9.1%	13.2%	11.2%
22	Recommended Cost of Equity			10.5%

[1] See Schedule D-4-8
[2] See Schedule D-4.12
[3] See Schedule D-4.13, Testimony
[4] See Schedule D-4.16, Testimony

Pima Utility Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Rejoinder Schedule D-4.2
Witness: Bourassa

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
1	1. American States	72%	$ 419.3	$ 889.8	A+	A2	9.99
2	2. Aqua America	96%	$ 729.6	$ 3,612.9	AA-	NR	10.33
3	3. California Water	97%	$ 501.8	$ 1,364.6	AA-	NR	9.99
4	4. Connecticut Water	98%	$ 72.7	$ 354.6	A	NR	9.75
5	5. Middlesex	90%	$ 101.5	$ 422.2	A	NR	10.15
6	6. SJW Corp.	96%	$ 239.0	$ 730.9	A	NR	9.99
7							
8	Average	92%	$ 344.0	$ 1,229.2			10.03
9							
10	Pima Utility Company (as of December 31, 2010)	100% Water/Sewer	$ 5.1	$ 21.9	NR	NR	

[1]AUS Utility Reports (April 2012).

Pima Utility Company
Capital Structures

Exhibit
Rejoinder Schedule D-4.3
Witness: Bourassa

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States	44.3%	55.7%	30.7%	69.3%
2	Aqua America	56.6%	43.4%	33.3%	66.7%
3	California Water	52.4%	47.6%	39.0%	61.0%
4	Connecticut Water	53.2%	46.8%	35.3%	64.7%
5	Middlesex	43.5%	56.5%	31.7%	68.3%
6	SJW Corp.	53.6%	46.4%	39.5%	60.5%
7					
8	Average	50.6%	49.4%	34.9%	65.1%
9					
10	Pima Utility Company [2] (Proforma)	35.4%	64.6%	N/A	N/A

[1] Value Line Analyzer Data (April 6, 2012)
[2] Adjusted Per Schedule D-1

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.4
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	5.86%	5.00%	11.50%	2.50%	6.21%	8.07%	7.14%
9	2. Aqua America	0.38%	7.00%	4.50%	8.00%	4.97%	8.60%	6.79%
10	3. California Water	NMF	5.50%	6.50%	1.00%	4.33%	8.48%	6.41%
11	4. Connecticut Water	3.43%	3.00%	1.50%	1.50%	2.36%	7.90%	5.13%
12	5. Middlesex	7.10%	5.50%	4.50%	1.50%	4.65%	4.35%	4.50%
13	6. SJW Corp.	NMF	6.50%	NMF	5.50%	6.00%	10.00%	8.00%
16	GROUP AVERAGE	4.19%	5.42%	5.70%	3.33%	4.75%	7.90%	6.33%
17	GROUP MEDIAN	4.64%	5.50%	4.50%	2.00%	4.81%	8.27%	6.60%

[1] Average of changes in annual stock prices ending on December 31 through 2011. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, April 6, 2012
[3] See Schedule D-4.6.

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Rejoinder Schedule D-4.5
Witness: Bourassa

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
1								
2								
3								
4		**Ten-year historical average annual changes**						
5								
6								
7	1. American States	6.51%	5.00%	4.50%	2.00%	4.50%	8.07%	6.28%
8	2. Aqua America	7.63%	9.00%	6.50%	7.50%	7.66%	8.60%	8.13%
9	3. California Water	3.95%	4.50%	3.00%	1.00%	3.11%	8.48%	5.79%
10	4. Connecticut Water	5.00%	4.00%	1.00%	1.50%	2.87%	7.90%	5.39%
11	5. Middlesex	5.84%	4.50%	2.50%	2.00%	3.71%	4.35%	4.03%
12	6. SJW Corp.	2.69%	6.00%	2.00%	5.00%	3.92%	10.00%	6.96%
13								
14								
15	GROUP AVERAGE	5.27%	5.50%	3.25%	3.17%	4.30%	7.90%	6.10%
16	GROUP MEDIAN	5.42%	4.75%	2.75%	2.00%	3.82%	8.27%	6.04%
17								
18								
19								
20	[1] Average of changes in annual stock prices ending December 31, 2011. Data from Yahoo Finance website.							
21	[2] Value Line Analyzer Data, March 8, 2012.							
22	[3] See Rejoinder Schedule D-4.6.							
23								
24								
25								
26								
27								
28								

Pima Utility Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Rejoinder Schedule D-4.6
Witness: Bourassa

Line No.	Company	[1] Zacks[1]	[3] Yahoo[1]	[4] Value Line[1]	[5] Average Growth (G) (Cols 1-4)[2]
		ESTIMATES OF EARNINGS GROWTH			
1	1. American States	12.00%	5.70%	6.50%	8.07%
2	2. Aqua America	8.30%	7.50%	10.00%	8.60%
3	3. California Water	10.00%	9.93%	5.50%	8.48%
4	4. Connecticut Water		4.55%		7.90%
5	5. Middlesex		2.70%	6.00%	4.35%
6	6. SJW Corp.		14.00%	6.00%	10.00%
7	GROUP AVERAGE	10.10%	7.40%	6.80%	7.90%
8	GROUP MEDIAN				8.27%

[1] Data as of April 6, 2012

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Pima Utility Company
Current Dividend Yields for Water Utility Sample Group

Exhibit
Rejoinder Schedule D-4.7
Witness: Bourassa

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1					
2					
3					
4					
5					
6	1. American States	$ 36.36	$ 1.04	2.86%	2.98%
7	2. Aqua America	$ 22.23	$ 0.59	2.65%	3.11%
8	3. California Water	$ 17.94	$ 0.60	3.34%	3.24%
9	4. Connecticut Water	$ 28.23	$ 0.94	3.33%	3.62%
10	5. Middlesex	$ 18.50	$ 0.72	3.89%	4.23%
11	6. SJW Corp.	$ 24.32	$ 0.68	2.80%	2.78%
12					
13	Average			3.15%	3.33%
14	Median			3.10%	3.18%
15					
16	[1] Value Line Analyzer Data. Stock prices as of April 6, 2012.				
17	[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year,				
18	expressed as a percentage. For comparison purposes only.				
19					
20					
21					
22					
23					
24					
25					

Pima Utility Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Rejoinder Schedule D-4.8
Witness: Bourassa

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)		[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.15%	3.35%	6.33%	3	9.7%
10	DCF - Future Growth	3.15%	3.39%	7.90%	4	11.3%
13	Average	3.15%	3.37%	7.11%		10.5%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Pima Utility Company
Market Betas

Exhibit
Rejoinder Schedule D-4.9
Witness: Bourassa

Line No.		Company	Beta ( )[1]
1		Company	Beta ( )[1]
2	1.	American States	0.70
3	2.	Aqua America	0.65
4	3.	California Water	0.65
5	4.	Connecticut Water	0.75
6	5.	Middlesex	0.70
7	6.	SJW Corp.	0.85
8			
9		Average	**0.72**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (April 6, 2012)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Pima Utility Company
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Rejoinder Schedule D-4.10
Witness: Bourassa

Line No.	Description	Actual 2012 Q-1	2012	2013	Average
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts[1]	3.04%	3.4%	3.8%	3.4%
7					
8	Value Line[2]	3.04%	3.4%	3.7%	3.4%
9					
10	Average				3.4%
11					
12					
13					
14					
15	[1] April 2012 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury				
16	[2] Value Line Quarterly forecast, dated February 24, 2012, Long-term Treasury				
17					
18					
19					
20					
21					
22					
23					
24					

Pima Utility Company
Computation of Current Market Risk Premium

Exhibit
Rejoinder Schedule D-4.11
Witness: Bourassa

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Jan 2011	2.34%	2.60%	+	11.10%	=	13.70%	-	4.52%	=	9.18%
5	Feb	2.41%	2.73%	+	13.16%	=	15.89%	-	4.65%	=	11.24%
6	Mar	2.35%	2.64%	+	12.33%	=	14.97%	-	4.51%	=	10.46%
7	April	1.83%	2.02%	+	10.30%	=	12.32%	-	4.50%	=	7.82%
8	May	1.95%	2.18%	+	11.76%	=	13.94%	-	4.29%	=	9.65%
9	June	1.97%	2.21%	+	12.11%	=	14.32%	-	4.23%	=	10.09%
10	July	2.23%	2.58%	+	15.51%	=	18.09%	-	4.27%	=	13.82%
11	Aug	2.73%	3.24%	+	18.51%	=	21.75%	-	3.65%	=	18.10%
12	Sept	2.88%	3.47%	+	20.40%	=	23.87%	-	3.18%	=	20.69%
13	Oct	2.60%	3.03%	+	16.35%	=	19.38%	-	3.13%	=	16.25%
14	Nov	2.75%	3.24%	+	17.89%	=	21.13%	-	3.02%	=	18.11%
15	Dec 2011	2.70%	3.17%	+	17.41%	=	20.58%	-	2.98%	=	17.60%
16	Jan 2012	2.61%	2.98%	+	14.18%	=	17.16%	-	3.03%	=	14.13%
17	Feb	2.60%	2.99%	+	15.01%	=	18.00%	-	3.11%	=	14.89%
19	Recommended	2.64%	3.05%	+	15.53%	=	18.58%	-	3.04%	=	14.30%
21	Short-term Trends										
22	Recent Twelve Months Avg	2.43%	2.81%	+	15.15%	=	17.96%	-	3.66%	=	14.30%
23	Recent Nine Months Avg	2.56%	2.99%	+	16.37%	=	19.36%	-	3.40%	=	15.96%
24	Recent Six Months Avg	2.69%	3.15%	+	16.87%	=	20.02%	-	3.08%	=	16.94%
25	Recent Three Months Avg	2.64%	3.05%	+	15.53%	=	18.58%	-	3.04%	=	15.54%

28 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
29 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
30 [3] Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
31 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.

Pima Utility Company
Capital Asset Pricing Model (CAPM)

Exhibit
Rejoinder Schedule D-4.12
Witness: Bourassa

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	3.4%	+	0.72	x	6.6%	[4]	=	8.2%
4									
5	Current Market Risk Premium CAPM	3.4%	+	0.72	x	14.3%	[5]	=	13.7%
6									
7	Average								10.9%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) MorningStar *SBBI 2012 Valuation Yearbook* Table A-1 Long-Horizon ERP 1926-2011.								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

Pima Utility Company
Financial Risk Computation

Exhibit
RejoinderSchedule D-4.13
Witness: Bourassa

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	3.4%	1	+	0.72	2	x	6.6%	3	=	8.2%
4	Current Market Risk Premium	3.4%	1	+	0.72	2	x	14.3%	4	=	13.7%
5											
6	Average										11.0%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	3.4%	1	+	0.69	5	x	6.6%	3	=	8.0%
12	Current Market Risk Premium	3.4%	1	+	0.69	5	x	14.3%	4	=	13.3%
13											
14	Average										10.7%
15											
16	Financial Risk Adjustment										**-0.3%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.9										
21	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Pima Utility Company
Financial Risk Computation
Unlevered Beta

Exhibit
Rejoinder Schedule D-4.14
Witness: Bourassa

Line No.		Company	VL Beta β_L[1]	Raw Beta Raw β_L[2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U[5]
5	1.	American States	0.70	0.55	43.2%	30.7%	69.3%	0.44
6	2.	Aqua America	0.65	0.48	39.2%	33.3%	66.7%	0.37
7	3.	California Water	0.65	0.48	39.5%	39.0%	61.0%	0.35
8	4.	Connecticut Water	0.75	0.63	41.3%	35.3%	64.7%	0.48
9	5.	Middlesex	0.70	0.55	32.1%	31.7%	68.3%	0.42
10	6.	SJW Corp.	0.85	0.78	38.8%	39.5%	60.5%	0.56
13		Sample Water Utilitie:	0.72	0.58	39.0%	34.9%	65.1%	0.44

[1] Value Line Investment Analyzer data. See Schedule D-4.13
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = .33 + (.67) * Raw beta
[2] Raw Beta = (VL beta - .33)/(.67)
[3] Effective tax rates for year ended December 31, 2011.
[4] See Schedule D-4.3
[5] Raw B_u = Raw B_L / (1+ (1-t)*D/E)

Pima Utility Company
Financial Risk Computation
Relevered Beta

Exhibit
Rejoinder Schedule D-4.15
Witness: Bourassa

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Pima Utility Company	0.44	22.0%	78.0%	24.14%	0.53	0.69

[1] Unlevered Beta from Schedule D-4.14.

[2] Capital Structure of Company

	BV (in Thousands)		MV (in Thousands)	MV %
Long-term Debt	$ 8,370	1.00	$ 8,370	22.00%
Preferred Stock	$ -	1.00	-	0.0%
Common Stock	$ 15,302	1.94	(a) 29,700	78.0%
Total Capital	$ 23,672		$ 38,070	100.0%

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

[3] Current Tax rate based on test year ending 12/31/2011. See Schedule D-1.

Pima Utility Company
Size Premium[1]

Exhibit
Rejoinder Schedule D-4.16
Witness: Bourassa

Line No.		Beta( )	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.12	1.14%	
8	Low-Cap Companies[3]	1.23	1.88%	
10	Micro-Cap Companies[4]	1.36	3.89%	
12	Decile 10[5]	1.7	6.10%	3.86%

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

[1] Data from Table 7-8 of Morningstar, *Ibbotson SBBI 2012 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,621 million and $6,896 million.
[3] Low-Cap companies includes companies with market capitalization between $422 million and $1,620 million.
[4] Micro-Cap companies includes companies with market capitalization less than $422 million.
[5] Decile 10 includes companies with market capitalization between $1.0 million and $206 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 676	Low-Cap	1.88%	4.22%	0.1666667	0.70%
2.	Aqua America	$ 3,068	Mid-Cap	1.14%	4.96%	0.1666667	0.83%
3.	California Water	$ 748	Low-Cap	1.88%	4.22%	0.1666667	0.70%
4.	Connecticut Water	$ 248	Decile 9	2.80%	3.30%	0.1666667	0.55%
5.	Middlesex	$ 289	Micro-Cap	3.89%	2.21%	0.1666667	0.37%
6.	SJW Corp.	$ 452	Low-Cap	1.88%	4.22%	0.1666667	0.70%
	Weighted Size Premium for Small Companies						3.86%

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REBUTTAL TESTIMONY OF

MARC L. SPITZER

April 27, 2012

EXHIBIT
A-12
ADMITTED

TABLE OF CONTENTS

I. Introduction and Purpose of Testimony. 1

II. Law and Policy. 3

A. The Pass-Through Entity. 4

B. There is No Such Thing as a Phantom Income Tax. 8

C. As a Matter of Public Utilities Regulation, the Income Tax Allowance for a Pass-Through Entity is a Proper Cost of Service Item. Disallowance of the Income Tax Allowance Results in Rates that are Unjust and Unreasonable. 15

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I. INTRODUCTION AND PURPOSE OF TESTIMONY.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Marc L. Spitzer. My business address is 1330 Connecticut Avenue, NW, Washington, DC 20036.

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

A. On behalf of the Applicant Pima Utility Company ("Pima" or the "Company").

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

A. I am a partner in the Washington, D.C. office of Steptoe & Johnson LLP, where I am a member of the Regulatory & Industry Affairs Department. My current law practice is in the area of Federal and State utilities regulation.

Q. WHAT WAS YOUR EMPLOYMENT BACKGROUND BEFORE BECOMING A PARTNER AT STEPTOE & JOHNSON?

A. I have been an attorney and member of the State Bar of Arizona since 1982. My law practice largely involved the representation of taxpayers in proceedings against the Internal Revenue Service. I practiced law continuously from 1982 through 2006, and I was certified as a Specialist in tax law by the State Bar of Arizona from 1986 through 2006.

In 1992, I was elected to the Arizona State Senate where I served as chair of the Senate Judiciary and Finance committees, and in 1996-1997 I served as Senate Majority Leader. In 2000, I was elected to the Arizona Corporation Commission, where I served until 2006. President George W. Bush nominated me to the Federal Energy Regulatory Commission ("FERC") in 2006. I was confirmed by the United States Senate on July 14, 2006 and I served on FERC until December 2011. Further details regarding my background are detailed in my curriculum vitae attached as Exhibit MLS-RB1.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am testifying as an expert witness in support of Pima's request to recover income taxes as part of its cost of service.

Q. WHAT MAKES YOU AN EXPERT ON THE SUBJECT MATTER?

A. My background in taxation and utilities regulation qualifies me as an expert on the question of the income tax allowance as a cost of service for a regulated utility. I am qualified to address the income tax allowance for pass-through entities based upon 25 years as a tax lawyer, service on the Arizona Corporation Commission and FERC. The income tax allowance issue lies at the intersection of regulatory policy and substantive tax law. At FERC, I had taken a great interest in this issue. I believe the income tax allowance is essential to FERC's mission to ensure a reliable supply of energy to the people of the United States at just and reasonable rates.

Q. HAVE YOU REVIEWED THE TESTIMONY OF THE PARTIES IN THIS RATE CASE?

A. I have reviewed testimony related to the issue of whether Pima, which is an S corporation, should be allowed to recover income taxes as part of its cost of service. In preparing this testimony, I have also reviewed statutes, regulations, treatises, administrative and judicial decisions, and scholarly articles on the theory of income taxation and the regulatory policies underlying the income tax allowance, as discussed below.

Q. WHAT IS YOUR EXPERT OPINION REGARDING THE RECOVERY OF INCOME TAXES BY PIMA AS PART OF ITS COST OF SERVICE?

A. It is my opinion that the income reported by Pima on Form 1120S creates an income tax liability that constitutes a cost of service that should be included in the revenue requirement.

II. LAW AND POLICY.

Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THE INCOME TAX ALLOWANCE ISSUE.

A. This testimony is focused on the question of whether Pima should receive an income tax allowance as a component of its cost of service. It is unquestionably true that Pima generates taxable income and that its shareholders pay tax on that income *pro rata*. It is also true that FERC has carefully considered the issue of tax allowances for pass-through entities in regulated ratemaking. FERC's approval of the income tax allowance as a cost of service for pass-through entities has been upheld by the United States Court of Appeals for the D.C. Circuit. I was on FERC when those matters came before it and I helped develop the underlying record and the response to the Appeals Court's rulings, as explained below.

Section II.A below discusses why Pima, and privately held businesses generally, operate as "pass-through" entities so that income taxes are paid only once, at the investor level. A business' decision to form and operate as a pass-through entity is legal. The IRS and state taxing authorities are familiar with the structure, the tax law is clear on their treatment, and the economic reasons for such an election are sound. Pass-through entities attract startup capital more readily and they avoid double taxation. There is no reason—economic, legal, or from a tax perspective—for this Commission to discourage a pass-through business structure by artificially suppressing the rates of pass-through entities.

Section II.B explains why an income tax allowance for pass-through entities is not a recovery of "phantom" income taxes. "Phantom tax" is the epithet used by opponents of the income tax allowance to describe the way in which partnerships, limited liability companies and S corporations (like Pima) file income tax returns. I explain below how these opponents ignore the distinction between income tax

liabilities (which are generated by income) and income tax payments (which are based on a myriad of factors, many of which I will discuss below.)

These opponents also misstate and mischaracterize tax law in order to make it appear that the shareholders somehow avoid taxes—this is simply not accurate. Based on my experience and expertise on the issue, I address the flaws of that argument from a tax law, utility ratemaking, capital attraction, and fairness standpoint. Put simply, the phantom income tax argument fails because it confuses the recognition of income with the payment of tax.

Section II.C below discusses the public policy rationale for the income tax allowance for regulated utilities operating as pass-through entities. In that section, I also explain why Arizona should adopt the income tax allowance for pass-through entities as a matter of policy and fairness for regulated utilities. I explain why it will assist in the attraction of capital, will avoid exposing customers to higher tax rates, and will allow entities to make corporate structure decisions based on business and tax issues, rather than quirks in regulatory rate recovery.

A. <u>The Pass-Through Entity.</u>

Q. WHAT IS A PASS-THROUGH ENTITY?

A. The Internal Revenue Code (the "Code") governs the income tax consequences of the form in which an entity does business. Subtitle A of the Code is entitled "Income Tax," and Chapter 1 covers "Normal Taxes." Within Chapter 1 are the various forms in which an entity conducts business. Thus, Subchapter F governs exempt organizations, Subchapter I, estates and trusts, and Subchapter T provides for the taxation of cooperatives. The most familiar subchapters are C (corporations), K (partnerships), S (S corporations), and limited liability companies or LLCs.

With modest exceptions, an S corporation files Form 1120S (an "informational return") but pays no tax at the corporate level. Instead, its shareholders recognize taxable income *pro rata* on their individual income tax returns via Forms K-1 issued by the corporation.[1]

In contrast, Subchapter C corporations report net income **and pay tax** at the corporate level on Form 1120. Tax is imposed upon shareholders only to the extent dividends are distributed. A company whose income (or loss) is reported at the investor level is described as a "pass-through" entity. In some discussions of pass-through entities, the LLC, partnership or S corporation is described as the first tier entity and the investors pay tax at the "second" tier on their *pro rata* share of first tier income.

Most businesses operate as an entity that limits liability to business assets, thus protecting the personal assets of their investors. S corporations are corporations for state law purposes, including those aspects of limited liability.[2]

Q. IS PIMA'S STRUCTURE IN LINE WITH THE CODE?

A. It is. In 1972, Pima was formed as a Subchapter S corporation. (In 1984 the Code was amended to change the term simply to "S corporation.")

Q. IN RETROSPECT THEN, DOES PIMA'S 1972 DECISION TO FORM AS AN S CORPORATION MAKE SENSE?

A. It does. In 1972, the S corporation was the principal pass-through alternative to the C corporation taxed at the corporate level. Subsequently, amendments to Arizona's Limited Partnership Act (1997)[3] and the enactment of the Arizona Limited Liability Partnership Act[4] in 1994 created viable pass-through alternatives

[1] I.R.C. § 1361 *et seq.*
[2] A.R.S. § 10-622B.
[3] A.R.S. § 29-301 *et seq.*
[4] A.R.S. § 29-1101 *et seq.*

to the S corporation. But with the Legislature's adoption of the Limited Liability Company Act in 1992,[5] LLCs became the preferred choice of entity for business operations.

Q. HAVE THERE BEEN CHANGES TO TAX LAWS THAT ADDRESS THE DIFFERENT TAX ISSUES BETWEEN C CORPORATIONS, S CORPORATIONS, AND LLCs?

A. There have been. The enactment by Congress of the Tax Reform of 1986 (the "1986 Act") made a compelling case for pass-through income tax status. First, Federal income tax rates had traditionally been higher for corporations than individuals, and the 1986 Act reversed this historical trend by reducing the marginal individual income tax rate from 50% to 28%. Although the marginal corporate rate was also lowered (from 46% to 34%), for the first time in two generations individual income tax rates were lower than corporate rates. Second, prior to the 1986 Act, a corporation could make a tax-free liquidating distribution to its shareholders upon a sale of its assets.[6]

Q. HOW DO THOSE CHANGES TO THE 1986 ACT AFFECT PIMA?

A. Each of the changes affects Pima. The first change has meant that pass-through entities like Pima face a lower ultimate tax rate than C Corporations—which is good for customers. The 1986 Act's repeal of the *General Utilities* doctrine imposes tax and administrative burdens on C corporations not borne by pass-through entities. Ratepayers served by pass-through entities need not endure such costs.

---

[5] A.R.S. § 29-601 *et seq.*

[6] *See General Utilities & Operating Co.*, 296 U.S. 200 (1935).

Q. DO STAFF AND RUCO ACKNOWLEDGE THAT THE UTILITY INCOME PASSED THROUGH TO THE SHAREHOLDERS OF AN S CORPORATION UTILITY IS SUBJECT TO TAX?

A. Yes. Neither party denies that the income passed through to the shareholders of an S corporation is subject to tax. So, the argument that an S corporation does not pay taxes rests on a technical distinction rather than reality. The income tax the shareholders of an S corporation are subject to arises directly from the taxable income of the S corporation, just as the income tax a C corporation is subject to arises directly from the taxable income of the C corporation. Taxes on this income are an inevitable business outlay regardless of the entity's legal form. In this respect, income taxes of a pass-through entity are just as much a cost of service as depreciation, salaries and wages, and purchased power. Staff recognized this to be true more than 20 years ago.[7]

Q. ON PAGE 5 AND 6 OF HIS DIRECT TESTIMONY, MR. RIGSBY ASSERTS THAT THE SHAREHOLDERS OF PIMA MADE THE ELECTION AS AN S CORPORATION AND, THEREFORE, THAT JUSTIFIES THE DENIAL OF AN INCOME TAX ALLOWANCE. PLEASE COMMENT.

A. To begin with, that argument ignores the fact that when Pima made the corporate structure choice, the Commission did not deny S corporations tax expense recovery; that policy was adopted over a decade later. It also ignores the FERC Policy Statement, FERC Orders and a decision of the U.S. Court of Appeals (D.C. Circuit) that disprove and undermine this argument. Finally, it ignores the consequences to the attraction of capital, the cost of capital, and the misuse of

[7] *See* Staff's Exceptions to Hearing Officer's Proposed Opinion and Order (filed December 29, 1987, in *Consolidated Water Utilities, Ltd.*, Docket Nos. E-1009-86-216, E-1009-86-217 & E-1009-86-332 (consolidated)) at 6:18-22.

regulatory policy to senselessly punish tax efficiency to the detriment of ratepayers.

B. <u>There is No Such Thing as a Phantom Income Tax.</u>

Q. HOW DO YOU RESPOND TO RUCO'S ARGUMENT THAT PIMA UTILITY DOES NOT FACE ACTUAL TAXES, BUT RATHER THESE ARE SOME SORT OF "PHANTOM" TAXES?

A. It is argued in this case that Pima should not receive an income tax allowance because, as a pass-through entity, it does not pay taxes. Since tax is imposed at the investor level, so the argument goes, the income tax allowance is not appropriate as a "cost" because the income tax is "phantom."

This argument fails because it confuses the recognition of income with the payment of tax. Income determines tax liability and Pima generates taxable income and, therefore, income tax liability. Pima generates that income from the provision of utility service to its customers. Pima is entitled to recover the costs incurred in the provision of utility service. The fact that the pass-through structure allows the income tax liability generated by Pima to be paid by its shareholders does not change the fact that those taxes are a cost of service. The very concept of a "phantom" tax for pass-through entities ignores the nature and purpose of the income tax.

Q. CAN YOU PROVIDE EXAMPLES OF THIS ISSUE?

A. The phantom tax argument is based on the ill-conceived notion that income tax liability is not actually incurred by a pass-through entity, but is somehow invented or concocted out of thin air. As noted above, however, Pima actually incurs a tangible income tax liability on the income reported on IRS Form 1120S, and taxes are paid *pro rata* by its investors, all in providing utility service to customers.

RUCO hinges its argument on the notion that the tax liability incurred by Pima is phantom or illusory because Pima does not actually pay the taxes. Thus, as

the argument goes: if Pima doesn't pay the taxes, then Pima's ratepayers should not be burdened with the income tax adjustment. That is incorrect—income taxes paid are always an annual amalgamation of items of recognition, exclusion, offsets, deductions, and credits. In fact, the most common scenario is for the tax liability generated by the income of a company or individual to be different than the taxes actually paid by the company or individual in any one year.

The following examples illustrate why there is no such thing as a phantom income tax and why basing the recovery of tax expense on the question of who pays the tax is a red herring. The distinction between the accrual of an income tax liability and the actual payment of income tax is common.

1. Taxpayer A earns $20,000 in income, but during that tax year she purchases and installs solar panels on her roof, earning a $20,000 tax credit. Taxpayer A would file a Federal income tax return reporting an income tax liability of zero.
2. Corporation B is a natural gas production company. Due to the low price of natural gas, the company reports negative $10,000 in taxable income for 2011 ($10,000). In 2012, Corporation B reports positive $10,000 taxable income. The company carries forward the $10,000 loss to offset income in 2012, and pays zero tax for 2012.
3. Partnership Joint Venture C operates wind turbines that generate electricity for sale into the wholesale market. The joint venture earns $20,000 in net revenues from power sales, but the Federal Wind Production Tax Credit generates an income tax credit of $20,000. Joint Venture C files an income tax return reporting zero income tax liability.
4. Taxpayer D owns a rental property on the Gulf Coast. The property is destroyed by a hurricane, and Taxpayer D receives a check for $100,000

from her insurance company as compensation for the loss. That same year she purchased another rental property (this time in Kansas) for $100,000. Under Code Section 1033, Taxpayer D pays zero tax on the $100,000 received from the insurance company.

5. Corporation E is a regulated electric utility that is a wholly owned subsidiary of a large energy company, Corporation F. The utility Corporation E earns $10,000,000 from operations in State X. Corporation F located in State Y has a disastrous year, loses $100,000,000 and files for bankruptcy protection. Corporation F files a consolidated corporate income tax return with its subsidiary Corporation E, reports a net loss and pays zero in corporate income taxes.

The point is that in each of the five examples listed above, Congressional public policy, reflected in the Code, creates a circumstance in which income is earned, income tax liability is incurred, but no payment of income tax is required. Put another way, these examples show that just because income tax is not paid does not mean that the income tax is non-existent as a cost of doing business.

Q. SO ENTITIES CAN HAVE NET INCOME, HAVE REAL TAX LIABILITIES, AND STILL NOT ACTUALLY PAY TAXES?

A. Yes. This makes sense when one bears in mind that the Tax Code is about much more than recovering a portion of income to fund government operations. The Tax Code is just as much an attempt to shape the economy and to incent (and disincent) certain activities. So companies and individuals make choices that change their tax payments, but they still have income and that income still gives rise to income tax liabilities.

Q. WHY SHOULDN'T THE COMMISSION SIMPLY EVALUATE WHETHER A TAX IS PAID AND BASE RECOVERY ON THE ANSWER TO THAT QUESTION?

A. Under the present policy, the Commission has incented utilities to select C corporation status simply because of its unwillingness to allow tax recovery for pass-through entities. This is one of my main objections to the discriminatory tax treatment imposed on pass-through entities: the effect of that discriminatory treatment is to discourage the use of legitimate, legal, useful, and lower-cost business structures, which has the further effect of increasing costs to customers, reducing the utility's opportunity to attract capital, and limiting the potential for new infrastructure in Arizona. The question is whether the provision of utility service generates a tax liability – period. The Commission does not, nor should it, change the rates of utilities operating as C corporations based on the actual tax expense of their parent holding companies. Nor should the Commission discriminatorily prohibit Pima and other pass-through entities from recovering their reported income taxes.

Q. SO HOW DOES THE IRS DETERMINE TAXABLE INCOME?

A. Please bear with me, but herein we establish that the income reported by Pima on Form 1120S and K-1s issued to its shareholders is real. Tax law and metaphysics are not often associated. However, there is a subjectivity inherent in the taxation of income[8] that does not exist with property taxation (a tax imposed upon the value of real or personal property at a given point in time), or sales, use, transaction

[8] The nature of income is far from clear as a matter of economics. Henry C. Simons, Personal Income Taxation: The Definition of Income as a Problem of Fiscal Policy (1938). The so-called Haig-Simons definition of income as an economic construct is the sum of a person's personal expenditures plus (or minus) the increase (or decrease) in the taxpayer's wealth. *Id.* The Haig-Simons definition has been debated and critiqued to this day. *See, e.g.*, Boris I. Bitker, A Comprehensive Tax Base as a Goal of Income Tax Reform, 80 Harvard Law Review 925 (1967).

privilege and excise taxes (a tax imposed upon the buyer or seller fixed as a percentage of the gross receipts of a specific transaction).

Under Federal income tax law, Code Section 61 defines gross income as: "[a]ll income, from whatever source derived." This circular (and frankly unhelpful) definition of income leads every law school student to contemplate in her first day of Tax I, and under intense questioning, the facts of *Commissioner of Internal Revenue v. Glenshaw Glass Co.*, 348 U.S. 426 (1955). In that case, the Supreme Court held that recovery of punitive damages was taxable income to the recipient, embracing the Code's definition of income as all "accessions to wealth clearly realized, and over which the taxpayers have complete dominion."[9]

Likewise, Pima generates income under the Code's definition—that income is allocated to shareholders and reported on Form 1120S and in the Forms K-1 issued to Pima's shareholders that establish their income tax liabilities from Pima's utility operations. The idea is actually quite simple and all one needs to know—the taxable income is from the utility, the income creates an income tax liability, and that is a cost of service and recoverable in rates.

Q. CAN YOU PROVIDE AN EXAMPLE OF AN ISSUE IN WHICH THE IRS EVALUATES WHAT IS AND WHAT IS NOT INCOME?

A. I can. Citibank recently issued Form 1099s to its customers for frequent flyer miles received in connection with their credit cards.[10] Frequent flyer miles constitute an "accession to wealth" in theory if not in practice.

In the case of Pima, there is no dispute that the operating company has recognized taxable income during the test year. Taxable income, as noted above, is

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[9] *Glenshaw Glass Co.*, 348 U.S. at 429.

[10] Forbes, Citibank Issues Forms 1099 for Frequent Flyer Miles, Surprising Customers and IRS (March 1, 2012), http://www.forbes.com/sites/kellyphillipserb/2012/03/01/citibank-issues-forms-1099-for-frequent-flyer-miles-surprising-customers-and-irs/.

construed broadly to include "accessions to wealth," including frequent flyer miles. Certainly, if frequent flyer miles are considered taxable income, then Pima has recognized taxable income from utility operations.

Again, the Haig-Simons definition of income as an economic construct is: the sum of a person's personal expenditures plus (or minus) the increase (or decrease) in the taxpayer's wealth. Pima's income recognition is salient under Haig-Simons economic theory as well as more pedestrian tax law. The income recognized at the first tier creates a tangible tax liability, even if ultimately paid by second tier investors. The only question in determining whether or not Pima Utility Company is entitled to the income tax allowance is whether Pima has incurred a tangible tax liability for cost of service purposes in a rate case. The answer is clearly yes.

Q. IS THERE ANYTHING ABOUT PIMA'S STRUCTURE THAT ELIMINATES ITS TAX LIABILITIES AND MAKES THEM "PHANTOM"?

A. No. For all entities, income is determined and taxed on a calendar year basis and reported annually *post hoc*, a further distinction from property and sales taxes. Pima's income is determined and recognized as taxable under that framework.

Items of income on a taxpayer's return may be offset by deductions, credits, exemptions and items of loss, or excepted from recognition by other provisions of the Code. Income tax losses may be carried forward and back, and affiliated entities may net taxable income and loss from their separate tax reports on a consolidated return.

Whether the taxpayer is an individual or a C corporation, those elements and approaches are the same. For example, a husband and wife filing a joint tax return net their incomes and deductions, just as C corporation holding companies net their

incomes, losses and deductions against C corporation operating utilities and their other subsidiaries when filing a consolidated return.

Q. AND WITH REGARD TO PIMA UTILITY COMPANY IS THERE ANYTHING THAT DEMONSTRATES AN ACTUAL TAX LIABILITY?

A. The fact that Pima's taxable income is reported on informational return Form 1120S, reported to its shareholders on Forms K-1, and taxed on the shareholders' Forms 1040 *does not* mean Pima's taxable income is phantom, <u>it means that Pima's income has generated a real tax liability in years in which Pima generates a profit and reports income to its shareholders</u>. The phantom tax argument is inconsistent with the concept of taxable income under the United States Tax Code. The concept of phantom income does not exist in tax law. Moreover, use of the phantom income argument to disallow an otherwise legitimate cost of service is a senseless and counter-productive regulatory punishment of tax efficient business organizations to the detriment of Arizona ratepayers.

Q. DOES THE COMMISSION NEED TO DETERMINE THE AMOUNT OF TAXES THAT WERE ACTUALLY PAID BY PIMA'S SHAREHOLDERS IN A PARTICULAR YEAR AS A PRECONDITION TO GRANT RECOVERY OF INCOME TAX EXPENSE?

A. No. That would be an unnecessary exercise. The complexity of the Code (a plethora of exemptions, exclusions, deductions, credits and non-recognition provisions), the temporal nature of the annual filing of returns, the business reality of operating divisions and consolidated returns, and the nature of income under the tax code (for example frequent flyer miles as income) confirm this conclusion. Income recognized by a pass-through entity <u>**is**</u> income, even if no tax is paid at the entity level. Income realized by Pima <u>**is**</u> income even if its shareholders ultimately pay the tax.

Q. BUT IF ONE OR MORE OF PIMA'S SHAREHOLDERS HAVE THEIR INCOME TAX LIABILITY FROM PIMA'S INCOME OFFSET BY LOSSES FROM OTHER INVESTMENTS, DOESN'T THAT CONVERT PIMA'S INCOME TAX INTO A "PHANTOM TAX"?

A. Because taxation of income is unlike taxation of property or sales, the concept of "phantom" income tax does not exist as I explained in a prior response. The "phantom tax" argument reflects a misunderstanding of the law and economics of income taxation. The phantom tax argument confuses the *recognition* of income with the *payment* of tax. Pima's income is no different than income earned by a C corporation. Pima, therefore, should receive an income tax allowance as part of its cost of service.

When Pima's shareholders receive their Forms K-1, they are required to report that income on their Forms 1040.

C. <u>As a Matter of Public Utilities Regulation, the Income Tax Allowance for a Pass-Through Entity is a Proper Cost of Service Item. Disallowance of the Income Tax Allowance Results in Rates that are Unjust and Unreasonable.</u>

Q. IS AN INCOME TAX ALLOWANCE A PROPER COST OF SERVICE ITEM?

A. Yes, for the simple reason that the tax liability is incurred by Pima in providing utility service to customers. FERC has recently and carefully considered the income tax allowance in the context of regulation of public utilities.

As is the case with the Arizona Corporation Commission, for FERC the rates of regulated entities must be just and reasonable.[11] The regulator must balance the interests of the investor and the consumer.[12] And the regulated entity

[11] *Permian Basin Area Rate Cases*, 390 U.S. 747, 805-06 (1968).
[12] *Federal Power Commission v. Hope Natural Gas*, 320 U.S. 591, 603 (1944).

must be allowed to earn sufficient revenues to maintain fiscal integrity and attract capital. Hence, rates must be neither unreasonably high nor unreasonably low.[13]

After consideration, FERC now provides income tax expense recovery for all regulated utilities, including pass-through entities.

Q. DID FERC ALWAYS HOLD THAT VIEW?

A. It did not. As noted above, after the 1986 Act, lawyers who advised privately held businesses to form C corporations had some explaining to do. As a consequence of the Code Section 7704(d) exemption for publicly traded pipeline companies to operate as pass-through entities, rate proceedings involving pass-through utilities arose in the 1990's. In 1995, FERC considered the tax allowance as a cost of service in the case of a limited partnership that operated a pipeline.[14]

In *Lakehead*, FERC allowed an income tax allowance as a cost item of the limited partnership, **but only to the extent its limited partnership interests were held by corporate partners.**[15] FERC did not allow the tax allowance attributable to limited partnership interests held by Lakehead's non-corporate partners.

In 2004, FERC's *Lakehead* doctrine was reversed by the Court of Appeals for the D.C. Circuit.[16] Although the shippers made the phantom income argument (ironically the named plaintiff affiliate of a major oil company was an LLC), the Court of Appeals reversed the underlying FERC Order on other grounds. The court described FERC's arbitrary distinction between corporate and non-corporate partners as unreasoned decision-making, rendering the Order violative of the Interstate Commerce Act.[17] The *BP West Coast Products* decision did not decide

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[13] *Id.*

[14] *Lakehead Pipe Line Company, L.P.*, 71 FERC ¶ 61,388 (1995), *reh'g denied*, 75 FERC ¶ 61,181 (1996).

[15] *Id.*

[16] *BP West Coast Products, LLC v. FERC*, 374 F.3d 1263 (D.C. Cir. 2004).

[17] *Id.* at 1288-90.

the phantom income issue. Instead, the Court held that FERC's *Lakehead* policy was unsustainably discriminatory and legally defective.[18]

FERC responded almost immediately to the Court of Appeals remand in *BP West Coast Products*, issuing a generic Notice of Inquiry on December 2, 2004. Due to extensive public interest in this issue, FERC extended the public comment period to January 21, 2005. FERC received and considered 42 comments, and on May 4, 2005, by a bipartisan and unanimous vote, FERC approved a Policy Statement on Income Tax Allowances.[19]

The FERC Policy Statement not only rejects but demolishes the phantom income argument. FERC's Policy Statement approves the income tax allowance for all pass-through entities without limitation. It is worth quoting Paragraph 34 of the Policy Statement in its entirety:

> As several commentors point out, a detailed discussion of the realities of partnership tax practice was not before the court when it reviewed the Opinion No. 435 orders. 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. As explained in detail by the comments summarized in sections A and D of Part II of this order, *the reality is that just as a corporation has an actual or potential income tax liability on income from the first tier public utility assets it controls, so do the owners of a partnership or LLC on the first tier assets and income that they control by means of the pass-through entity.* (Emphasis added.)

FERC carefully analyzed the law of income taxation of pass-through entities and expressly rejected the argument that income tax adjustments should be denied

[18] *Id.* at 1290.

[19] *Policy Statement on Income Tax Allowances*, 111 FERC ¶ 61,139 (2005) (attached as Exhibit MLS-RB2).

because the pass-through entity did not pay the tax. FERC rejected the "phantom tax argument" based on the legal and public policy aspects of the income tax allowance:

> Thus, the policy the Commission is adopting should not result in increased costs to public utility ratepayers, and may actually reduce them if a partnership of LLC has a lower weighted marginal tax rate and fewer administrative expenses than the normal corporate form. The Commission therefore concludes that, as is argued by the commentors urging an income tax allowance for all public utility entities, *providing an income tax allowance to partnerships in proportion to the interests owned by entities or individuals with an actual or potential income tax liability does not create a phantom income tax liability.* (Emphasis added.)[20]

Q. WAS THERE AN EVALUATION OF THE IMPACT TO RATEPAYERS FROM THE USE OF A PASS-THROUGH STRUCTURE?

A. There was. The regulated utility's use of pass-through status reduced operating costs, ultimately saving shippers money. Far from being a nefarious act, it was common sense. It is ill-advised regulatory policy to punish a tax-efficient business for reducing its operating costs and thereby saving ratepayer money. It is counter-intuitive to compel utilities into tax-inefficient corporate structures that increase ratepayer costs. The same holds true for Pima here.

Q. IN HIS TESTIMONY, MR. RIGSBY SUGGESTS THAT THE FERC POLICY AND DECISIONS SHOULD NOT APPLY TO ARIZONA. DO YOU AGREE?

A. No. A flawed understanding of income tax leads to a flawed "phantom tax" argument, the implementation of which would 1) reduce the ability of regulated utilities operating as pass-through (tax efficient) entities to attract capital into Arizona, 2) expose Arizona ratepayers to higher income tax expenses under

[20] *Id.* at ¶ 37.

corporate tax rates, and 3) reduce the opportunity for Arizona to attract investment that will build the infrastructure it needs to have a robust and growing economy.

Q. HAVE YOU SEEN EVIDENCE OF THOSE NEGATIVE EFFECTS FROM A WRONG VIEW OF TAX RECOGNITION?

A. I have. Arguably the worst and most dramatic aspects of the 2001 California energy crisis were the rolling blackouts in northern California. California suffered from inadequate investment in energy infrastructure, particularly electric transmission. South to north power flows were congested due to the inadequacy of the high voltage transmission line known as Path 15. Increasing the capacity of Path 15 became a national priority, and FERC and the State of California coordinated a public/private partnership to rebuild the line. FERC relied on that matter[21] in its Policy Statement. The reference to Trans-Elect is that the project developer was an LLC. It was contrary to the public interest to starve Trans-Elect of capital. The denial of the income tax allowance, a legitimate cost of a project essential to the ratepayers' health, welfare and safety, simply because Trans-Elect was an LLC, would have been an unjust, unreasonable, and unacceptable result.[22]

Q. WAS THE FERC INCOME TAX ALLOWANCE POLICY CHALLENGED IN COURT?

A. It was. FERC's Policy Statement came before the D.C. Circuit upon a Petition for Review of a 2005 FERC Remand Order, *SFPP, L.P.*, 111 FERC ¶ 61,334 (2005). In *ExxonMobil Oil Corporation v. FERC*, 487 F.3d 945 (2007), the Court of Appeals affirmed FERC's reasoning in the Policy Statement and reiterated its

[21] *Trans-Elect NTS Path 15, LLC*, 109 FERC ¶ 61,249 (2004).
[22] 111 FERC ¶ 61,139 at ¶ 35.

rejection of the *Lakehead* doctrine that had previously allowed FERC to disallow the income tax expense to pass-through entities.[23]

The D.C. Court of Appeals in *ExxonMobil* addressed head-on the phantom income argument raised by the shippers. The court offered two reasons why *BP West Coast*[24] did not foreclose the full income tax allowance for pass-through entities delineated in the FERC Policy Statement.

First, the Court of Appeals acknowledged what every tax accountant knows, that the first tier income recognized at the partnership level creates "real" income tax liabilities at the second tier.[25] This holding in and of itself justifies the recovery of Pima's income tax expense because income at the S corporation level creates real income tax liabilities for its shareholders.

Secondly, unlike the dubious reasoning underlying the *Lakehead* policy, "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."[26] The court observed that C corporation shareholders are taxed only upon dividends received, and unlike the case with S corporations and partnerships, recognition of income at the first tier is insufficient to impose tax liability upon C corporation investors. Thus the *ExxonMobil* court affirmed the income tax allowance and rejected the phantom tax argument as contrary to the principles of the tax code and economic reality.[27]

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[23] *ExxonMobil*, 487 F.3d 945.
[24] *BP West Coast*, 374 F.3d at 1291.
[25] *ExxonMobil*, 487 F.3d at 953-55.
[26] *Id.* at 954.
[27] *Id.*

Q. AFTER THOSE COURT DECISIONS, DID FERC RESOLVE THE MATTER WITH FINALITY?

A. It did. I believe FERC Orders 511 and 511-A are the final word on the correct regulatory treatment of the income tax allowance for pass-through entities. FERC was presented with a grand opportunity to resolve the income tax allowance in the context of an oil pipeline doing business as a master limited partnership ("MLP"). MLPs proliferated after the 1987 Section 7704(d) exemption for oil and gas pipelines to operate as publicly traded, pass-through regulated utilities. The shippers addressed every aspect of the income tax allowance in challenging the FERC Administrative Law Judge's 2009 Decision.[28]

Q. SO FERC FOUND THAT INCOME TAXES IN PASS-THROUGH ENTITIES ARE REAL?

A. Yes. FERC concluded that income taxes reported at the partnership level but paid by its partners are "real costs of acquiring and operating the pipeline assets, and therefore the income tax allowance does not recover a phantom cost."[29]

FERC Order 511 analyzed the Income Tax Policy Statement and the *ExxonMobil* decision that upheld it, concluding that an income tax allowance for an MLP was correct tax law.[30] In Order 511-A, FERC addressed on rehearing numerous shipper objections to the income tax allowance for MLPs. Upon careful, indeed exhaustive analysis, FERC held that "an income tax allowance does not result in phantom income tax cost, the double recovery of the partner's income tax liability, or unjust or unreasonable rates.[31]

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[28] *Opinion No. 511* (134 FERC ¶ 61,121 (2011)) at ¶ 219.
[29] *Id.* at ¶ 227.
[30] *Id.* at ¶ 228.
[31] *Opinion No. 511-A* (137 FERC ¶ 61,220) at ¶ 270, *citing* 134 FERC ¶ 61,121 at ¶¶ 249-50, 258, 259, 261, 296.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Pima Utility Company

Marc Spitzer Rebuttal Testimony

Exhibit MLS-RB1

MARC L. SPITZER, ESQ.
PARTNER, STEPTOE & JOHNSON LLP
1330 CONNECTICUT AVENUE NW
WASHINGTON, DC 20036

PUBLIC SERVICE

Commissioner, Federal Energy Regulatory Commission, Washington, DC
2006-2011

Participated in Commission technical conferences, initiatives and proceedings, including 2005 Energy Policy Act and other rulemakings, rate, enforcement and reliability cases, electric transmission policy, natural gas infrastructure.

Extensive lecture and speaking schedule, including before significant international energy conferences representing United States government, major U.S. energy conferences involving Federal and State political and regulatory bodies, regulated entities, energy producers and investors and all major energy trade associations.

Testified before Congressional Committees, assisted and consulted with members of Congress and Congressional staffs.

Commissioner, Arizona Corporation Commission, Phoenix, Arizona
2001-2006, Chairman, 2003-2005

Statewide elected official

Presided over electric, natural gas, water, telecommunications rate cases, securities enforcement proceedings, power plant and electric transmission line siting cases, rulemakings including Arizona's Renewable Portfolio Standard, natural gas infrastructure policy statement.

Member, National Association of Regulatory Utility Commissioners. Frequent speaker at regional and national conferences before State and Federal Commissioners, elected officials and regulated entities.

Arizona State Senator, 1993-2001
Senate Majority Leader, 1996-1999
Chair, Finance Committee, 1994-1996
Chair, Judiciary Committee, 1999-2001

Assumed leadership positions from first legislative session.

Sponsored and enacted major Arizona tax, budget, energy, environmental and judiciary legislation during 1990's.

Negotiated State Implementation Plan for Arizona's non-attainment areas with Environmental Protection Agency Region 9 Administrator.

Lecturer before National Conference of State Legislators and American Legislative Exchange Council.

Recipient of more than 50 awards for legislative service from business, political and non-profit organizations.

PRIVATE PRACTICE OF LAW

Bar Admissions:
State Bar of Arizona, 1982
AV by Rated Martindale Hubbell, 1987-2006
Certified as Tax Law Specialist by Arizona State Bar Board of Legal Specialization, 1986-2006
United States District Court, Arizona, 1982
United States Tax Court, 1982
Court of Appeals for the Ninth Circuit, 1983
Tribal Courts of the Navajo Nation, 1988

Recipient of Exceptional Achievement Award from State Bar of Arizona.

Marc L. Spitzer, Attorney at Law
2001-2006
Federal tax controversy law practice

Lecturer in classes on Federal income taxation, IRS audits and appeals at national conferences, Arizona State University, Arizona Tax Conference, Arizona Society of CPAs, State Bar of Arizona and other organizations.

KPMG LLP, Phoenix, Arizona
1996-2001
Tax Director, KPMG Tax Controversy Services section

Represented public companies and private entities in disputes with

Internal Revenue Service before IRS Audit and Appellate Divisions and United States Tax Court.

Fennemore Craig PC, Phoenix, Arizona
1982-1996
Shareholder, Director, 1988-1993
Relinquished equity position in Firm upon election to State Senate

General tax practice at established regional southwestern law firm with focus on Federal tax controversies.

Appearances before Federal and Arizona trial and appellate courts and administrative agencies.

EDUCATION

University of Michigan Law School
J.D., 1982, *cum laude*

Dickinson College
B.A. 1979 *summa cum laude, Phi Beta Kappa*

VITAE
Born Pittsburgh, PA September 12, 1957

Pima Utility Company

Marc Spitzer Rebuttal Testimony

Exhibit MLS-RB2

111 FERC ¶ 61,139
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Inquiry Regarding Income Tax Allowances Docket No. PL05-5-000

POLICY STATEMENT ON INCOME
TAX ALLOWANCES

(Issued May 4, 2005)

1. On December 2, 2004, the Commission issued a notice of inquiry regarding income tax allowances. The Commission asked interested parties to comment 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. The Commission concludes 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. This order 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.

I. Background

2. The instant proceeding was initiated by the Commission in response to the U.S. Court of Appeals for the District of Columbia remand in *BP West Coast Products, LLC, v. FERC,*[1] in which the court held that the Commission had not justified the so-called *Lakehead* policy regarding the eligibility of partnerships for income tax allowances. The *Lakehead* case[2] held that a limited partnership would be permitted to include an income tax allowance in its rates equal to the proportion of its limited partnership interests owned by corporate partners, but could not include a tax allowance for its partnership interests that were not owned by corporations. Prior to *Lakehead,* the Commission's policy provided a limited partnership with an income tax allowance for all

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[1] *BP West Coast Products, LLC v. FERC*, 374 F.3d 1263 (D.C. Cir. 2004) (*BP West Coast*), *reh'g denied*, 2004 U.S. App. LEXIS 20976-98 (2004).

[2] *Lakehead Pipe Line Company, L.P.*, 71 FERC ¶ 61,388 (1995), *reh'g denied*, 75 FERC ¶ 61,181 (1996) (*Lakehead*).

of its partnership interests, but did so in the context that most partnerships were owned by corporations. This ruling was not appealed until a series of orders involving SFPP, L.P. in the proceedings underlying the remand.[3] The Commission's rationales for permitting a tax allowance for corporate partner interests were (1) the double taxation of corporate earnings, (2) the equalization of returns between different types of publicly held interests, *i.e.* the stock of the corporate partner (which involves two layers of taxation of partnership earnings) and the limited partnership interests (which involve only one), and (3) encouraging capital formation and investment.

3. The court found all of these rationales unconvincing. First, the court rejected the double taxation rationale in *Lakehead*, concluding that (1) only the costs of the regulated entity may be recovered, and (2) taxes are but one cost paid by a corporate partner as part of its cost of doing business.[4] The court also rejected the rationale that the investor should be able to obtain the same returns without regard to which instrument the investor purchases. The court rejected this argument by noting that if any income tax allowance is provided, this benefits all investors holding instruments proportionately because the additional income is shared on a *pro rata* basis.[5] Given this *pro rata* distribution of income by the partnership, the court concluded that non-corporate partners would receive an excess rate of return.

4. Thus, while the double taxation function may affect the eventual return for the investor, the court made clear that this is a function of corporate structure and the attendant tax consequences, not the regulated utility's risk.[6] The court therefore concluded that the investor's return and risk are no more appropriately attributed to the

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[3] *Opinion No. 435* (86 FERC ¶ 61,022 (1999)), *Opinion No. 435-A* (91 FERC ¶ 61,135 (2000)), *Opinion No. 435-B* (96 FERC ¶ 61,281 (2001)), and an *Order on Clarification and Rehearing* (97 FERC ¶ 61,138 (2001)) (collectively the Opinion No. 435 orders.) These are now pending before the Commission on remand and rehearing in Docket Nos. OR92-8-000, *et al.,* and OR96-2-000, *et al.*, respectively.

[4] *BP West Coast* at 1288.

[5] *Id.* at 1292-93.

[6] In making a decision whether to buy a limited partnership interest (where only the unit holder's income is taxed), or a share of a corporate partner (where the corporate income is taxed as well), it should be the individual investor that makes the adjustment for the double taxation. The individual investor can do this by paying prices that equalize the pre-tax return to the investor of the different instruments that have income derived from the same public utility assets.

regulated entity than are the investor's various costs in determining the costs or allowances that the regulated entity is permitted to recover.

5. The court also rejected the Commission's third rationale that an income tax allowance should be permitted to encourage capital to flow into public utility industries regulated by the Commission.[7] Throughout its analysis the court stated that the Commission's central assumption in its *Lakehead* decisions was that income taxes are an identifiable cost for the regulated entity. Thus, if a partnership paid no income taxes, or had no potential income tax liability, no cost was incurred and therefore an income tax allowance would reimburse the entity for a phantom cost. Accordingly, the court concluded that a payment for a non-existent cost was still invalid even if designed to encourage needed infra-structure investment.

6. While the court's decision addressed only the Order No. 435 opinions, it became apparent that the remand has implications for other proceedings and regulated utilities as well. As was discussed in the more recent *Trans-Elect* order,[8] denying a tax allowance would significantly reduce the expected returns that were the basis for the investment in that project. In light of the broader implications of *BP West Coast,* the Commission sought comments here on whether the court's ruling applies only to the specific facts of the SFPP, L.P. proceeding, or also extends to other capital structures involving partnerships and other forms of pass-through ownership. The Commission asked whether the court's reasoning should apply to partnerships in which: (1) all the partnership interests are owned by investors without intermediary levels of ownership; (2) the only intermediary ownership is a general partnership; (3) all the partnership interests are owned by corporations; and (4) the corporate ownership of the partnership interests is minimal, such as a one percent general partnership interest of a master limited partnership. The Commission also asked if (1) the court's decision precludes an income tax allowance for a partnership or other ownership interests under any of these situations, will this result in insufficient incentives for investment in energy infrastructure; (2) or will the same amount of investment occur through other ownership arrangements; and (3) are there other methods of earning an adequate return that are not dependent on the tax implications of a particular capital structure?

II. Comments

7. After an extension of the comment period to January 21, 2005, thirty-three comments were timely filed with an additional nine comments filed late. As enumerated below in greater detail, the comments advocate four general positions. While no party

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[7] *BP West Coast.* at 1292-93.

[8] *Trans-Elect NTS Path 15, LLC*, 109 FERC ¶ 61,249 (2004) (*Trans-Elect*).

argues for the continuation of the *Lakehead* doctrine in its current form, three appear to argue that an approach should be used to preserve the tax allowances now available to certain limited liability corporations (LLCs), or possibly provide a justification for tax allowances for all partnerships and LLCs, as long as there is no additional cost to the rate payers beyond that which would have been incurred through a corporate form. Three commentors argue for granting a tax allowance if a partnership is entirely owned by a tax paying corporation filing a consolidated return. Ten argue that the tax allowance should be granted only to entities that actually pay taxes and that there should be no allowance for "phantom" taxes. Twenty-four commentors would provide a tax allowance to all entities to assure that tax factors do not control the selection of the investment vehicle. Two filings were limited to interventions or minor comments and are not discussed further in this order.[9]

A. Proposals Akin to *Lakehead*

8. Three commentors expressed concern about the possible impact of the court's decision on existing public utility partnerships that include for-profit private and non-profit public electric utilities.[10] These concerns are summarized by Wisconsin Public Power Inc. (WPPI), which asserts that the Commission should permit LLCs and partnerships to have an income allowance if the LLC demonstrates that its structure would not increase the income tax component of the cost of service to transmission rate payers. WPPI is a part owner of the American Transmission Company, LLC (ATCLLC), which owns transmission lines conveyed to it by various utilities, private and public, in Wisconsin. To maintain cash flow neutrality for its owners after the facilities were transferred to ATCLLC, ATCLLC was provided a tax allowance equal to the blended tax rate of its owners. Thus, to the extent that the income stream to a private owner would be taxed at 35 percent, ATCLLC was provided an allowance for taxes on that income. A municipality pays no taxes and therefore that portion of the income stream did not result in a tax allowance. The ATCLLC income stream is then allocated at the owner level in a way that prevents over or under-recovery.

9. WPPI states that this arrangement assured that the income stream from transmission operations would not be taxed at the operating level of ATCLLC, thus retaining the two tier structure that existed before the various private companies divested their transmission assets to ATCLLC. These two historical taxation tiers were the corporate income tax and the tax on the shareholder dividends. ATLLC states that

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[9] Edison Mission Energy, which urged that the income tax allowance issue be resolved quickly, and Piedmont Natural Gas Company, Inc., which only intervened.

[10] Electric Power Supply Association (EPSA); Michigan Electric Transmission Company, LLC (METC); Wisconsin Public Power, Inc.

without the use of the LLC form, and a tax allowance attributable to the utility income stream, the private shareholders would suffer a loss in value because of the additional level of taxation on transmission income. Thus, the value of a transmission interest in ATCLLC would be diminished below the value it had for the private corporation before the transfer of the asset. For this reason the private companies would not have transferred their assets to ATCLLC. WPPI therefore concludes that the tax allowance on the income stream of LCC that pays no income taxes itself was essential to the creation of an independent transmission system on the upper Michigan peninsula.

10. METC likewise requests a solution that would preserve the rate attributes historically extended to LLCs, consistent with the methodology first announced in the *Lakehead* cases. Most importantly, METC asserts that the Commission should take no action that would undermine existing investments in independent transmission companies that are LLCs. Thus, METC's concerns do not turn on the preservation of the *Lakehead* doctrine as such, but that the corporate shareholders of that LLC are not deprived of the tax allowance that was built into the rates of return on the transmission assets that these firms contributed to METC's independently owned transmission system.

11. EPSA urges that the Commission affirm the *Lakehead* philosophy by providing the Court of Appeals with a better rationale. EPSA suggests that there are six basic options available to the Commission. One is to give utilities organized as corporations a tax allowance, but not partnerships. A second is to treat partnerships and corporations the same and give both a tax allowance. A third is to deny any partnerships with non-corporate owners a tax allowance but permit the allowance for partnerships owned wholly by corporations. A fourth is to readopt *Lakehead.* A fifth is to eliminate the allowance and base rates on pre-tax rates of return. A sixth is to decide matters of partnership income tax allowances on a case-by-base basis.

12. EPSA states that first option would have a serious negative consequence on raising capital for the industry, particularly with regard to large projects with multiple owners. It notes that even if corporate-owned partnerships could reorganize to qualify for a tax allowance, there are additional administrative costs that would be passed on to consumers. It further asserts that a case-by-case approach would result in uncertainty and to disqualify a partnership based on a single non-corporate partner seems unfair and hard to justify analytically. Determining returns on a pre-tax basis is likely to be controversial and difficult to implement.

13. EPSA therefore concludes that the only realistic options are (1) treating all entities the same; or (2) a continuation of the Commission's *Lakehead* policy. ESPA notes that taxes are an imputed cost based on public utility net income. As such, EPSA claims that the court ignored the fact that taxes are imputed to a utility in situations where the utility pays no actual taxes because the corporate income tax allowance is based on the regulatory book income of the utility in question. EPSA's analysis assumes that the

required rate of return is 12 percent. EPSA then asserts that in the absence of a tax allowance, a utility subject to the 35 percent corporate income tax would only pay out dividends equivalent to 7.8 percent net income (instead of 12 percent).

14. EPSA states that in contrast, the corporate tax allowance increases the utility's pre-tax return on equity to 18.5 percent, which after application of the 35 percent tax rate, results in the 12 percent equity return. EPSA concludes that if an allowance is not allowed to partnerships owned by one or more corporations, the amount returned to the parent corporation will not be sufficient to attract equity investment. Since EPSA opposes an income tax allowance for pass-through entities that are not owned by a corporation, and believes it unfair to deny an income tax allowance if some of the partnership interests are not owned by a corporation, it concludes that the *Lakehead* approach should be affirmed.

B. If a Corporation Owns the Partnership Interests

15. Three commentors[11] argue that an income tax allowance should be allowed if the partnership interests are owned wholly by corporations filing a consolidated return. In support of this position, Kern River states that the Commission's stand alone rate-making policy should apply, just as it does in the case of a consolidated return that can be filed when a parent corporation owns at least 80 percent of a subsidiary's stock.[12] All three of these commenters assert that in the case of a regulated partnership held within a single corporation and whose income is included in a consolidated return, the income from the regulated partnership generates a tax liability that is included in the jurisdictional cost of service of the corporate group.

16. Kern River further states that there is no question that income generated by a partnership within a corporate group creates an income tax liability for the group. This is because, while the partnership is not taxed directly, its income is flowed through to the corporations that hold the partnership interests. Duke Energy further asserts that *BP West Coast* was not intended to invalidate an income tax allowance for pass-through entities owned by corporations and at a minimum that decision should be restricted to its

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[11] Duke Energy Corporation; Kern River Gas Transmission Company (Kern River); Texas Gas Transmission, LLC.

[12] The stand-alone policy provides that income tax allowance of a corporate subsidiary should be determined based on the actual or potential income tax obligation of that subsidiary. Thus, the amount of the allowance is not based on the tax obligation of the parent company in the test year in which the consolidated return is filed. *See City of Charlottesville v. FERC*, 774 F.2d 1205 (D.C. Cir. 1985) (*City of Charlottesville).*

facts.[13] Thus, regardless of the corporate structure, the income a partnership generates is a part of the consolidated group's taxable income, and therefore generates a corporate tax liability. These commenters therefore assert that a partnership that is wholly owned by a corporation should be granted an income tax allowance.

C. Opposition to Any Allowance if Taxes are not Actually Paid

17. Ten commentors assert that there should be no tax allowance for any entity that does not actually pay income taxes or has a potential liability for such taxes.[14] Only one such commentor, the NGSA, suggests that the court's ruling should be applied on a case-by-cases basis. All others assert that the court's holdings should be applied uniformly to all partnerships, LLCs, or similar pass-through entities, thus creating a single uniform rule. Thus, there would be no income tax allowance for any partnership or LLC, including those owned by corporations that do not have an actual or potential income tax liability. They assert that the court's decision is binding on the Commission, and that there should be no income tax allowance for partnerships that do not pay income taxes.

18. They assert that any such phantom taxes will result in a significant increase in rates to customers or consumers. This is because the gross-up for the income tax allowance could result in as much as a 60 percent increase in the rate of return on equity assuming that the regulated entity is allowed a twelve percent rate of return on equity.[15] Any gross-up from the tax allowance represents an increase in return for entities that may be already charging unjust and unreasonable rates even if a tax allowance were excluded. Rather than provide an inflated return, they assert that any needed incentives for increased investment should be provided by special actions to increase the pre-tax rate of return. Given this alternative, denying a tax allowance will not act as a disincentive to investment in infra-structure facilities.

19. In addition, BP West Coast Products asserts that the inquiry in Docket No. PL05-5-000 was prompted by *ex parte* communications to the Commission and therefore no determinations of any specific income tax issues should be made in this proceeding. It further asserts that the partners investing in SFPP's parent entities will rarely pay taxes on the income generated by that partnership and that many such master limited partnerships

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[13] Kern River at 7-8; Duke Energy at 4-5.

[14] Air Transport Association of America, Inc.; American Public Gas Association; BP West Coast Products; Calpine Corporation; Canadian Association of Petroleum Producers; Missouri Public Service Commission; Natural Gas Supply Association (NGSA); National Rural Electric Cooperative Association; Society for the Preservation of Oil Pipeline Shippers; and Valero Marketing and Supply Company.

[15] *See* BP West Coast Products at 6; NGSA at 3.

(MLP) are intended to act as tax shelters that remove cash from existing pipelines. BP West Coast Products concludes that providing MLPs an income tax allowance is not necessary to encourage new investment and that this should be done by providing an increased pre-tax rate of return

20. At bottom, these commentors base their argument on three central points in the *BP West Coast* opinion. The first is that "where there is no tax generated by the regulated entity, either standing alone or as part of a consolidated group, the regulator cannot create a phantom tax in order to create an allowance to pass-through to the rate payer."[16] The second is that it is not "the business of the Commission to create a tax liability where neither an actual nor estimated tax is ever going to be paid or incurred on the income of the utility in the rate making proceeding."[17] The third is even if an income tax allowance is necessary to implement a congressional mandate designed to encourage investment in public utility facilities, the court concluded was inadequate to create an allowance for fictitious taxes.[18]

D. Comments Supporting a Tax Allowance for All Entities

21. Twenty-four commentors[19] support a tax allowance for all entities investing in public utility enterprises. These commentors start from the premise that the court did not have before it the realities of partnership or LLC taxation and as such did not address

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[16] *BP West Coast* at 1290.

[17] *Id.* at 1292.

[18] *Id.* at 1292-93.

[19] Alaska Gas Transmission Company, LLC; American Gas Association (AGA); Association of Oil Pipe Lines (AOPL); American Transmission Company, LLC; Duke Energy Corporation; Edison Electric Institute and the Alliance of Energy Suppliers, filing jointly; Enbridge Inc. and Enbridge Energy Partnerships; Enterprise Products Partners, L.P.; Guardian Pipeline; Hardy Storage Company, LLC; INGAA; Interested Gas Pipeline Partnerships; Kaneb Pipe Line Operating Partnership, L.P.; Kayne Anderson Capital Advisors and Kayne Anderson MLP (Kayne); Kinder Morgan Interstate Gas Transmission, LLC, Trailblazer Pipeline Company, and Transcolorado Gas Transmission Company, filing jointly; MidAmerica Energy Company; Millennium Pipeline Company, L.P.; Plains Pipeline, L.P.; Publicly Traded Limited Partnerships; Northern Border Pipeline Company; Shell Pipeline Company, L.P.; Tortoise Energy Infrastructure Corporation; Trans-Elect, Inc.; Trans-Elect NTD Path 15, LLC; Wisconsin Electric Power Company and Edison Sault Electric Company, filing jointly; and WPS Resources Corporation (WPSR).

them. These commenters thus believe there is no barrier to considering the issue of tax allowances for partnerships in light of the fuller record presented in this proceeding. In fact, some state that this proceeding is an opportunity to reconsider the Commission's *Lakehead* decision, which they believe was incorrect, and to return to the Commission's pre-*Lakehead* policies. In this regard, they conclude, contrary to the court's statement in *BP West Coast* and the Commission's *Lakehead* decision, income taxes are not like all other costs. Unlike operating expenses such as office supplies, rent, or wages, they argue that income taxes are imposed on, or imputed to, a public utility's income, and as such income taxes are not a cash deduction from operations. Because the income tax allowance is imputed, it is grossed-up on the utility's allowable dollar return rather than functioning as a charge against operating income. Thus, the income tax allowance is a function of the equity return, and in turn generates the cash flow that is used to pay the utility income taxes.[20]

22. Proceeding from the premise that income taxes are an imputed cost on income, these twenty-four commentors assert that whether the entity is a corporation or a partnership, there is an actual or potential income tax liability generated by utility income. In turn, it is utility income that generates the cash flow used to pay the income taxes. They claim that this is true whether the income tax is actually paid by a corporation as the first tier investor, or the partners of a partnership as the first-tier investors. They define a first tier investor is one that invested funds in assets that are generating the public utility income. These commentors stress that the critical point is that while a partnership owns the public utility assets, it is a flow-through entity whose income is taxed not at the partnership level, but is taxed to and paid by the individuals or entities that own the partnership interests.

23. Thus, they state that in the case of a partnership, the partners include the utility income in their income tax returns and the tax on utility income is paid at that point.[21] The tax on this income is paid whether or not cash distributions are made to the partners.

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[20] Thus, for example, if gross revenues are $500, and operating expenses such as rent, fuel, labor, interest, repairs, and depreciation of $400 are charged against gross revenues, this would leave operating income of $100. Assuming this equals the allowed equity return, the corporate tax on this $100 would be $35. The $100 is therefore grossed up to approximately $154 to leave a $100 return after payment at an income tax rate of 35 percent. *See* Northern Border at 5 – 7 and 16; INGAA at 16.

[21] The individual partner files a Form1040 tax return and pays the marginal individual tax rate on the utility income. The corporate partner files a Form 1120 tax return and pays the marginal corporate tax on the utility income. At the current time the maximum marginal tax rate in both cases is 35 percent. *See* EEI's comments at 10-11 for a concise summary of partnership tax law and filing procedures.

In contrast, a corporation that owns a public utility asset is the taxpaying entity on the income generated by utility income. These commentors assert that, as with a partnership, the tax on this first tier income is paid whether or not dividends are paid to the corporation's shareholders. The commentors therefore assert that there is no phantom tax liability on partnership income. This is because the tax liability on utility income is real, but it is paid by the partners rather than by a corporation that functions as a separate taxpaying entity.

24. These commentors also start from the basic regulatory premise that a utility must earn a return comparable to that of investment opportunities of similar risk if it is to attract investment.[22] They state that concept refers to the after tax, not the pre-tax, return to the investor in the utility assets is the standard used in public utility rate making regardless of the form of the ownership. Thus, if the after tax return must be 12 percent to attract capital, then all first tier investors in the utility assets must have a reasonable opportunity to earn a 12 percent after tax return if the utility is to attract capital. If partnerships are not permitted a tax allowance on utility income, then cash will not be generated to pay the taxes due on that utility income, and the partnership form of ownership would not be competitive with the corporate form.

25. These commentors also provide various numerical examples of how income tax returns would differ if partnerships are not provided a tax allowance. Assuming that $100 is the after tax return required return to attract capital, the court's decision would permit a tax allowance sufficient to cover the 35 percent maximum corporate tax that would be paid on corporate income. The gross-up to achieve the after-tax return is about 54 percent and generates the cash flow to pay the tax. Thus, after the corporate income tax is paid, the after-tax return is $100.[23]

26. If a partnership is permitted an income tax allowance, the result is the same because the maximum personal income tax allowance is also 35 percent. As with a corporation, the income tax allowance could provide the individual partners with the cash to pay the taxes on utility income, and therefore results in an after tax return of $100, the allowed regulatory return. However, 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. Therefore these commentors conclude that partnerships must be granted an income tax allowance to make the partnership and corporate business forms equally attractive because the tax implications are the same.

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[22] *F.P.C. v. Hope Natural Gas,* 320 U.S. 591, 603 (1943).

[23] *See* INGAA at 16-17; EEI at 13-14; Northern Border at 3-5, 7-8.

27. These commentors also explore some secondary tax factors to demonstrate the need for a partnership tax allowance if such entities are to be a competitive vehicle for investments. While taking some pains to avoid the double taxation issue discussed by the Court of Appeals, they point out that without an income tax allowance partnerships are not competitive with corporations for the individual investor who files a Form 1040 income tax return. As noted in the previous example, without a partnership income tax allowance, the after tax return to a corporate investor is $100 and to the partnership investor it is $65. Assuming that that the corporation pays out all $100 in dividends, the income tax for the Form 1040 individual investor is $15, with a resulting after tax return of $85.

28. Thus, they assert, for a Form 1040 individual investor who has the option of investing either in a corporation or partnership, the partnership is not competitive if, all other things being equal, there is no partnership tax allowance. Moreover, if a corporation owns less than 80 percent of a subsidiary corporation, the subsidiary's dividends are taxed. Pursuing the previous numerical example, if the ownership is greater than 20 percent or less than 80 percent, the 20 percent of the subsidiary's dividends are taxed, or a 7 percent tax differential at the 35 percent bracket. If the ownership is less than 20 percent, 30 percent of the subsidiary's dividends are taxed, or a 9.5 percent tax differential at the 35 percent rate. This increases the cost of participating in large projects in which risk sharing is a consideration.

29. These commentors also assert that there are other significant administrative and commercial advantages to partnerships beyond facilitating risk sharing. Benefits include the ability of some entities, such as municipalities or public transmission owners, to participate in partnerships, but not corporations, avoiding the expense involved in corporate charters, by-laws, shareholder meetings, and greater flexibility in making contributions in-kind and in distributing of earnings. They also argue that Congress clearly intended that utility firms were to be eligible for partnership treatment in order to encourage investment, and that the court's ruling undercuts this important purpose.

30. Finally, these commentors assert that numerous large public utility investments have been made in recent years relying on the tax allowance to provide part of the required after-tax return.[24] They note that as was discussed in the recent *Trans-Elect*

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[24] These commentors include Algonquin Gas Transmission, LLC; Alliance Pipeline, L.P; ATLLC; East Tennessee Natural Gas, LLC; Egan Hub Partners, L.P.; Enbridge Pipeline; Horizon Pipeline Company, LLC; Great Lakes Natural Gas Pipeline; Green Banks Gas Pipeline, LLC; Gulfstream Natural Gas Pipeline; Iroquois Gas Transmission Company; Islander East Pipeline Co, LLC; Kinder Morgan Interstate Gas Transmission, LLC; Maritimes & Northeast Pipeline; Market Hub Partners, L.P.; METC; Moss Bluff Hub Partners, L.P; North Baja Pipeline LLC; Portland Natural Gas Transmission System; Texas East Gas Transmission, LLP; TransCanada Corporation;

order,[25] denying a tax allowance would significantly reduce the expected returns that were the basis for that badly needed investment. They provide lists of numerous publicly traded partnerships that have substantial amounts of equity, and assert that some of these partnerships have made significant additional investments in reliance on the income tax allowance.[26] For these reasons these commentors conclude that all entities investing in utility operations, and generating utility income, should be permitted an income tax allowance. As discussed in the WPPI and EEI comments, the size of the allowance would be determined by the weighted maximum tax rate of the partners involved. Any problems of over- or under recovery would be adjusted within the partnership structure to assure that the benefits of any income tax allowance would not flow to a partner that had no actual or potential income tax liability.

III. Discussion

31. The issue is under what circumstances, if any, an income tax allowance should be permitted on the public utility income earned by various public utilities regulated by the Commission. As stated earlier, while the court's decision in *BP West Coast* only addressed the particulars of a certain oil pipeline, the numerous comments submitted here indicate that partnerships or other pass-through entities are used pervasively in the gas pipeline and electric industries as well. Upon review of the comments, there appear to be four possible choices: (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.

32. Given these options, the Commission concludes that it should return to its pre-*Lakehead* policy and 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. Thus a tax-paying corporation, a partnership, a limited liability corporation, or other pass-through entity would be permitted an income tax allowance on the income imputed to the corporation, or to the partners or the members of pass-through entities, provided that the corporation or the partners or the members, have an actual or potential income tax liability on that public utility income. Given this important qualification, any pass-

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Trans-Elect ND-15; Tuscarora Gas Transmission Company; Saltville Gas Storage Company, L.L.C; and Shell Pipeline Company.

[25] *Trans-Elect NTS Path 15, LLC*, 109 FERC ¶ 61,249 (2004) (*Trans-Elect*).

[26] *See* comments of: Duke Energy Corporation at 9-10, 30; Enbridge Inc and Enbridge Energy Partners at 4-5; Gas Pipeline Partnerships at 2-4; Millennium Pipeline Company, L.P. at 2; Northern Border Pipeline Company at Appendix A; Publicly Traded Partnerships at 13-14.

through entity seeking an income tax allowance in a specific rate proceeding must establish that its partners or members have an actual or potential income tax obligation on the entity's public utility income. To the extent that any of the partners or members do not have such an actual or potential income tax obligation, the amount of any income tax allowance will be reduced accordingly to reflect the weighted income tax liability of the entity's partners or members.[27]

33. In reaching this conclusion, the Commission expressly reverses the income tax allowance holdings of its earlier *Lakehead* orders. As stated in EEI's comments, *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.[28] Relying on *BP West Coast,* some commenters assert that because a pass-through entity pays no cash taxes itself, this results in a phantom tax on fictional public utility income. However, the comments summarized in sections A and D of Part II of this policy statement demonstrate that this assumption was incorrect. While the pass-through entity does not itself pay income taxes, 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.[29] Therefore, the taxes paid by the owners of the pass-through entity 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. The numerical examples discussed in sections A and D of Part II of this policy statement also establish that the return to the owners of pass-through entities will

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[27] This is a technically complex issue that would be addressed in individual rate proceedings as suggested by EEI and WPPI.

[28] EEI comments at 8. In support of this point several commenters cite to *City of Charlottesville*, *supra*, note 12, for the proposition that a tax cost involves real taxes but not necessarily require that cash taxes be paid by the regulated entity. *See* EEI at 11-13; INGAA at 12-13; Joint Comments of the Interested Gas Pipeline Partnerships at 10-12; AOPL at 8-9.

[29] The comments and numerical examples submitted by the EEI, INGAA, and Northern Border demonstrate that under partnership law the partners, or members, of pass-through entities pay taxes on the public utility income of the operating entities that they control through the partnership or other pass-through entity. *See* EEI at 13-15; INGAA at 15-17; Northern Border at 5-8; Shell Pipeline Company LP at 4; and WPS Resources at 14-16.

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.[30]

34. As several commentors point out, a detailed discussion of the realities of partnership tax practice was not before the court when it reviewed the Opinion No. 435 orders. 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. As explained in detail by the comments summarized in sections A and D of Part II of this order, the reality is that just as a corporation has an actual or potential income tax liability on income from the first tier public utility assets it controls, so do the owners of a partnership or LLC on the first tier assets and income that they control by means of the pass-through entity.

35. The first tier income involves the investors in the pass-through entity holding the specific physical assets that are generating the public utility income that results in a potential or actual income tax liability. In the case of Trans-Elect, this would be the investment that the partnership made in the upgrade to the Path 15 transmission line in California. As discussed in *Trans-Elect, supra*, the owners of Trans-Elect NTD Path 15, LLC, are a Subchapter C corporation (PG&E) and one LLC, Trans-Elect, LLC.[31] If no income tax allowance is permitted on Trans-Elect NTD Path 15's public utility income, the return to the investing entities would be less than if PG&E had invested directly in the line.

36. As set forth in the previously cited examples provided in the comments discussed in section D of Part II of this policy statement, termination of the allowance would clearly act as a disincentive for the use of the partnership format for two reasons. First is the

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[30] The record suggests that there is a substantial amount of existing investment at issue in this proceeding. *See* Duke Energy at 2 (75 percent of $14.4 billion in energy infrastructure invested for the years 2001 through 2003 is in pass-through entities); Enbridge, Inc. at 4 (ownership interests in over 20,000 miles of crude oil, petroleum products, and natural gas pipelines); Enterprise Products Partners, L.P. at 1 (enterprise value of approximately $14 billion); Kaye Anderson at 1 (in excess of $1 billion in MLP equity); Publicly Traded Partnerships at 1-2, 13 (Figure 1 and text, market capitalization of publicly traded partnerships of $47.3 billion in 2004), and at 14, table of publicly traded partnerships owning and operating energy pipelines (market capital $38.5 billion.)

[31] *Trans-Elect, supra, note 8, at PP 2-4.* Trans-Elect develops merchant transmission lines. Trans-Elect comments at 1-2.

difference in the nominal return itself. The second is that the income taxes paid by two corporations investing in this situation would increase because one or both would not be able to benefit from the tax advantages of a consolidated income tax return.[32] It should be noted that if such first tier assets are owned only by Subchapter C corporations, their rates would include an income tax allowance designed to recover the 35 percent maximum corporate marginal tax rate.[33] The same result obtains if the assets are owned by a partnership or an LLC that is in turn owned either by Subchapter C corporations or by individual investors.

37. Thus, the policy the Commission is adopting should not result in increased costs to public utility ratepayers, and may actually reduce them if a partnership or LLC has a lower weighted marginal tax rate and fewer administrative expenses than the normal corporate ownership form.[34] The Commission therefore concludes that, as is argued by the commentors urging an income tax allowance for all public utility entities, providing an income tax allowance to partnerships in proportion to the interests owned by entities or individuals with an actual or potential income tax liability does not create a phantom income tax liability. The fact that some partnerships or LLCs may be used for financial investments rather than for making infrastructure investments does not warrant a different policy result here.[35] Moreover, the Commission emphasizes that the primary rationale for reaching the conclusion here is to recognize in the rates the actual or potential income tax

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[32] As discussed in the comments, if a Subchapter C corporation owns 80 percent or more of a subsidiary, there is no income tax paid by the subsidiary. All taxation is at the parent level through the use of a consolidated return. *See* Northern Border at 6-7 and 11-12; INGAA at 15-17.

[33] This analysis suggests that if partnerships and limited liability companies are not permitted to have an income tax allowance, there are strong incentives to shift to the taxable corporate ownership form. This could be done by converting a partnership to an LLC and then electing to have that entity taxed as a Subchapter C corporation. Once this was done, then the newly taxable entity, which would be operating the very same assets as it did as a pass-through entity, would be entitled to a 35 percent income tax allowance. *Cf.* AOPL at 9.

[34] As discussed in the WPPI and EEI comments, if a partnership or LLC has municipal governments as some of the partners or LLC members, the tax allowance is reduced because municipalities and their operating entities have no actual or potential income tax liability on utility income.

[35] The partners of master limited partnerships have actual tax liability for any income recognized by the partnership. However, distributions may substantially exceed partnership book income. Such distributions do have an ultimate income tax liability

liability ultimately attributable to regulated utility income. Having concluded that this will not result in phantom income taxes, it is then legitimate to conclude that the result here will facilitate important public utility investments such as that made by Trans-Elect NTD Path 15, LLC in the Path 15 upgrade.

38. In retrospect, it was the Commission's failure to distinguish between first and second tier income that lead to the double taxation rationale that the Commission incorrectly advanced in *Lakehead.* Dividends paid to the common stock investor and by the corporate investor in a pass-through entity are second tier income to such a common stock investor. As such, an income tax is paid by the investor in addition to the corporate tax that is due on the first tier income. In contrast, first tier income flows either to the corporation, a corporate partner, or individual partners (or LLC members) and is taxed at that level. To the extent *Lakehead* either concluded or assumed that dividend payments and income, and partnership distributions and income, have the same ownership and income tax characteristics, this is simply incorrect as a matter of partnership and income

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depending on the status of the capital account of the individual partners. This matter can present complex allocation and timing issues that would be addressed in individual rate proceedings. However, a simple numerical example can illustrate the basic principles. For example, assume that an individual invests $100 in a partnership and obtains a ten percent interest in that partnership. This establishes a partnership account (or basis) for the individual of $100. During year one of that investment the partnership has $100 in income before depreciation and depreciation of $70. The partnership therefore has net income of $30 and also makes a distribution of $100. Since the individual partner owns ten percent of the partnership, that partner must declare $3 in income on the individual's 1040 tax form, but does not pay taxes on the $10 distribution made to that partner.

The capital account of the individual partner is adjusted as follows. Ten percent of the partnership income before depreciations (or $10) is allocated to the individual partner and is added to that partner's account. Ten percent of the partnership depreciation, or $7, is deducted from the account, as is the cash distribution. The individual's partnership account therefore stands at $93 ($100 + $10 - $10 - $7). In year two the partnership income is zero and no distributions are made, so the individual's partnership account is unchanged. However, that individual partner sells the partnership interest for $105. This difference is taxable as follows. Since $7 of the sale price is a gain above the year 2 partnership account level of $93, it will be taxed as income. This results in a tax on the cash that was distributed in the prior year but for which no income tax was paid at that time. Depending on the nature of the depreciation taken, the $7 may be taxed as ordinary income through the operation of various recapture provisions. The additional $5 is also income and is also taxed, most likely at the capital gains rate since it is gain in excess of the partner's original capital investment of $100.

tax law.[36] The court summarized this situation succinctly when it stated that presumably both corporate owners and individuals would pay taxes on public utility assets they control. Similarly, like a Subchapter C corporation, partners may have deductions or losses that offset the income from a specific public utility asset or which may neutralize the operating income from the asset itself. But this does not preclude such a corporation from obtaining an income tax allowance under the Commission's stand-alone doctrine.[37] Just as there are no rational grounds for granting an income tax allowance on partnership interests owned by a corporation and denying one to those owned by individuals, there are no rational grounds for reaching a different conclusion for the deductions and offsets for taxpaying partners or LLC members.

39. The Commission further concludes that the alternatives listed at the beginning of this Part III of this policy statement are not practical or are inconsistent with the court's remand. First the Commission agrees with the court's conclusion in *BP West Coast* that the Commission in *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. As the court stated, presumably individual partners pay taxes on their public utility income just as corporate partners pay income tax on theirs. The comments summarized in sections A and D of Parts II of this order affirm that common sense observation. The court's rejection of *Lakehead* likewise establishes why the Commission cannot simply limit income tax allowances to partnerships that are wholly owned by corporations, since doing so in effect denies a tax allowance to the partners of a partnership with no corporate ownership.

40. Similarly, there no rational reason to limit the income tax allowance to public utility income earned by a corporation. Public utility income controlled directly by an individual may also be taxed. The partnership entity is simply an intermediate ownership device that leads to the same tax result. Since both partners and Subchapter C corporations pay income taxes on their first tier income, the inconsistency that undermined *Lakehead* applies here as well. Finally, the comments rightly suggest that it would be difficult to establish rates based on a pre-tax rate of return. If the Commission were simply to raise the rates to equalize the pre-tax and after-tax returns, all this would do incorporate a presumed marginal income tax rate into the rate structure. The result is the same for the rate payer although the nominal rate of return is much higher. Moreover, most comparable securities trade on the basis of a corporation's after-tax return on its public utility income.[38] Thus, it would be hard to determine what the appropriate pre-tax

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[36] *See* ATCLLC at 5.

[37] *See City of Charlottesville, supra,* note 12.

[38] As discussed, the investor then receives a dividend and pays a second tax on that

return should be based on traded equities alone. Since it is impractical not to give an income tax allowance to any jurisdictional entities due to the problems of determining an appropriate pre-tax rate of return, the Commission again concludes that an income tax allowance should be afforded all jurisdictional entities, provided that the owners of pass-through entities have an actual or potential income tax liability.

41. There are three final points that should be discussed in addressing the effect of the court's remand. First, the court concluded that denying a partnership an allowance on the proportion of partnership interests owned by individuals would not prevent over-recovery by such individuals, since any tax savings would be distributed in proportion to all the partnership interests. The Commission recognizes that rate payers should not incur the expense of an income tax allowance to the extent that an owning partner or LLC member has no actual or potential income tax liability for the income generated by the interest it owns. As WPPI and ATCLLC explain, this can be avoided by limiting the income tax allowance to a blended rate that reflects the income tax status of the owning interest.[39] The use of the weighting approach assures that the rate payers will not be charged more than the actual tax cost the investors incur regardless of the ownership form. The problems of over- and under-recovering alluded to in the court's order can be addressed through the distribution provisions of the partnership agreement.[40]

42. Second, whether a particular partner or LCC member has an actual or potential income tax liability, and what assumptions, if any, should determine the amount of the related tax rate, are matters that should be resolved in individual rate proceedings. This is a fact specific issue for which the relative data is uniquely within the control of the regulated entity. Thus, any pass-through entity desiring an income tax allowance on utility operating income must be prepared to establish the tax status of its owners, or if there is more than one level of pass-through entities, where the ultimate tax liability lies and the character of the tax incurred. This could be done through determining the distribution of ownership interests at the end of the standard test year. Finally, some parties assert that this proceeding is tainted by *ex parte* communications that preceded the issuance of the Commission's December 2, 2004 notice of inquiry. These are without merit as the relevant communications were filed in the appropriate dockets and the

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income to determine the investor's after tax return. This is somewhat less than the return from a partnership interest that benefits from an income tax allowance.

[39] WPPI at 5-6 and 12-13; ATCLLC at 6.

[40] The court was concerned that the income tax allowance granted for corporate partners would increase the cash available for distribution to all partners, thus providing an increased return to the individual partners that the *Lakehead* doctrine was intended to prevent. Adjustments within the partnership agreement should assure that this does not result while preserving the incentives to establish flexible investment vehicles.

Commission's notice of inquiry provided all interested parties an opportunity to comment. The decision here is based on the record developed by those comments.

The Commission orders:

The income tax allowance policy adopted in the body of this policy statement shall be applied in pending and future rate proceedings of public utilities subject to the Commission's rate jurisdiction.

By the Commission.

(SEAL)

Linda Mitry,
Deputy Secretary.

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A Professional Corporation
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Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-0329
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-0330

REJOINDER TESTIMONY OF

MARC L. SPITZER

May 25, 2012

EXHIBIT
A-13
ADMITTED

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1
II. SUMMARY OF PIMA'S REJOINDER POSITION 1

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

A. My name is Marc L. Spitzer. My business address is 1330 Connecticut Avenue, NW, Washington, DC 20036.

Q. ARE YOU THE SAME MARC SPITZER THAT FILED REBUTTAL TESTIMONY IN THIS CONSOLIDATED DOCKET?

A. Yes.

Q. HAS ANYTHING CHANGED WITH RESPECT TO YOUR EMPLOYMENT OR RESPONSIBILITIES?

A. No, I am still a partner in the Washington, D.C. office of Steptoe & Johnson LLP, practicing in the area of Federal and State utilities regulation.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. I will provide rejoinder testimony in response to the surrebuttal filings by Staff and RUCO addressing Pima's request to recover income taxes as part of its cost of service.

II. SUMMARY OF PIMA'S REJOINDER POSITION

Q. BRIEFLY SUMMARIZE YOUR REJOINDER TESTIMONY.

A. The heart of the issue is whether income tax arising from Pima's income from operations "exists." My rebuttal testimony observed that RUCO has confused the accrual of an income tax liability with the payment of income tax. I further observed that every dime of income tax liability created by a pass-through entity and paid by Tier II investors is just as real as income tax paid at the Tier I (corporate) level. My rejoinder testimony builds upon the rebuttal testimony through the use of examples that demonstrate that income of Pima (and any pass-through entity) creates "real" income tax.

Q. WHAT REASONS DOES RUCO WITNESS RIGSBY GIVE FOR OPPOSING PIMA'S INCOME TAX ALLOWANCE?

A. Mr. Rigsby believes the income tax liability arising from Pima's operations does not exist.[1] Mr. Rigsby states that because there is no remittance of tax associated *directly* with the filing of Pima's Form 1120S the tax does not exist.[2] Mr. Rigsby further asserts that Tier II taxes do not exist because they are paid on the "personal" returns of Pima's shareholders.[3]

Q. IS THE ISSUE THAT NARROW – THAT TIER II TAXES DON'T EXIST?

A. Yes. Mr. Rigsby's position is that taxes on Pima's income, paid by Pima's shareholders, don't exist. In his direct testimony, Mr. Rigsby misstated the holding of the D.C. Circuit Court of Appeals in *BP West Coast Products, LLC v. FERC*, 374 F.3d 1263 (D.C. Cir 2004).[4] Mr. Rigsby also quoted *verbatim* from David Cay Johnston.[5] Mr. Johnston has opined that the use of pass-through entities to operate common carriage oil pipelines tariffed under the Interstate Commerce Act is improper and perhaps illegal. I explained in my rebuttal testimony that Congress permits oil pipelines to operate as master limited partnerships, and Mr. Johnston's arguments have been rejected.[6]

Mr. Rigsby's reliance on Mr. Johnston is misplaced. If Pima were to be formed today, it would doubtless be formed as an LLC. Pima was not formed as a subchapter S corporation in 1972 from any malevolent intent. In surrebuttal

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[1] Surrebuttal Testimony of William A. Rigsby ("Rigsby Sb.") at 3 – 4.

[2] *Id. See also id.* at 8.

[3] "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." *Id* at 8.

[4] This citation is inconveniently omitted by Mr. Rigsby in his direct testimony. *See* Direct Testimony of William A. Rigsby ("Rigsby Dt.") at 13.

[5] *Id.* at 13 – 14.

[6] *BP West Coast Products LLC v SFPP*, 121 FERC ¶ 61,239 (2007).

testimony, Mr. Rigsby has apparently abandoned the Johnston position and retreated to the ground that Tier II taxes do not exist.

Q. PLEASE PROVIDE SOME EXAMPLES THAT SHOW TIER II TAXES EXIST.

A. Let's take four case studies. In Example I, Joe decides to go into the utility business as a sole proprietor. Joe applies for and receives a certificate (Joe's Utility Business) and earns $100,000 in income. Joe prepares a Schedule C reflecting his $100,000 net income from his new utility business and $100,000 is reported at Line 12 of his Form 1040. If there are no other items of income, loss, expense, credit, deduction, exemption, *etc.* for 2011 Joe will remit a check payable to the United States Treasury in the amount of $21,617 as a direct consequence of the operation of Joe's Utility Business.

In Example II, Joe takes on a 50/50 partner (with the permission of the Commission) who works just as hard as Joe, and each generates $100,000 in utility net income, producing total taxable income for Joe's Utility Business in the amount of $200,000. Under Arizona law, Joe's Utility Business is now a general partnership, and under the tax code Joe's Utility Business is a pass-through entity. Joe prepares IRS Form 1065 to report income for Joe's Utility Business that reflects the two partners' income tax liability in the amount of $100,000 each. Joe's Utility Business submits IRS Form K-1 to Joe showing $100,000 in taxable income. Joe reports the $100,000 income on Schedule E and again at Line 17 of his Form 1040. Based on the same facts as Example I, Joe will pay the identical amount of $21,617 to the United States Treasury as a direct consequence of his $100,000 share of the income of Joe's Utility Business.

In Example III, again with the prior approval of the Commission, Joe's Utility Business forms an Arizona corporation pursuant to Title X, Arizona

Revised Statutes, and then makes an S election. Under Arizona law, Joe's Utility Business has been converted from an Arizona general partnership to an Arizona corporation. Under the tax code, Joe's Utility Business remains a pass-through entity, *albeit* under Subchapter S rather than Subchapter K of the Internal Revenue Code. Assume the same facts as in Example II. Joe will prepare and file IRS Form 1120S rather than Form 1065 to report to IRS the Federal income tax liability of Joe's Utility Business. The result on Joe's personal Form 1040 will be similar to Example II. Joe will report his share of the income of Joe's Utility Business at Schedule E (the difference being the $100,000 is reported as S corporation income rather than partnership income on Part II) and, again, Joe will remit $21,617 to the United States Treasury for his share of the income of Joe's Utility Business.

In Example IV, Joe's fellow shareholder retires from the utility business, leaves the country and becomes a citizen of Ireland. Joe's Utility Business remains an Arizona corporation, but the S election for Joe's Utility Business is terminated and the entity is now taxable as a C corporation. Assume Joe has his normal year and Joe's Utility Business (with just Joe working) earns $100,000. Joe's Utility Business would file IRS Form 1120 and the corporate entity would tender a check to IRS in the amount of $22,250. Joe would only pay taxes on his Form 1040 if he received dividends during that year.

Q. WHAT CONCLUSIONS DO YOU DRAW FROM THESE FOUR EXAMPLES?

A. Joe's Utility Business earned taxable income in each example above, and in every case the taxes were paid. The utility generated the taxable income and the taxes did not disappear. The income tax allowance arises as a result of the conduct of the utility business—whether Joe's Utility Business reports the income to IRS on Form 1040 Schedule C, Form 1065, Form 1120S or Form 1120. For utility ratemaking

purposes, it should not matter whether the check to the United States Treasury is attached to IRS Form 1040 or IRS Form 1120. In Examples I and IV, the taxes are paid at Tier I. In Examples II and III, taxes are paid at Tier II—a distinction without a difference. In all four examples, taxes are paid with respect to the taxable income of Joe's Utility Business.

Q. CAN YOU OPINE ON THE CONCLUSIONS MR. RIGSBY MIGHT DRAW FROM THESE EXAMPLES?

A. Clearly, he would allow the income tax allowance to Joe's Utility Business in Example IV because the payment was reported on Form 1120. Based on his testimony though, I assume the reporting of the income tax liability of Joe's Utility Business on Form 1120S (Example III, which is the situation of Pima) would disqualify the income tax allowance notwithstanding the payment of tax by Joe on his Form 1040. I further assume Mr. Rigsby would reach the same result in Example II, because although the full liability was reported on Form 1065, the tax was paid by Joe as a partner (Tier II) on his individual income tax return. I am not sure what he would conclude as to Example I, the sole proprietorship hypothetical. Either way, granting the allowance because tax is paid at Tier I or rejecting the allowance because the tax payment is reflected on a personal income tax return, illustrates that Mr. Rigsby's position is arbitrary.

In all four examples, Joe's Utility Business earns income and income tax is paid. In all four examples, the same income exists. In all four examples, tax exists. The only difference is that in Example IV the tax borne by Joe's Utility Business is higher. Example I would illuminate whether Mr. Rigsby believes income taxes paid to the IRS "cease to exist" because they are paid at Tier II, or whether they "cease to exist" because the check to IRS is attached to Form 1040.

Neither theory is sufficient to cause the $21,617 in taxes paid by Joe to cease to exist in Examples II and III.

Q. IS THERE ANY POLICY RATIONALE TO SUPPORT THE RESULT PERMITTING AN INCOME TAX ALLOWANCE FOR EXAMPLE IV (AND POSSIBLY EXAMPLE I) BUT NOT EXAMPLES II AND III?

A. No.

Q. IN YOUR REBUTTAL TESTIMONY YOU DISCUSSED FERC PRECEDENT ON THE INCOME TAX ALLOWANCE FOR PIPELINES. WHAT IS THE RELEVANCE OF FERC'S AUTHORITY IN THIS AREA?

A. Obviously this Commission is not bound by FERC precedent. Nor should the Commission follow FERC because it is FERC. However, orders from FERC and the Federal Courts are, I believe, relevant in two respects. First, FERC grappled with the "phantom income" argument advanced by Mr. Johnston and relied on by Mr. Rigsby, at least in his direct testimony. FERC thoroughly analyzed, in the Policy Statement on Income Tax Allowance, 111 FERC ¶ 61,139 (2005), and more closely in Orders 511 and 511-A, 137 FERC ¶ 61,220 (2011), the question of whether Tier II taxes are "real." Secondly, FERC reversed the *Lakehead* precedent (Lakehead Pipeline Company, LP, 71 FERC ¶ 61,388 (1995) *reh'g denied* 75 FERC ¶ 61,181 (1996). In this proceeding, Pima requests that the Commission re-evaluate whether disallowance of the income tax allowance is good policy, and FERC's prior undertaking provides invaluable insight into this exact issue. FERC changed its mind because the *Lakehead* precedent did not produce just and reasonable rates and created an artificial impediment to investment in utility infrastructure. In the pipeline sector, much like other businesses, new investment is flowing into pass-through entities. There is no reason to create a Hobson's choice of forcing a company (its investors and ultimately its customers) to either

pay higher C corporation taxes or forfeit the income tax allowance. FERC changed its policy in light of the changed circumstances. This Commission should do so as well, after its own analysis of course, but for similar reasons.

Q. EXPLAIN STAFF'S OBJECTION TO PIMA'S INCOME TAX ALLOWANCE.

A. Staff does not deny that the taxes paid by Pima's shareholders exist. Staff believes that the income reported on Forms 1040 by Pima's shareholders is investment income, rather than utility operating income.[7]

Q. HOW DO YOU RESPOND TO THAT ARGUMENT?

A. Example I demonstrates the flaw in this reasoning. Just because Joe reports income from Joe's Utility Business on Form 1040 does not mean the income loses its character as income generated due to the utility providing service, even though income is reported and tax is paid on a "personal" rather than corporate tax return. And if Staff concedes that an income tax allowance is appropriate in Example I, on what non-arbitrary basis would it be denied to Joe in Examples II and III? It is an unassailable fact that in Examples I, II and III income is earned by Joe's Utility Business that is reported in each case on Joe's Form 1040, resulting in identical income tax payments to the IRS in the amount of $21,617. There is no legal requirement that the check to IRS be attached to Form 1120 rather than Form 1040 else the tax allowance be forfeit. Whether the utility files Form 1120, Form 1065, Form 1120S or Form 1040, income is earned, income is reported and tax is paid.

Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes.

[7] Surrebuttal.Testimony of Crystal Brown at 9 – 12.

PIMA UTILITY COMPANY
ANALYSIS OF DISTRIBUTIONS
12/31/20110

SHAREHOLDER	OWNERSHIP %
Edward J. Robson Family Trust 71558	41.4090%
John R. Norton III 2911	10.2350%
Kimberley A. Robson 73072	4.2367%
Lynda R. Robson 73073	4.2367%
Mark E. Robson 73074	4.2367%
Steve S. Robson 74883	4.2367%
Kimberley A. Robson 2006 Irrevocable Trust 71935	4.0434%
Lynda R. Robson 2006 Irrevocable Trust 72032	4.0434%
Mark E. Robson 2006 Irrevocable Trust 72067	4.0434%
Steve S. Robson Subchapter S Trust 72577	4.0434%
Robert D. Robson Subchapter S Trust 72407	2.9627%
Robert A Micalizio Irrevocable Trust 901845	2.7455%
Robert D. Robson 74882	1.8377%
Michael R. Norton Living Trust 1842891	1.2460%
Melanie Marie Norton Trust 1842904	1.2460%
Norton Family Living Trust as Restated 6/14/06 1842912	1.2460%
Michael D. Robson 1997 Irrevocable Subchapter S Trus 1005735	1.0287%
Robert D. Robson 1997 Irrevocable Subchapter S Trust 1005743	1.0287%
Roger L. Stevenson Irrevocable Trust 901837	0.9708%
Arthur A Carrol Irrevocable Trust 889292	0.9236%
	100.0001%

EXHIBIT
A-14
ADMITTED

Robson Utility Companies
Board of Directors

Pima Utility Company:
Edward J. Robson
Mark E. Robson

Lago Del Oro Water Company
Edward J. Robson
Steven S. Robson
Vicky J. Cox-Golder
Lloyd W. Golder

Saddlebrooke Utility Company
Edward J. Robson
Mark E. Robson

Quail Creek Water Company
Edward J. Robson
Mark E. Robson

Picacho Water Company
Edward J. Robson
Mark E. Robson

Picacho Sewer Company
Edward J. Robson
Mark E. Robson

Ridgeview Utility Company
Edward J. Robson
Mark E. Robson

Mountain Pass Utility Company
Edward J. Robson
Mark E. Robson

EXHIBIT
A-15
ADMITTED

Pima Utility Company

Hearing Exhibit
Witness: Bourassa

TABLE A -1

	S-Corporation		C-Coporation	
	Utility	Shareholder	Utility	Shareholder
Renenue Reuqirement Determination in a Rate Case Under Current ACC Policy				
Allowed operating expenses	$ 1,300,000		$ 1,300,000	
Income Tax Allowance (Tax Gross Up)[1]	$ -		$ 57,367	
Required Operating Income	$ 114,000		$ 114,000	
Revenue Requirement	$ 1,414,000		$ 1,471,367	
Rate Base	$ 1,140,000		$ 1,140,000	
Utility Return on Rate Base	10.00%		10.00%	
Utility Actual Operating Results (Year 1)				
Revenues	$ 1,414,000		$ 1,471,367	
Operating Expenses	$ (1,300,000)		$ (1,300,000)	
Income Tax Expense[2]	$ -		$ (20,735)	
Utility Net Income	$ 114,000		$ 150,632	
Utility Book Return (assumes book equity equals rate base)	10.00%		13.21%	
Shareholder (Year 1)				
Value of Stockholder Investment in Utility (assumes market value of stock is equal to book value of equity)		$ 1,140,000		$ 1,140,000
Dividends Recevied (investment income) (assumes 100% payout of earnings)[3]		$ 114,000		$ 150,632
Dividend Tax[4]		$ -		$ (27,114)
Income Tax on Pass-Through Earnings[5]		$ (17,670)		$ -
After Tax Investment Income		$ 96,330		$ 123,518
Shareholder Return on Investment (pre-tax)		10.00%		13.21%
Shareholder Return on Investment (after-tax)		8.45%		10.83%

[1] Income Tax Allowance for the C-Corp. is computed on the taxable income generated by the revenue requirement. In this example the taxable income for the C-Corp is $171,367. The income tax allowance is computed using the federal graduated corporate tax rates on federal taxable income and 6.796% for Arizona state income taxes on state taxable income. For an S-Corp. there is no income tax allowance. The effective income tax rate is 33.5%.

[2] A recent CBO study report showed that in recent years corporations have only paid an effective tax rate of 12.1% on thier income. It is assumed for purposes of this analysis that the 12.1% is the combined effective federal and state income tax rate for the C-Corp. The S-Corp does not pay the income tax but passes the utility income to the shareholder.

[3] An assumption of a 100% payout of earnings is not realistic or sustainable and as it leaves no earnings to be reinvested in the utility. Remember the C-Corp. shareholder only pays tax on the dividends received. An S-Corp. investor pays tax whether or not he/she receives a dividend. If there is no actual dividend. the S-Corp. investor gets a negative return while the C-Corp. shareholder receives no return.

[4] Assumes Staff's federal dividend tax rate of 15% and a state dividend tax rate of 3% for the C-Corp. shareholder. It also assumes the shareholder is an individual and not a C-Corp.. A C-Corp. that owns 100% of the stock of the C-Corp utility would pay no federal dividend tax.

[5] Assumes Staff's reported national average federal effective income tax rateof 11% and state effective income tax rate of 4.5% for a combined effective tax rate of 15.5%. These statistics are based on actual income taxes paid.

EXHIBIT
A-16
ADMITTED

IN THE MATTER OF THE APPLICATION

OF PIMA UTILITY COMPANY

FOR A PERMANENT RATE INCREASE

DOCKET NO. S-02199A-98

DIRECT TESTIMONY OF JAMES L. POULOS

RECEIVED
AZ CORP COMMISSION
OCT 2 2 28 PM '98
DOCUMENT CONTROL

DOCKET NO. SW-02199A-98-0578

A.C.C. - DOCKET CONTROL
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SEP 2 5 1998
DOCUMENTS ARE SUBJECT TO
REVIEW BEFORE ACCEPTANCE
AS A DOCKETED ITEM.

EXHIBIT
A-17
ADMITTED

the Company's proposal to adjust revenues to test year customer levels. The other adjustment removes the $2,135 cost of a pump from cost of service that should be capitalized and included in plant in-service.

68. Q. Please explain the $103 increase proposed by the Company to licenses expense.

A. A check issued and charged to licenses expense for $3,103 in a previous year was voided during the test year and reissued for $3,000. The result is that licenses expense is understated by $103 during the test year. The proforma adjustment proposed by the Company is necessary so that the amount for licenses reflects the actual cost for licenses during the test year.

69. Q. Please explain the proforma adjustment proposed by the Company that reduces office expenses by $13,642.

A. This item was the result of an entry made in error. The proforma adjustment removes the item from the test year cost of service.

70. Q. Please explain the Company's proposal to reduce insurance expense by $5,000.

A. They represent the amount incurred by the Company to satisfy a deductible for an insurance claim. This claim is not expected to recur and should be removed from the test year cost of service.

71. Q. Please explain the Company's proposed adjustments to increase test year wages by $8,340 and test year burden by $1,461.

A. These amounts reflect an annualization of known and measurable wages that were in effect as of the end of the test year.

72. Q. What was the concern expressed in the Company's last rate application that culminated in Decision No. 58743 regarding the Chief Executive Officer's ("CEO") salary?

A. That two CEO's received salaries yet devoted less than 100% of their time to the Company.

73. Q. Is the Company requesting that more than one CEO salary be included in rates in this application?

A. No. The Company is requesting $19,875 for one CEO.

74. Q. Since the Company is requesting that the cost of only one CEO's salary be included in rates, is the concern raised in Decision No. 58743 about two CEO salaries valid in this rate application?

A. No.

75. Q. Did the Company conduct a wage study to support the inclusion of one CEO's salary even though Decision No. 58743 did not require this study?

A. Yes. The Company contacted two other Class B utilities. One was Litchfield Park Service Company ("LPSCO") and the other was Paradise Valley Water Company.

76. Q. What was the result of the study?

A. That LPSCO charges wages to the utility for executives that devote less than 100% of their time to the utility. In addition, the study revealed that the Company's wages for executives are in line with LPSCO's. At LPSCO, the sewer utility is charged 40% of approximately $10,000 for a CEO, 40% of approximately $20,000 for another executive, and 40% of approximately $100,000 for another executive consultant. The total charge to the LPSCO sewer division for executive salaries is $52,000. The comparable salaries that the Company seeks to recover in rates in this application is $19,875 for a CEO and $32,500 for a General Manager, a total of $52,375. The executive wages are virtually the same.

Paradise Valley Water Company provided a copy of a 1994 wage survey consisting of 13 Arizona utilities. The executive wages in the survey ranged from $50,784 to $68,496 in 1994. The Company's executive wages of $52,375 in 1997 are near the low end of the 1994 wage scale. The results of the wage study conducted by the Company justifies the inclusion of a CEO salary in the amount of $19,875.

77. Q. Has the Company complied with all other requirements in Decision No. 58743 with respect to the filing of this rate application?

A. Yes.

78. Q. Over what period are the deferred computer costs amortized?

A. 110 months, commencing January 1998.

79 Q. Over what period is the reuse permit amortized?

A. 5 years, commencing August 1995.

80. Q. Over what period is the air quality permit amortized?

A. 3 ½ years.

81. Q. Why is the air quality permit amortized over 3 ½ years if it is a five year permit?

A. The permit was obtained in June 1995 and was required in order to commence construction on the new WWTP. However, it is an operating permit that regulates emissions from the operation of the WWTP. Since the new WWTP commenced commercial operations on January 1, 1997, and the permit expires in June 2000, the permit expires in 3 ½ years from the date the operations of the new WWTP commenced. The permit is therefore being amortized over the remaining life of the permit

Pima Utility Company

Hearing Exhibit
Witness: Bourassa

TABLE A-2

	S-Corporation		C-Coporation	
	Utility	Shareholder	Utility	Shareholder
Renenue Reuqirement Determination in a Rate Case Under Current ACC Policy				
Allowed operating expenses	$ 1,300,000		$ 1,300,000	
Income Tax Allowance (Tax Gross Up)[1]	$ -		$ 57,367	
Required Operating Income	$ 114,000		$ 114,000	
Revenue Requirement	$ 1,414,000		$ 1,471,367	
Rate Base	$ 1,140,000		$ 1,140,000	
Utility Return on Rate Base	10.00%		10.00%	
Utility Actual Operating Results (Year 1)				
Revenues	$ 1,414,000		$ 1,471,367	
Operating Expenses	$ (1,300,000)		$ (1,300,000)	
Income Tax Expense[2]	$ -		$ (57,367)	
Utility Net Income	$ 114,000		$ 114,000	
Utility Book Return (assumes book equity equals rate base)	10.00%		10.00%	
Shareholder (Year 1)				
Value of Stockholder Investment in Utility (assumes market value of stock is equal to book value of equity)		$ 1,140,000		$ 1,140,000
Dividends Recevied (investment Income) (assumes 100% payout of earnings)[3]		$ 114,000		$ 114,000
Dividend Tax[4]		$ -		$ (20,520)
Income Tax on Pass-Through Earnings[5]		$ (33,060)		$ -
After Tax Investment Income		$ 80,940		$ 93,480
Shareholder Return on Investment (pre-tax)		10.00%		10.00%
Shareholder Return on Investment (after-tax)		7.10%		8.20%

[1] Income Tax Allowance for the C-Corp. is computed on the taxable income generated by the revenue requirement. In this example the taxable income for the C-Corp is $171,367. The income tax allowance is computed using the federal graduated corporate tax rates on federal taxable income and 6.796% for Arizona state income taxes on state taxable income. For an S-Corp. there is no income tax allowance. The effective income tax rate is 33.5%.

[2] Assumes the income taxes allowed are the income taxes paid.

[3] An assumption of a 100% payout of earnings is not realistic or sustainable and as it leaves no earnings to be reinvested in the utility. Remember the C-Corp. shareholder only pays tax on the dividends received. An S-Corp. investor pays tax whether or not he/she receives a dividend. If there is no actual dividend. the S-Corp. investor gets a negative return while the C-Corp. shareholder receives no return.

[4] Assumes Staff's federal dividend tax rate of 15% and a state dividend tax rate of 3% for the C-Corp. shareholder. It also assumes the shareholder is an individual and not a C-Corp.. A C-Corp. that owns 100% of the stock of the C-Corp utility would pay no federal dividend tax.

[5] Computes effective income tax on $114,000 using ferderal and state statutory income tax rates. The effectice federal and state income tax rate is 29% assuming only one individual stockholder.

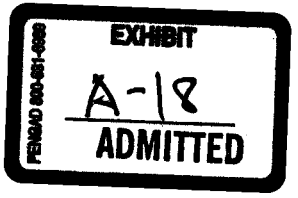

EXHIBIT
RUCO-1
ADMITTED

PIMA UTILITY COMPANY - SEWER DIVISION
DOCKET NO. W-02199A-11-0330
RESPONSE TO STAFF'S FIRST SET OF DATA REQUESTS

October 21, 2011

Response provided by:	Chris Sabin
Title:	Controller
Company:	Pima Utility Company
Address:	9532 East Riggs Road Sun Lakes, AZ 85248
Company Response Number:	CSB 1-1

Q. General Ledger – Please provide a copy of the Company's general ledger of test year transactions showing beginning and ending balances. Provide a legend to explain symbols, abbreviations, codes, and other markings that would be helpful in interpreting the general ledger.

RESPONSE: See attached.

Cost Center	Obj Acct	Account #	Description	2007 Balance	2008 Balance	2009 Balance	2010 Balance
7755000.	4530	7755000.4530	Common Stock Prior Year	(107,416.44)	(107,416.44)	(107,416.44)	(107,416.44)
				(107,416.44)	(107,416.44)	(107,416.44)	(107,416.44)
7755000.	4580	7755000.4580	Additional Paid-in-Capital	(6,763,835.31)	(6,763,835.31)	(6,763,835.31)	(6,763,835.31)
				(6,763,835.31)	(6,763,835.31)	(6,763,835.31)	(6,763,835.31)
7755000.	4610.100	7755000.4610.100	C Corp Earnings	260,830.00	260,830.00	260,830.00	260,830.00
7755000.	4610.110	7755000.4610.110	S Corp Earnings	(7,692,519.04)	(8,396,544.94)	(9,121,879.45)	(9,821,700.73)
7755000.	4610.150	7755000.4610.150	Other Adjustments	(4,032.00)	(4,032.00)	(4,032.00)	(4,032.00)
7755000.	4610.400	7755000.4610.400	Prior Period Adjustment	217,007.00	217,007.00	217,007.00	217,007.00
7755000.	4650.100	7755000.4650.100	Cash	-	500,006.00	750,012.00	4,190,012.00
7755000.	4700.100	7755000.4700.100	Cash	500,006.00	250,006.00	3,440,000.00	300,000.00
				(6,718,708.04)	(7,172,727.94)	(4,458,062.45)	(4,857,883.73)

F/S	NARUC Acct #	Line Item description
B/S	201	Common Stock Issued
	201 Total	
B/S	211	Other Paid In Capital
	211 Total	
B/S	215	Unappropriated Retained Earnings
B/S	215	Unappropriated Retained Earnings
B/S	215	Unappropriated Retained Earnings
B/S	215	Unappropriated Retained Earnings
B/S	215	Unappropriated Retained Earnings
B/S	215	Unappropriated Retained Earnings
	215 Total	

EXHIBIT
RUCO-2
ADMITTED
PENGAD 800-631-6989

PIMA UTILITY COMPANY - SEWER DIVISION
DOCKET NO. W-02199A-11-0330
RESPONSE TO STAFF'S FIRST SET OF DATA REQUESTS

November 18, 2011

Response provided by: Chris Sabin

Title: Controller

Company: Pima Utility Company

Address: 9532 East Riggs Road
Sun Lakes, AZ 85248

Company Response Number: CSB 1-29

Q. Employee Salary and Wage Information – Please answer or provide the following:

a. Copies of all labor agreements that are reflected in the test year expenses and any related payroll adjustments.

b. A schedule of the names, titles, and annual salaries (excluding any incentive pay) of all employees actual payroll expenses and employee benefits by account charged for the test year.

c. State whether or not the employee works solely for the sewer division of Pima Utilities.

d. A schedule of actual employee levels vs. budgeted employee levels for the years 2008, 2009, and 2010.

e. A schedule of actual overtime payroll hours vs. budgeted overtime payroll hours for employees for the test year.

f. Identify any early retirement plans in effect during or after the test year.

RESPONSE: The Company previously objected to subpart a of this Data Request, however, now withdraws the objection. There were no labor agreements during the test year.

b & c. A schedule of the names, titles, salaries and burden by general ledger account is attached.

d. A schedule of actual employee levels for the years 2008, 2009 and 2010 is attached.

e. A schedule of actual overtime hours for the test year is attached.

f. There were no early retirement plans in effect during or after the test year.

Pima Utility Company - Sewer Division
CSB 1-29 Employee Salary and Wage Information
Schedule of Names, Titles, Salaries and Burden by General Ledger Account

Home Co	Number	Employee Name	Job Title	Work CC	Obj	Sub	Hours	Gross	Burden Rate	Burden	Company Water or Sewer
776	1519285	BOWDEN, JACK L.	Water/Waste Water Operator III	776	3615		172.00	3,440.00	0.378401040	1,301.70	Sewer
776	1196295	GRIFFITH, MICHAEL W.	Lead Waste Water Operator	776	3615		80.00	2,376.97	0.378401040	899.45	Sewer
776	1066351	MCCARTY, NEIL W.	Waste Water Maintenance Tech I	776	3615		104.00	1,435.20	0.378401040	543.08	Sewer
776	1773179	TOMERLIN, JUSTIN N.	Water/Waste Water Operator I	776	3615		32.00	512.00	0.378401040	193.74	Sewer
		Total per Report					388.00	$ 7,764.17		$ 2,937.97	
		T6 Accruals						$ 426.87			
		Total					[9]	$ 8,191.04	[16]+[17]+[18]	$ 3,089.17	
775	1144866	BARBER, BRUCE K.	Water/Waste Water Tech I	767036	1705	2105	8.00	118.64	0.320205868	37.99	Water / Sewer
775	1302684	FIMBRES, JACOB G.	Water/Waste Water Tech III	767036	1705	2105	40.00	680.00	0.320205868	217.74	Water / Sewer
775	1400911	HERNANDEZ, ARTURO D.	Water/Waste Water Tech I	767036	1705	2105	40.00	494.40	0.320205868	158.31	Water / Sewer
776	1066351	MCCARTY, NEIL W.	Waste Water Maintenance Tech I	767036	1705	2105	8.00	110.40	0.320205868	35.35	Sewer
775	1216962	REYES, EDWARD A.	Water/Waste Water Tech I	767036	1705	2105	8.00	100.96	0.320205868	32.33	Water / Sewer
126	145691	VOORHEES, DAVID	General Manager - Utilities	767036	1705	2105	14.00	686.53	0.320205868	219.83	Water / Sewer
126	145721	WILLIAMS, NEWTON	Electrician	767036	1705	2105	12.00	321.36	0.320205868	102.90	Water / Sewer
		Total per Report					130.00	$ 2,512.29		$ 804.45	
		T6 Accruals						$ -		-	
		Total					[7]	$ 2,512.29	[8]	$ 804.45	
775	145587	SMITH, CAROL L.	Billing Clerk-Utilities	7760400	8315	100	612.25	11,342.03	0.363280647	4,120.34	Water / Sewer
		Total per Report					612.25	$ 11,342.03		$ 4,120.34	
		T6 Accruals						$ 65.45		27.58	
		Total					[5]	$ 11,407.48	[14]	$ 4,147.92	
126	148358	ROBSON, E J	Chairman of the Board	7765000	8315	110	56.68	90,051.78	0.020668664	1,861.25	Water / Sewer
		Total per Report					56.68	90,051.78		1,861.25	
		T6 Accruals						242.45		17.13	
		Total per GL					[6]	$ 90,294.23	[15]	$ 1,878.38	
775	1144866	BARBER, BRUCE K.	Water/Waste Water Tech I	7761810	7210	100	384.00	5,694.72	0.298792931	1,701.54	Water / Sewer
776	1519285	BOWDEN, JACK L.	Water/Waste Water Operator III	7761810	7210	100	22.00	440.00	0.298792931	131.47	Sewer
775	1302684	FIMBRES, JACOB G.	Water/Waste Water Tech III	7761810	7210	100	346.50	5,911.75	0.298792931	1,766.39	Water / Sewer
775	1294418	GASPAR-TORRES, AARON	Water/Waste Water Tech II	7761810	7210	100	10.00	158.00	0.298792931	47.21	Water / Sewer
775	1573548	HARR, GABRIEL T.	SCADA Tech	7761810	7210	100	409.00	12,601.29	0.298792931	3,765.18	Water / Sewer
	1400911	HERNANDEZ, ARTURO D.	Water/Waste Water Tech I	7761810	7210	100	332.50	4,186.95	0.298792931	1,251.03	Water / Sewer
126	1715825	LAWRENCE, MICHAEL T.	Unassigned/Need Job Dscrption	7761810	7210	100	132.00	1,584.00	0.298792931	473.29	Water / Sewer
776	1878261	RABAGO, JAIME J.	Electrician Assistant	7761810	7210	100	91.50	1,464.00	0.298792931	437.43	Water / Sewer
775	1701781	SCULLY, ROBERT J.	Utilities Technician	7761810	7210	100	679.00	6,860.00	0.298792931	2,049.72	Water / Sewer
775	1451356	VAWTER, GERRY D.	Superintendent-Utilities	7761810	7210	100	4.00	173.08	0.298792931	51.72	Water / Sewer
126	145691	VOORHEES, DAVID	General Manager - Utilities	7761810	7210	100	122.00	5,900.89	0.298792931	1,763.14	Water / Sewer
775	919308	VOORHEES, THOMAS J.	Waste Water Maint Supevisor	7761810	7210	100	26.00	454.16	0.298792931	135.70	Water / Sewer
126	145721	WILLIAMS, NEWTON	Electrician	7761810	7210	100	708.00	19,442.30	0.298792931	5,809.22	Water / Sewer
		Total per Report					3,266.50	$ 64,871.14		$ 19,383.04	
		T6 Accruals						$ 1,622.75		$ 330.27	
		Total per GL					[1]	$ 66,493.89	[10]	$ 19,713.31	

Pima Utility Company - Sewer Division
CSB 1-29 Employee Salary and Wage Information
Schedule of Names, Titles, Salaries and Burden by General Ledger Account

Home Co	Number	Employee Name	Job Title	Work CC	Obj	Sub	Hours	Gross	Burden Rate	Burden	Company Water or Sewer
776	1519285	BOWDEN, JACK L.	Water/Waste Water Operator III	7761810	7210	110	710.00	14,200.00	0.298792931	4,242.86	Sewer
775	1451356	VAWTER, GERRY D.	Superintendent-Utilities	7761810	7210	110	111.00	4,802.96	0.298792931	1,435.09	Water / Sewer
126	145691	VOORHEES, DAVID	General Manager - Utilities	7761810	7210	110	128.00	6,121.58	0.298792931	1,829.08	Water / Sewer
126	145721	WILLIAMS, NEWTON	Electrician	7761810	7210	110	40.00	1,071.20	0.298792931	320.07	Water / Sewer
		Total per Report					989.00	$ 26,195.74		$ 7,827.10	
		T6 Accruals						$ (145.45)		$ 63.27	
		Total per GL					[3]	$ 26,050.29	[11]	$ 7,890.37	
776	1519285	BOWDEN, JACK L.	Water/Waste Water Operator III	7761811	7210	100	22.00	440.00	0.330355523	145.36	Sewer
775	1294418	GASPAR-TORRES, AARON	Water/Waste Water Tech II	7761811	7210	100	32.00	505.60	0.330355523	167.03	Water / Sewer
776	1196295	GRIFFITH, MICHAEL W.	Lead Waste Water Operator	7761811	7210	100	40.00	1,188.44	0.330355523	392.61	Sewer
775	1590938	HANSON, ANDREA R.	Admin Assistant - Utilities	7761811	7210	100	368.00	8,845.98	0.330355523	2,922.32	Water / Sewer
775	1573548	HARR, GABRIEL T.	SCADA Tech	7761811	7210	100	444.00	13,679.64	0.330355523	4,519.14	Water / Sewer
776	1066351	MCCARTY, NEIL W.	Waste Water Maintenance Tech I	7761811	7210	100	1,976.00	27,268.80	0.330355523	9,008.40	Sewer
776	1878261	RABAGO, JAIME J.	Electrician Assistant	7761811	7210	100	157.00	2,512.00	0.330355523	829.85	Water / Sewer
775	1216962	REYES, EDWARD A.	Water/Waste Water Tech I	7761811	7210	100	33.00	422.77	0.330355523	139.66	Water / Sewer
775	1701781	SCULLY, ROBERT J.	Utilities Technician	7761811	7210	100	3.00	45.00	0.330355523	14.87	Water / Sewer
775	145683	SMITH, JOHN	Meter Reader	7761811	7210	100	55.00	508.75	0.330355523	168.07	Water / Sewer
776	1773179	TOMERLIN, JUSTIN N.	Water/Waste Water Operator I	7761811	7210	100	612.00	9,952.00	0.330355523	3,287.70	Sewer
775	1451356	VAWTER, GERRY D.	Superintendent-Utilities	7761811	7210	100	22.00	951.92	0.330355523	314.47	Water / Sewer
126	145691	VOORHEES, DAVID	General Manager - Utilities	7761811	7210	100	103.00	4,969.18	0.330355523	1,641.60	Water / Sewer
775	147671	VOORHEES, GINGER	Admin Assistant - Utilities	7761811	7210	100	531.50	10,884.00	0.330355523	3,595.59	Water / Sewer
775	919308	VOORHEES, THOMAS J.	Waste Water Maint Supevisor	7761811	7210	100	1,868.00	30,298.96	0.330355523	10,009.43	Water / Sewer
126	145721	WILLIAMS, NEWTON	Electrician	7761811	7210	100	171.00	4,579.38	0.330355523	1,512.82	Water / Sewer
		Total per Report					6,437.50	$ 117,052.42		$ 38,668.91	
		T6 Accruals						$ 1,978.83		$ 143.91	
		Total per GL					[2]	$ 119,031.25	[12]	$ 38,812.82	
776	1519285	BOWDEN, JACK L.	Water/Waste Water Operator III	7761811	7210	110	462.00	9,240.00	0.330355523	3,052.49	Sewer
776	1196295	GRIFFITH, MICHAEL W.	Lead Waste Water Operator	7761811	7210	110	1,960.00	58,234.51	0.330355523	19,238.09	Sewer
776	1773179	TOMERLIN, JUSTIN N.	Water/Waste Water Operator I	7761811	7210	110	1,480.00	23,768.00	0.330355523	7,851.89	Sewer
775	1451356	VAWTER, GERRY D.	Superintendent-Utilities	7761811	7210	110	610.00	26,394.13	0.330355523	8,719.45	Water / Sewer
126	145691	VOORHEES, DAVID	General Manager - Utilities	7761811	7210	110	133.25	6,379.56	0.330355523	2,107.52	Water / Sewer
		Total per Report					4,645.25	$ 124,016.20		$ 40,969.44	
		T6 Accruals						$ (1,355.16)		$ 59.81	
		Total per GL					[4]	$ 122,661.04	[13]	$ 41,029.25	
				Grand Total				$ 446,641.51		$ 117,365.67	

Pima Utility Company - Sewer Division
CSB 1-29 Employee Salary and Wage Information
Schedule of Names, Titles, Salaries and Burden by General Ledger Account

Home Co	Number	Employee Name	Job Title	Work CC	Obj	Sub	Hours	Gross	Burden Rate	Burden	Company Water or Sewer
SUMMARY:											
Account 701 Salaries and Wages - Employees											
	7210.100	Direct Wages									
	7210.110	Salaried Wages				[1] + [2]		185,525.14			
	8315.100	Overhead Wages				[3] + [4]		148,711.33			
						[5]		11,407.48			
		Total Employee Salaries and Wages						$ 345,643.95	-	Agrees to G/L	
Account 703 Salaries and Wages - Officers											
	8315.110	Salaried Wages									
						[6]		90,294.23			
		Total Salaries and Wages - Officers						$ 90,294.23	-	Agrees to G/L	
Account 105 Construction Work In Progress											
	1705.2105	Regular Pay (T2's)									
	1720.2105	Payroll Burden (T3's)				[7]		2,512.29			
						[8]		804.45			
		Total Services						$ 3,316.74	-	Agrees to G/L	
Account 241 Misc Current & Accrued Liabilities											
	3615	Vacation (T2's & T6's)									
						[9]		8,191.04			
		Total Misc Current & Accrued Liabilities						$ 8,191.04	(0.00)	Agrees to G/l	
Account 704 Employee Pensions and Benefits											
	7210.280, 310	Vacation Pay & Payroll Burden									
	8315.510, 900	Vacation Pay & Payroll Burden				[10] + [11] + [12] + [13]		107,445.75			
	8340.100, 110, 130	Pension Plan Exp., H&A Ins., Vacation				[14] + [15]		6,026.30			
						[16]		2,248.00			
		Total Employee Pensions and Benefits						$ 115,720.05	-	Agrees to G/L	
Account 408.12 Payroll Taxes											
	8330.100, 110, 120	FICA, FUTA, SUTA									
								619.40			
		Total Payroll Taxes				[17]		$ 619.40	-	Agrees to G/L	
Account 758 Insurance - Workers Comp											
	8330.13	Workers Comp									
								221.77			
		Total Insurance - Workers Comp				[18]		$ 221.77	-	Agrees to G/L	

PIMA UTILITY COMPANY

DOCKET NO. W-02199A-11-0329 and SW-02199A-11-0330
RESPONSE TO STAFF'S FIFTH SET OF DATA REQUESTS

February 23, 2012

Response provided by:	Chris Sabin
Title:	Controller
Company:	Pima Utility Company
Address:	9532 East Riggs Road Sun Lakes, AZ 85248
Company Response Number:	CSB 5.9

Wastewater Division

Q. Officer and Director Salary and Wage Information – This is a follow-up to CSB 1-29. In your response to CSB 1-29, you provided a schedule entitled "Employee Salary and Wage Information / Schedule of Names, Titles, Salaries and Burden by General Ledger Account." This schedule shows that Mr. E.J. Robson was paid $90,294.23 for working 56.68 hours during the test year for the sewer division of Pima Utility. Regarding these amounts, please answer the following:

a. Please provide timesheets along with a description of work performed to support the 56.68 hours.
b. Please explain how the work performed was related to the provision of service for the sewer division of Pima Utility.
c. Please provide all salary studies and any other documentation to support the amount paid.

RESPONSE:

See response to Data Request CSB 5.2.

6806791.1/075040.0025

- Review and approval of major capital improvements
- Development, review, approval and oversight of long and short-term financing
- Review of monthly financial and operating reports
- Approval of salaries and pay raises

Mr. Robson does not maintain a time sheet.

b. The senior management functions performed by Mr. Robson are critical to maintaining Pima Utility Company's financial health, operating efficiency and operational reliability that in turn allow Pima to provide safe and reliable water and wastewater services to its customers.

c. In order to support the amount paid, Pima conducted a review of the salary allowed for Mr. Robson in Pima's last rate case (Docket No. SW-02199A-98-0578, Decision No. 62184).

In Pima's last rate case, Mr. Robson was allowed a total salary expense of $20,667.93 for the wastewater division as detailed below.

Docket No. SW-02199A-98-0578	
Ed Robson - Salary	$ 19,939.14
Payroll Burden (@3.655%)	728.79
Total Salary	$ 20,667.93
Customers	7,027
Salary per Customer	$ 2.94

In order to compare Mr. Robson's 2010 salary to the allowed 1997 salary, the 1997 salary was adjusted for changes in the consumer price index and Pima's number of customers to obtain an equivalent 2010 salary, as detailed below.

CPI-U 12/31/1997	161.3	Customers 1997	7,027
CPI-U 12/31/2010	219.179	Customers 2010	10,058
CPI Ratio 1997:2010	1.359	Cust. Ratio 1997:2010	1.431

Total Salary - 1997		$ 20,667.93	
CPI Ratio 1997:2010	x	1.359	
Cust. Ratio 1997:2010	x	1.431	
Equivalent 2010 Salary		$ 40,197.89	
Customers 2010		10,058	
Salary per Customer		$ 4.00	Increase of 35.9% - Same as CPI-U

Pima Utility Company will limit its request for recovery of Mr. Robson's salary to $40,197.89 for the wastewater division and $40,197.89 for the water division and will modify its request in its rebuttal filing to reflect these amounts.

PIMA UTILITY COMPANY
DOCKET NO. W-02199A-11-0329 and SW-02199A-11-0330
RESPONSE TO STAFF'S FIFTH SET OF DATA REQUESTS

February 23, 2012

Response provided by:	Chris Sabin
Title:	Controller
Company:	Pima Utility Company
Address:	9532 East Riggs Road Sun Lakes, AZ 85248
Company Response Number:	CSB 5.2

Water Division

Q. Officer and Director Salary and Wage Information – This is a follow-up to CSB 1-24. In your response to CSB 1-24, you provided a schedule entitled "Employee Salary and Wage Information / Schedule of Names, Titles, Salaries and Burden by General Ledger Account." This schedule shows that Mr. E.J. Robson was paid $90,294.23 for working 56.68 hours during the test year for the water division of Pima Utility. Regarding these amounts, please answer the following:

a. Please provide timesheets along with a description of work performed to support the 56.68 hours.
b. Please explain how the work performed was related to the provision of service for the water division of Pima Utility.
c. Please provide all salary studies and any other documentation to support the amount paid.

RESPONSE:

a. Mr. Robson serves as the Chief Executive Officer of Pima Utility Company. In that capacity Mr. Robson is ultimately responsible for managing the operations and resources of the Company, including developing business strategy, establishing policy and making major corporate decisions. Specific tasks performed by Mr. Robson include, but are not limited to:

- Meeting with Company management to discuss issues facing company and to establish long and short-term business strategies

- Review and approval of major capital improvements
- Development, review, approval and oversight of long and short-term financing
- Review of monthly financial and operating reports
- Approval of salaries and pay raises

Mr. Robson does not maintain a time sheet.

b. The senior management functions performed by Mr. Robson are critical to maintaining Pima Utility Company's financial health, operating efficiency and operational reliability that in turn allow Pima to provide safe and reliable water and wastewater services to its customers.

c. In order to support the amount paid, Pima conducted a review of the salary allowed for Mr. Robson in Pima's last rate case (Docket No. SW-02199A-98-0578, Decision No. 62184).

In Pima's last rate case, Mr. Robson was allowed a total salary expense of $20,667.93 for the wastewater division as detailed below.

Docket No. SW-02199A-98-0578	
Ed Robson - Salary	$ 19,939.14
Payroll Burden (@3.655%)	728.79
Total Salary	$ 20,667.93
Customers	7,027
Salary per Customer	$ 2.94

In order to compare Mr. Robson's 2010 salary to the allowed 1997 salary, the 1997 salary was adjusted for changes in the consumer price index and Pima's number of customers to obtain an equivalent 2010 salary, as detailed below.

CPI-U 12/31/1997	161.3	Customers 1997	7,027
CPI-U 12/31/2010	219.179	Customers 2010	10,058
CPI Ratio 1997:2010	1.359	Cust. Ratio 1997:2010	1.431

Total Salary - 1997		$ 20,667.93	
CPI Ratio 1997:2010	x	1.359	
Cust. Ratio 1997:2010	x	1.431	
Equivalent 2010 Salary		$ 40,197.89	
Customers 2010		10,058	
Salary per Customer		$ 4.00	Increase of 35.9% - Same as CPI-U

Pima Utility Company will limit its request for recovery of Mr. Robson's salary to $40,197.89 for the wastewater division and $40,197.89 for the water division and will modify its request in its rebuttal filing to reflect these amounts.