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Transcript Exhibit(s)

Docket #(s): WS-01689A-11-0402

W-01689A-11-0401

Exhibit # : S-1 thru S-5 & A-1 thru A-8

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EXHIBIT
S-1
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

APPLICATION OF CLEAR SPRINGS UTILITY CO., INC. FOR AN INCREASE IN RATES	)	DOCKET NO. WS-01689A-11-0402
IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	)	DOCKET NO. W-01689A-11-0401

DIRECT TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 13, 2012

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
PURPOSE OF TESTIMONY	2
ENGINEERING REPORTS	3
RECOMMENDATIONS AND CONCLUSIONS	4
Clear Springs Utility Company - Water Division	6
Clear Springs Utility Company - Wastewater Division	10

EXHIBITS

Engineering Report for Clear Springs Utility Company – Water Division DMH-1

Engineering Report for Clear Springs Utility Company - Wastewater Division DMH-2

INTRODUCTION

Q. Please state your name and business address.

A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. By whom and in what position are you employed?

A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a Utilities Engineer - Water/Wastewater in the Utilities Division.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since January 1998.

Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?

A. My main responsibilities are to inspect, investigate and evaluate water and wastewater systems. This includes obtaining data, preparing reconstruction cost new and/or original cost studies, investigative reports, interpreting rules and regulations, and to suggest corrective action and provide technical recommendations on water and wastewater system deficiencies. I also provide written and oral testimony in rate cases and other cases before the Commission.

Q. How many companies have you analyzed for the Utilities Division?

A. I have analyzed more than 90 companies fulfilling these various responsibilities for Commission Utilities Division Staff ("Staff").

Q. Have you previously testified before this Commission?

A. Yes, I have testified on numerous occasions before this Commission.

Q. What is your educational background?

A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of Science degree in Civil Engineering.

Q. Briefly describe your pertinent work experience.

A. Before my employment with the Commission, I was an Environmental Engineer for the Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time, I was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for approximately five years.

Q. Please state your professional membership, registrations, and licenses.

A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the American Society of Civil Engineering, American Water Works Association and Arizona Water & Pollution Control Association.

PURPOSE OF TESTIMONY

Q. What was your assignment in this rate proceeding?

A. My assignment was to provide Staff's engineering evaluation for the subject Clear Springs Utility Co., Inc. ("Company" or "Clear Springs") rate and financing proceeding. The Company filed a rate application for its Water Division and Wastewater Division in this rate proceeding. The Company also filed a financing application for its Water Division. Those findings are contained in the Engineering Reports that I have prepared. The water report for the rate and financing is included as Exhibit DMH-1, in this pre-filed testimony. The wastewater report is included as Exhibit DMH-2, in this pre-filed testimony.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose is to present the findings of Staff's engineering evaluation of the operations for the both Company's water and wastewater systems. The findings are contained in the Engineering Reports that I have prepared for this proceeding.

ENGINEERING REPORTS

Q. Would you briefly describe what was involved in preparing your Engineering Reports for this rate proceeding?

A. After reviewing the application, I physically inspected the Company's water systems in the Water Districts and sewer system in its Wastewater District. I evaluated their operation and determined if any plant items were not used and useful. I contacted the ADEQ to determine if the water systems were in compliance with the Safe Drinking Water Act water quality requirements. I also contacted the ADEQ to determine if the sewer system was in compliance with its wastewater discharge permit limits. After I obtained information from the Company regarding plant improvements, permits, chemical testing expenses, water usage data and sewage discharge data, I analyzed that information. I also contacted the Arizona Department of Water Resources ("ADWR") to determine if the Water District was in compliance with the ADWR's requirements governing water providers and/or community water systems. Based on all the above, I prepared the attached Engineering Reports.

Q. Please describe the information contained in your Engineering Reports.

A. The Reports are divided into three general sections: 1) *Executive Summary*; 2) *Engineering Report Discussion*, and 3) *Engineering Report Exhibits*. The *Discussions* section for the Water District can be further divided into twelve subsections: A) Purpose of Report, B) Location of System; C) Description of the Water Systems; D) Water Usage;

E) Growth Projection; F) ADEQ Compliance; G) ADWR Compliance; H) ACC Compliance; I) Water Testing Expenses; J) Depreciation Rates; K) Financing Application (Docket No. W-01689A-11-0401) and L) Other Issues. The *Discussions* section for the Wastewater District can be further divided into eleven subsections: A) Purpose of Report, B) Location of Division; C) Description of the Wastewater System; D) Wastewater Flow; E) Growth; F) ADEQ Compliance; G) ACC Compliance; H) Depreciation Rates; and I) Others.

RECOMMENDATIONS AND CONCLUSIONS

Q. What are Staff's conclusions and recommendations regarding the Company's operations?

A. Staff's conclusions and recommendations regarding the Company's operations are listed below.

Water System

Recommendations:

I. Staff recommends estimated annual water testing costs of $4,637 for the Company's Water Division be used for purposes of the proceeding.

II. Staff recommended average service lives and the resulting depreciation rates are listed by National Association of Regulatory Utility Commissioners' ("NARUC") plant account in Figure 6 in Report DMH-1.

III. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 6 in Report DMH-1.

IV. Staff recommends that the Company repair the leaks that Staff observed during its field inspection immediately and file documents showing that it has complied within 15 days of the effective date of the Commission's order in this matter.

V. The calculated water loss in water system PWS #02-008 exceeded 42 percent, which far exceeds Staff's recommended 10 percent threshold. In Decision No. 68443, the Commission ordered the Company to reduce its water loss to 10 percent or less in PWS # 02-008 before filing its next rate case. Staff recommends that the Company monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on an annual basis, the Company shall, within 270 days of a decision in this case, file a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Staff further recommends that the Company be required to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket. Staff further recommends that the first water loss progress report be filed by June 30, 2013. Staff shall determine that any future rate case filed by the Company shall be insufficient if these items are not properly submitted.

VI. Staff recommends that the Company submit a detailed water loss reduction plan with Docket Control, as a compliance item in this docket before any rate increase recommended in this matter becomes effective.

VII. System PWS # 02-048 and system #02-050 have inadequate storage capacities. In Decision No. 68443, the Commission ordered the Company to resolve the storage deficiencies of PWS #02-048 and PWS #02-050 prior to filing its next rate application.

The Company failed to comply with this order. Staff recommends that the Company correct the water storage deficiencies in System of PWS #02-048 and System of PWS #02-050 before any rate increase recommended in this matter becomes effective.

VIII. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, an affidavit indicating that the water testing referenced in Table 4B in Report DMH-1 has been completed and that the Company is delivering water to customers served by its non-community systems that complies with applicable water quality standards. Staff further recommends that the Company file its affidavit on a quarterly basis with the first affidavit due for the first quarter of 2013 by April 30, 2013. Such quarterly reports shall continue to be filed until the non-community water systems become community water systems.

IX. Staff concludes that the Company's proposed project in the Financing Application for the capital improvements in Well No. 3, Well No. 7 and Well No. 18 and replacing plant items in the distribution system are appropriate and the cost estimates as recommended by Staff and listed in Table 5 in Report DMH-1 are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2013, a copy of the ADEQ Approval of Construction for the capital improvements in Well Nos. 3, 7 and 18 projects and fire hydrant replace project.

X. Well No. 16 is not used and useful; Staff recommends all capital improvements associated with Well No. 16 be removed from rate base.

XI. Staff recommends that $255 expense for work done to the wastewater monitoring well be reclassified in wastewater NARUC accounts.

XII. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the BMP templates created by Staff for the Commission's review and consideration.

Conclusions:

I. Staff received two compliance status reports from ADEQ dated September 28, 2011 in which ADEQ reported that Clear Springs' community water systems PWS No. 02-008 and PWS No. 02-049 have no major deficiencies and are currently delivering water that meet water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

II. According to ADEQ, PWS No. 02-048, PWS No. 02-050 and PWS No. 02-051 are classified as inactive, non-public water systems based on population served. ADEQ public water system monitoring and reporting requirements and ADEQ operation and maintenance requirements do not apply.

III. The Company is not in any ADWR Active Management Area. Staff received a Compliance Status Report from ADWR for Clear Springs on November 18, 2011. In its report ADWR stated that the Company is compliant with departmental requirements governing water providers and/or community water systems.

IV. Clear Springs has approved cross connection and curtailment tariffs.

V. PWS # 02-008, #02-049 and #02-051 have adequate production and storage capacities to support their existing customer bases.

VI. A check of the Commission's Compliance Section database dated December 5, 2011, indicated that the Company has no ACC delinquent compliance items.

Wastewater System

Recommendations:

I. Staff recommends the Company use depreciation rates as delineated in Figure 6 in Report DMH-2.

II. Staff recommends an annual wastewater testing cost of $2,715 for the Company's Wastewater Division be used for purposes of the proceeding.

III. Staff recommends moving the original cost of pump equipment from Power Generator Equipment Account No. 355 to Pump Equipment Account No. 371 where this expense should have been recorded.

IV. Staff recommends $225 be moved from Account No. 311 (Water) to Account No. 371 (Wastewater).

V. Staff recommends that $495 spent for a Lagoon Expansion Study not be considered used and useful since the studied expansion has not taken place; this expense should be removed from Account No. 354 where it was recorded.

Conclusions:

I. ADEQ regulates the Company's Wastewater Division under Permit No. 100824. Compliance Status Reports issued by ADEQ state that the Company is in full compliance for operation and maintenance, operator certification and discharge permit limits.

II. Staff concludes that the Company has adequate capacity to serve existing customers.

III. A check of the Arizona Corporation Commission Utilities Division Compliance database showed there is currently no delinquent compliance item for the Company.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

Engineering Report
Clear Springs Utility Company, Inc. – Water Division
Prepared By
Dorothy Hains, P. E.
Docket Nos. WS-01689A-11-0402 (Rates)
Docket Nos. W-01689A-11-0401 (Financing)

June 13, 2012

EXECUTIVE SUMMARY

Recommendations:

1. Arizona Corporation Commission Utilities Division Staff ("Staff") recommends estimated annual water testing costs of $4,637 for Clear Springs Utility Co. – Water Division ("the Company" or "Clear Springs – Water Division"). (See §I and Table 4 for discussion and details.)

2. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners category, as delineated in Exhibit 6. (See §J and Exhibit 6 for a discussion and a tabulation of the recommended rates.)

3. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 6. (See §L of report for discussion and details.)

4. Staff recommends that the Company submit a detailed water loss reduction plan with Docket Control, as a compliance item in this docket before any rate increase recommended in this matter becomes effective. (See §D for discussion and details.)

5. Staff recommends that the Company repair the leaks that Staff observed during its field inspection immediately and file documents showing that it has complied within 15 days of the effective date of the Commission's order in this matter. (See §D for discussion and details.)

6. The calculated water loss in water system PWS #02-008 exceeded 42 percent, which far exceeds Staff's recommended 10 percent threshold. In Decision No. 68443, the Commission ordered the Company to reduce its water loss to 10 percent or less in PWS # 02-008 before filing its next rate case. Staff further recommends that the Company monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on

an annual basis, the Company shall, within 270 days of a decision in this case, filed a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Staff further recommends that the Company be required to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket. Staff further recommends that the first water loss progress report be filed by June 30, 2013. Staff shall determine that any future rate case filed by the Company shall be insufficient if these items are not properly submitted. (See §D for discussion and details.)

7. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, an affidavit indicating that the water testing referenced in Table 4B has been completed and that the Company is delivering water to customers served by its non-community systems that complies with applicable water quality standards. Staff further recommends that the Company file its affidavit on a quarterly basis with the first affidavit due for the first quarter of 2013 by April 30, 2013. Such quarterly reports shall continue to be filed until the non-community water systems become community water systems. (See §I for discussion and details.)

8. Staff concludes that the Company's proposed project in the Financing Application for the capital improvements in Well No. 3, Well No. 7 and Well No. 18 and replacing plant items in the distribution system are appropriate and the cost estimates as recommended by Staff and listed in Table 5 are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2013, a copy of the ADEQ Approval of Construction for the capital improvements in Well Nos. 3, 7 and 18 projects and fire hydrant replace project. (See §K for discussion and details.)

9. Well No. 16 is not used and useful; Staff recommends all capital improvements associated with Well No. 16 be removed from this rate base. (See §L for discussion and details.)

10. Staff recommends that $255 expense for work done to the wastewater monitoring well be reclassified in wastewater NARUC accounts. (See §L for discussion and details.)

11. Staff recommends that the Company file with Docket Control, as a compliance item in this docket within 90 days of the effective date of a decision in this proceeding, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. (See §K of report for discussion and details.)

12. Systems of PWS # 02-048 and #02-050 have inadequate storage capacities. In Decision No. 68443, the Commission ordered the Company to resolve the storage deficiencies of PWS #02-048 and PWS #02-050 prior to filing its next rate application. The Company

failed to comply with this order. Staff recommends that the Company correct the water storage deficiencies in System of PWS #02-048 and System of PWS #02-050 before any rate increase recommended in this matter becomes effective (See §C of report for discussion and details.)

Conclusions:

1. A check of the Commission's Compliance Section database dated December 5, 2011, indicated that Clear Springs has no ACC delinquent compliance items. (See §H of report for discussion and details.)

2. Clear Springs is not in any ADWR Active Management Area. Staff received a Compliance Status Report from ADWR for Clear Springs on November 18, 2011. In its report ADWR stated that the Company is compliant with departmental requirements governing water providers and/or community water systems. (See §G of report for discussion and details.)

3. Staff received two compliance status reports from ADEQ dated September 28, 2011 in which ADEQ reported that Clear Springs' community water systems PWS No. 02-008 and PWS No. 02-049 have no major deficiencies and are currently delivering water that meet water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4. According to ADEQ, PWS No. 02-048, PWS No. 02-050 and PWS No. 02-051 are classified as inactive, non-public water systems based on population served, However, ADEQ public water system monitoring and reporting requirements and ADEQ operation and maintenance requirements do not apply. (See §F of report for discussion and details.)

4. Clear Springs has approved cross connection and curtailment tariffs. (See §M of report for discussion and details.)

5. Systems of PWS # 02-008, #02-049 and #02-051 have adequate production and storage capacities to support their existing customer bases. (See §C of report for discussion and details.)

TABLE OF CONTENTS

Page

A. PURPOSE OF REPORT 1

B. LOCATION OF DIVISION 1

C. DESCRIPTION OF SYSTEM 1

I. System Description 1
II. System Analysis 6

D. WATER USAGE 6

I. Water Sold 8
II. Non-account Water 9

E. GROWTH PROJECTION 10

I. PWS No. 02-008 10
II. PWS No. 02-048 10
III. PWS No. 02-049 10
IV. PWS No. 02-050 10
V. PWS No. 02-051 11

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE 11

G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE 11

H. ACC COMPLIANCE 11

I. WATER TESTING EXPENSES 11

I. Community Water Systems (ADEQ Requiring Monitoring and Reporting) 11
I. Non-public Water Systems (No Monitoring and Reporting Been Required) 13

J. DEPRECIATION RATES 13

K. FINACING APPLICATION (DOCKET NO. W-01689A-11-0401) 14

L. OTHER ISSUES 16

I. Service Line and Meter Installation Charges 16
II. Field Inspection Findings 17
III. Reclasification 17
IV. Curtailment Tariff 18
V. Cross Connection or Backflow Provention Tariff 18
VI. Best Management Practices ("BMPs") Tariff 18

EXHIBITS

Exhibit 1: Clear Springs Water Division Certificate Service Area 20
Exhibit 2: Location of Clear Springs Water Division Service Area 21
Exhibit 3A: Systematic Drawing 22
Exhibit 3B: Systematic Drawing 23
Exhibit 3C: Systematic Drawing 24
Exhibit 4A: Water Usage in Clear Springs Water Division Service Area 25
Exhibit 4B: Water Usage in Clear Springs Water Division Service Area 26
Exhibit 5A: Actual and Projected Growth in Clear Springs Water Division Service Area 27
Exhibit 5B: Actual and Projected Growth in Clear Springs Water Division Service Area 28
Exhibit 5C: Actual and Projected Growth in Clear Springs Water Division Service Area 29
Exhibit 6: Depreciation Rates 30
Exhibit 7: July 20, 2006 Compliance Item 31

ENGINEERING REPORT
CLEAR SPRINGS UTILITY COMPANY, INC. – WATER DIVISION
DOCKET NO. W-01689A-11-0402 (RATES)
DOCKET NO. W-01689A-11-0401 (FINANCING)

A. PURPOSE OF REPORT

This report was prepared in response to the applications filed by Clear Springs Water Company ("Clear Springs" or "Company") with the Arizona Corporation Commission ("ACC" or "the Commission") to increase its water rates.

An inspection of the Company's water system was conducted by Dorothy Hains, Commission Staff Engineer, accompanied by Company Representative, Keith Dojaquez (General Operation Manager), Mathew England (On-site Operator) and Greg Carlson, P. E. and James McMurtrie, P. E. from Greg Carlson Engineering on February 9, 2012.

B. LOCATION OF DIVISION

The Company is located approximately 26 miles west of Willcox near the Sunsites area along Highway 191, in Cochise County. Attached Exhibits 1 and 2 detail the location of the service area in relation to other Commission regulated companies in Cochise County and in the immediate area. The Company serves an area approximately thirty nine square miles in size that includes all or a portion of Sections 4, 9, 10, 22, 23, 26, 27, 28 and 33 of Township 16 South , Range 24 East Sections 29, 30, 31, 32 and 33 of Township 16 South, Range 25 East; Sections 4, 9, 10, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 29, 32, 33, 34 and 35 of Township 17 South, Range 24 East; Sections 4, 5, 6, 13, 18, 19, 23, 24, 25, 26, 30, 31 and 35 of Township 17 South, Range 25 East; Sections 1, 3, 4, 5, 10, 11, 12, 14 and 22 of Township 18 South, Range 24 East; Sections 6, 17, 18 of Township 18 South, Range 25 East; Section 16 of Township 17 South Range 26 East; Section 1 of Township 18 South, Range 26 East and Sections 30 and 31 of Township 17 South, Range 27 East and Section 6 of Township 18 South, Range 27 East.

C. DESCRIPTION OF SYSTEM

I. System Description

The Company owns and operates five individual water systems that consist of six active well sites. The Company serves approximately 569 metered customers; the majority of which are residential. Exhibits 3A, 3B and 3C are schematic drawings of the water systems.

A detailed listing of the Company's water system facilities listed by Arizona Department of Environmental Quality ("ADEQ") Public Water System ("PWS") Number follows:

Table 1A Plant Data in Clear Springs Water System (in PWS #02-008)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-603877 (Well #5)	1964	16	800	4	30	180	Iron Wood/Shadow Mountain Court
55-502128 (Well #18)	1982	16	700	6	120	300	Lansing Rd/Treasure Rd

Active Storage, Pumping (in PWS #02-008)

Location	Structure or equipment	Capacity
Iron Wood/Shadow Mountain Court	Pressure tank	One 5,000 gallon tank
Lansing Rd/Treasure Rd	Booster pump station	Two 20-HP booster pumps
Lansing Rd/Treasure Rd	Storage Tank	One 100,000 gallon tank
Lansing Rd/Treasure Rd	Pressure Tank	One 5,000 gallon tank

Distribution Mains in PWS #02-008 CC&N Area

Diameter (inches)	Material	Length (feet)
2	Galvanized	200
2	polyvinyl chloride ("PVC")	1,036
3	PVC	360
4	PVC	3,339
6	PVC	3,040
8	PVC	180
12	asbestos cement ("AC")	200
3	AC	10,698
4	AC	3,020
6	AC	29,495
8	AC	5,650

Meters in PWS #02-008 CC&N Area

Size (inches)	Quantity
⅝ x ¾	540
¾	5
1	17
1½	7
2	3
3 (Turbo)	1

Inactive Well (in PWS #02-008)

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-604034 (Well #16)	N/A	12	N/A	N/A	N/A	450	Treasure Rd (behind the Office)

Inactive Pumping (in PWS #02-008)

Location	Structure or equipment	Capacity
Treasure Rd (behind the Office)	Pressure Tank	One 5,000 gal

Table 1B Plant Data in Clear Springs System (in PWS #02-048)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-603879 (Well #3)	1966	6	442	2	5	15	Arbor/ Topoz

Active Storage, Pumping (in PWS #02-048)

Location	Structure or equipment	Capacity
Arbor/ Topoz	Pressure tank	One 85 gallon tank
Arbor/ Topoz	Storage Tank	One 1,200 gallon tank
Arbor/ Topoz	Booster pump station	

Distribution Mains in PWS #02-048 CC&N Area

Diameter (inches)	Material	Length (feet)
2	PVC	1,500

Meters in PWS #02-048 CC&N Area

Size (inches)	Quantity
⅝ x ¾	6

Table 1C Plant Data in Clear Springs System (in PWS #02-049)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-588414 (Well #6)	2001	8	505	2	7½	40	Central/Euelid

Active Storage, Pumping (in PWS #02-049)

Location	Structure or equipment	Capacity
Central/Euelid	Pressure tank	One 3,000 gallon tank
Central/Euelid	Storage Tank	One 12,500 gallon tank
Central/Euelid	Booster pump station	One 5-HP booster pump

Distribution Mains in PWS #02-049 CC&N Area

Diameter (inches)	Material	Length (feet)
4	PVC	240
6	AC	4,700

Meters in PWS #02-049 CC&N Area

Size (inches)	Quantity
⅝ x ¾	19

Inactive Well (in PWS #02-049)

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-604035 (Old Well #6, capped)	N/A	8/6	N/A	N/A	N/A	100	Central/Euelid

Table 1D Plant Data in Clear Springs System (in PWS #02-050)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-603880 (Well #7)	1969	6	560	2	3	18	170 Treasure Rd

Active Storage, Pumping (in PWS #02-050)

Location	Structure or equipment	Capacity
170 Treasure Rd	Pressure tank	One 85 gallon tank
170 Treasure Rd	Storage Tank	One 1,000 gallon tank
170 Treasure Rd	Booster pump station	One 5-HP booster pump

Distribution Mains in PWS #02-050 CC&N Area

Diameter (inches)	Material	Length (feet)
6	AC	1,800

Meters in PWS #02-050 CC&N Area

Size (inches)	Quantity
⅝ x ¾	9

Table 1E Plant Data in Clear Springs System (in PWS #02-051)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-603882 (Well #9)	1970	8/6	675	2	5	25	March/Skyline

Active Storage, Pumping (in PWS #02-051)

Location	Structure or equipment	Capacity
March/Skyline	Pressure tank	One 1,000 gallon tank
March/Skyline	Storage Tank	One 12,500 gallon tank
March/Skyline	Booster pump station	One 5-HP booster pump

Distribution Mains in PWS #02-051 CC&N Area

Diameter (inches)	Material	Length (feet)
6	AC	4,200

II. System Analysis

Systems PWS # 02-008, #02-049 and #02-051 have adequate production and storage capacities to support their existing customer bases. Systems PWS # 02-048 and #02-050 have inadequate storage capacities. In Decision No. 68443 (dated February 2, 2006), the Commission ordered the Company to resolve the storage deficiencies of PWS #02-048 and PWS #02-050 prior to filing its next rate application. The Company failed to comply with this order. Staff recommends that the Company correct the water storage deficiencies in System of PWS #02-048 and System of PWS #02-050 before any rate increase recommended in this matter becomes effective.

D. WATER USAGE

Tables 2A through 2F summarize water usage in the Company's CC&N area. Exhibits 4A through 4B are graphs that show water consumption data in gallons per day per connection for each individual system for the period of January 2010 through December 2010.

Table 2A Water Usage in Clear Springs Water (PWS #02-008) CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 10	480	1,984,000	3,919,000	0	133
Feb 10	484	2,172,000	4,395,000	0	160
Mar 10	484	1,954,000	3,527,000	0	130
Apr 10	491	2,891,000	4,049,000	0	196
May 10	493	3,266,000	4,741,000	0	214
Jun 10	496	4,944,000	7,761,000	0	332
Jul 10	497	4,171,000	6,632,000	0	271
Aug 10	501	3,047,000	6,151,000	0	196
Sep 10	503	3,211,000	5,835,000	0	213
Oct 10	512	2,981,000	5,969,000	0	188
Nov 10	519	2,611,000	4,923,000	0	168
Dec 10	527	2,174,000	4,085,000	0	133
total		35,406,000	61,987,000	0	
Average					200

The calculated water loss in PWS #02-008 was 42.88 % during the test year (see discussion below).

Table 2B Water Usage in Clear Springs Water (PWS #02-048) CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 10	5	12,000	17,000	0	77
Feb 10	5	17,000	23,000	0	121
Mar 10	5	16,000	22,000	0	103
Apr 10	5	26,000	30,000	0	173
May 10	5	37,000	40,000	0	239
Jun 10	6	90,000	89,000	0	500
Jul 10	6	63,000	68,000	0	339
Aug 10	6	44,000	50,000	0	237
Sep 10	6	37,000	39,000	0	206
Oct 10	6	39,000	43,000	0	210
Nov 10	6	31,000	34,000	0	172
Dec 10	6	21,000	25,000	0	113
total		433,000	480,000	0	
Average					216

The calculated water loss in PWS #02-048 was 9.79 % during the test year.

Table 2C Water Usage in Clear Springs Water (PWS #02-049) CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 10	17	56,000	45,000	0	106
Feb 10	17	63,000	61,000	0	132
Mar 10	17	53,000	56,000	0	101
Apr 10	19	110,000	108,000	0	193
May 10	19	151,000	149,000	0	256
Jun 10	19	237,000	232,000	0	416
Jul 10	19	209,000	210,000	0	355
Aug 10	19	140,000	147,000	0	238
Sep 10	19	153,000	143,000	0	268
Oct 10	19	120,000	117,000	0	204
Nov 10	19	78,000	79,000	0	137
Dec 10	19	70,000	80,000	0	119
total		1,440,000	1,427,000	0	
Average					219

The calculated water loss in PWS #02-049 was negative 0.91% during the test year. This result calls into question the validity of the water use data reported for this system.

Table 2D Water Usage in Clear Springs Water (PWS #02-050) CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 10	7	18,000	18,000	0	83
Feb 10	7	17,000	18,000	0	87
Mar 10	7	16,000	17,000	0	74
Apr 10	7	25,000	25,000	0	119
May 10	7	26,000	27,000	0	120
Jun 10	7	52,000	51,000	0	248
Jul 10	7	38,000	38,000	0	175
Aug 10	7	34,000	35,000	0	157
Sep 10	7	38,000	36,000	0	181
Oct 10	7	16,000	15,000	0	74
Nov 10	7	13,000	16,000	0	76
Dec 10	7	13,000	13,000	0	60
total		306,000	309,000	0	
Average					127

The calculated water loss in PWS #02-050 was 0.97 % during the test year.

Table 2E Water Usage in Clear Springs Water (PWS #02-051) CC&N Area

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 10	10	64,000	65,000	0	206
Feb 10	10	61,000	57,000	0	218
Mar 10	10	39,000	42,000	0	126
Apr 10	10	73,000	78,000	0	243
May 10	10	90,000	96,000	0	290
Jun 10	10	182,000	188,000	0	607
Jul 10	10	111,000	113,000	0	358
Aug 10	10	53,000	65,000	0	171
Sep 10	10	91,000	94,000	0	303
Oct 10	10	88,000	92,000	0	284
Nov 10	10	71,000	76,000	0	237
Dec 10	10	49,000	54,000	0	158
total		972,000	1,020,000	0	
Average					277

The calculated water loss in PWS #02-051 was 4.71 % during the test year.

I Water Sold

Based on information provided by the Company, the calculated highest use is 607 gpd per customer in PWS # 02-051 and the lowest is 60 gpd per customer in PWS #02-050. The highest total monthly use occurred in June, when total of 4,944,000 gallons were sold to 493 customers

in PWS #02-008. The lowest total monthly use occurred in January, when 12,000 gallons were sold to 5 customers in PWS #02-048.

II. Non-account Water

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between the water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing, etc. The calculated water loss in water system PWS #02-008 exceeded 42 percent, which far exceeds Staff's recommended 10 percent threshold.

In Decision No. 68443, the Commission ordered the Company to reduce its water loss to 10 percent or less in PWS # 02-008 before filing its next rate case, the Company had reported a 14.5% water loss during the 2004 test year. To comply with the water loss reporting requirement in Decision No. 68443, the Company filed its first and only water loss report on July 20, 2006 (see attached Exhibit 7). In the latter report, the Company reported a 14.5% calculated water loss which appeared to be no worse than the loss reported earlier for 2004. The Company indicated that a second water loss report and a physical construction plan to address its water loss would be filed within 180 days, however the Company failed to submit a second water loss report or a construction plan and thus failed to comply with Decision No. 68443.

During its field inspection Staff observed a severe leak from a 5,000 gallon pressure tank at Well Site # 18 and a wellhead leak at Well Site # 5. In response to Staff's Deficiency Letter in the pending case, the Company indicated that its excessive water loss was due to (1) leaks in transmission and distribution lines; (2) old inaccurate meters that run slow and fail to register the total gallons of water being delivered to the customer and (3) leaky fire hydrants. In its defense the Company stated that it did not have sufficient revenue to implement a leak detection and infrastructure replacement program. However, the Company failed to notify the Commission of its financial situation or to seek other remedies available to it. The Company has allowed its water loss to increase significantly since the last rate case Staff therefore recommends that appropriate test year expense adjustments be made to offset the higher power supply and chemical costs the Company has incurred.

Staff recommends that the Company submit a detailed water loss reduction plan with Docket Control, as a compliance item in this docket before any rate increase recommended in this matter becomes effective. Staff further recommends that the Company repair the leaks Staff observed during its field inspection immediately and file documents showing that it has complied within 15 days of the effective date of the Commission's order in this matter. Staff further recommends that the Company monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on an annual basis, the Company shall, within 270 days of a decision in this case, file a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Staff further recommends that the Company be required to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket. Staff

further recommends that the first water loss progress report be filed by June 30, 2013. Staff shall determine that any future rate case filed by the Company shall be insufficient if these items are not properly submitted.

E. GROWTH PROJECTION

Table 3 summarizes actual and projected growth in Clear Springs CC&N area. Exhibits 5A through 5C are graphs that show actual and projected growth in each individual system.

Table 3 Actual and Projected Growth in the Company

Year	Nos. of Customers					
	PWS #02-008	PWS #02-048	PWS #02-049	PWS #02-050	PWS #02-051	
2004	536	3	16	N/A	7	Reported
2005	543	3	16	6	7	Reported
2006	549	4	17	6	8	Reported
2007	552	6	17	8	9	Reported
2008	566	6	17	8	N/A	Reported
2009	538	4	17	7	10	Reported
2010	527	6	19	7	10	Reported
2011	542	6	19	8	12	Estimated
2012	541	7	19	8	12	Estimated
2013	539	7	19	8	13	Estimated
2014	539	8	20	9	13	Estimated

I. *PWS No. 02-008*

Based on the service meter data contained in the Company's annual reports, the number of customers declined from 566 at the end of 2008 to 527 at the end of 2010, which results in a negative growth rate of less than one customer per year for the period.

II. *PWS No. 02-048*

The number of customers increased from 3 at the end of 2004 to 6 at the end of 2010, which results in a positive growth rate of less than one customer per year for the period.

III. *PWS No. 02-049*

The number of customers increased from 16 at the end of 2004 to 19 at the end of 2010, which results in a positive growth rate of less than one customer per year for the period.

IV. *PWS No. 02-050*

The number of customers increased from 6 at the end of 2004 to 7 at the end of 2010, which results in a positive growth rate of less than one customer per year for the period.

V. *PWS No. 02-051*

The number of customers increased from 7 at the end of 2004 to 10 at the end of 2010, which results in a positive growth rate of less than one customer per year for the period.

F. ADEQ COMPLIANCE

Staff received two compliance status reports from ADEQ dated September 28, 2011, in which ADEQ reported that Clear Springs' community water systems PWS No. 02-008 and PWS No. 02-049 have no major deficiencies and are currently delivering water that meet water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

According to ADEQ PWS No. 02-048, PWS No. 02-050 and PWS No. 02-051 are classified as inactive, non-public water systems based on population served, however ADEQ public water system monitoring and reporting requirements and ADEQ operation and maintenance requirements do not apply.

G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

Clear Springs is not in any ADWR Active Management Area. Staff received a Compliance Status Report from ADWR for Clear Springs on November 18, 2011. In its report ADWR stated that the Company is compliant with departmental requirements governing water providers and/or community water systems.

H. ACC COMPLIANCE

A check of the Commission's Compliance Section database dated December 5, 2011, indicated that Clear Springs has no ACC delinquent compliance items.

I. WATER TESTING EXPENSES

I. *Community Water Systems (ADEQ Monitoring and Reporting Requirements Apply)*

Clear Springs is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.

2. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an

annualized basis.

3. MAP fees were calculated from the ADEQ MAP invoice for calendar year 2011.

4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.

Table 4A shows the estimated annual monitoring expense, based on participation in the MAP program.

Table 4A Water Testing Cost for Systems (PWS #s 02-008 & 02-049)

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years		Total 3 year cost ($)		Annual[1] Cost ($)
PWS # 02-xxx		**008**	**049**	**008**	**049**	
Bacteriological – monthly	$10	72	36	720	360	360
Inorganics (& secondary)	$300	MAP	MAP	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	$60	MAP	MAP	MAP	MAP	MAP
IOC's, SOC's, VOC's	$2,805	MAP	MAP	MAP	MAP	MAP
Nitrites	$25	MAP	MAP	MAP	MAP	MAP
Nitrates – annual	$25	MAP	MAP	MAP	MAP	MAP
Asbestos – per 9 years	$180	MAP	MAP	MAP	MAP	MAP
Lead & Copper – annual	$30	30	15	900	450	450
Maximum chlorine residual levels	$0[2]	72	36	0	0	0
TTHM/HHAs	$305	6	3	1,830	915	915
MAP fees (annual)						2,026.58[3]
Total						**3,752**

Note
1. Represents the total water testing expenses for PWS #s 02-008 & 02-049.
2. Per the Response to Staff's Data Request # DH4.6, the Company stated that this test is performed on-site and samples are not sent to a laboratory for testing.
3. The 2011 MAP invoice for System (PWS #02-008) was $1,727.75 and invoice for System (PWS #02-049) was $298.83.

II. Non-community Water Systems (ADEQ Monitoring and Reporting Requirements Do Not Apply)

Even though ADEQ monitoring and reporting requirements no not apply to the Company's non-community water systems (PWS #s 02-048, 02-050 and 02-051) Commission Rule R14-2-407.A states the Company is responsible for delivering potable water to its customers. Table 4B lists Staff's recommended water testing and monitoring expense for the Company's non-community systems.

Table 4B Water Testing Costs for Clear Springs Systems (PWS #s 02-048, 02-050 & 02-051)

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period			Total cost per three year period ($)			Annual Cost ($)[1]
PWS #02-		**048**	**050**	**051**	**048**	**050**	**051**	
Bacteriological – monthly[2]	$10	36	36	36	360	360	360	360
nitrites – annual[2]	$25	3	3	3	75	75	75	75
Lead & Copper – annual[2]	$30	15	15	15	450	450	450	450
Total								**885**

Note
1. Represents the total water testing expenses for PWS #s 02-048, 02-050 & 02-051.
2. Staff recommends using ADEQ monitoring and testing frequencies.

Water testing expenses should be adjusted to the annual expense amount shown in Tables 4A and 4B, which totals **$4,637**.

To ensure compliance with Commission Rule R14-2-407.A, Staff recommends that Clear Springs file with Docket Control, as a compliance item in this docket, an affidavit indicating that the water testing referenced in Table 4B has been completed and that the Company is delivering water to customers served by its non-community systems that complies with applicable water quality standards. Staff further recommends that the Company file this affidavit each January with the first affidavit due no later than January 31, 2013. Such quarterly reports shall continue to be filed until the non-community water systems become community water systems.

J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Exhibit 6, and should be used to calculate the annual depreciation expense for the Company. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Exhibit 6.

K. FINANCING APPLICATION (DOCKET NO. W-01689A-11-0401)

On November 3, 2011, the Company filed a financing application requesting Commission authorization to borrow $510,993.70 from Arizona Department of Water Infrastructure Finance Authority to upgrade plant items at Well Sites 3, 7 and 18, and to purchase a generator and replace broken gate valves in its systems. On May 1, 2012 the Company provided Staff with a revised scope of work associated with its financing. Staff's review and analysis is based on the revised scope of work filed in May.

Staff concludes that the estimated costs listed below with Staff's adjustments are reasonable.

Table 5 Finance Related Capital Costs

Work of Scope Descriptions	Co.'s Estimated Costs ($)	Staff Adjusted Costs ($)	Staff Recommended Costs ($)
I. Well #3 & Well #7 Storage Improvements			
Well #3			
One 5,000 gallon storage tank	3,780		3,780
40' of steel ring around storage tank	604		604
Two 5-HPBerkeley booster pump ($2,611/unit)	5,222		5,222
Plumbing, facility piping (3 days labor (@$572/day), equipment rental (@ $865/day) total of 1,437/day)	4,311		4,311
New materials (pipes, valves & fittings)	5,000		5,000
New electric control panel, wires, etc.	2,500		2,500
Electric rack	1,200		1,200
8" concrete slab under booster pump station (100 square feet) & 6% inflation	742		742
ABC bedding material under the tank (3 cubic yards @ $106/cubic yard)	318		318
Two 44 gallon bladder tank ($700/unit)	1,400		1,400
subtotal	**25,077**		**25,077**
Well #7			
One 5,000 gallon storage tank	3,780		3,780
40' of steel ring around storage tank	604		604
ABC bedding material under the tank (2½ cubic yards)	265		265
One 44 gallon bladder tank (@ $700/unit)	700		700
Plumbing, facility piping (3 days labor (@$572/day), equipment rental (@ $865/day) total of 1,437/day)	4,311		4,311
New materials (pipes, valves & fittings)	2,500		2,500
New electric materials	2,500		2,500
Electric rack	1,200		1,200
One 3-HP booster pump	2,611		2,611
Removal of existing horizontal tank	1,500		1,500
Add 38' of chain link fence (@ $37.5/ft)	1,425		1,425
subtotal	**21,396**		**21,396**
Total	**46,473**		**46,473**

Permit fee	3,200		3,200
Engineering design fee (10%)	4,647		4,647
Administration & legal fee (5%)	2,324		2,324
Project management & inspection (10%)	4,647		4,647
Contingency (15%)	6,971		6,971
Sale Tax (4.60%)	2,138		2,138
Total (Project I)	**70,400**		**70,400**
Project II. Fire Hydrant Replacement			
22 fire hydrants (@ $4,125/unit including $1,650/unit and labor cost of $2,475/unit)	90,750	(35,750)[1]	55,000
subtotal	**90,750**		**55,000**
Administration & legal fee (5%)	4,538	(1,787)	2,751
Project management & inspection (10%)	9,075	(3,575)	5,500
Contingency (15%)	13,613	(5,362)	8,251
Sale Tax (4.60%)	4,175	(1,645)	3,070
Total (Project II)	**122,151**	**(48,119)**	**74,072**
Project III. Repair Plant Items in Well #18			
Grout existing storage tank (1,710 cubic feet of grout material @ $86.5/cubic feet)	147,915		147,915
One new 5,000 gallon pressure tank (@24,740/unit)	24,740	(24,740)[2]	0
Repair well pump (@ $35,000/unit)	35,000		35,000
subtotal	**207,655**		**182,915**
Administration & legal fee (5%)	10,383	(1,237)	9,146
Project management & inspection (10%)	20,766	(2,474)	18,292
Contingency (15%)	31,148	(3,711)	27,437
Sale Tax (4.60%)	9,552	(2,677)	6,875
Total (Project III)	**279,504**	**(34,839)**	**244,665**
Project IV. Replace Broken Isolation Gate Valves			
Flomatic Resilient wedge three 6" gate valves (@ $2,250/unit)	6,750	(680)[3]	6,070
Flomatic Resilient wedge one 8" gate valve (@ $3,500/unit)	3,500	(295)[3]	3,205
Flomatic Resilient wedge one 10" gate valve (@ $4,625/unit)	4,625	(256)[3]	4,369
subtotal	**14,875**		**13,644**
Administration & legal fee (5%)	744	(62)	682
Project management & inspection (10%)	1,488	(123)	1,365
Sale Tax (4.60%)	684.25	(57)	627
Total (Project III)	**17,791**	**(1,473)**	**10,855**
Project V. Replace and/or Upgrade Distribution Services			
Replace exist 56'of 1-inch poly service line along Justin (in PWS #02-008) (@ $54/ft)	3,024		3,024
Replace exist 80'of 1-inch poly service line along Ford St (in PWS #02-008) (@ $54/ft)	4,320		4,320
Replace exist 60'of 1-inch poly service line along	3,240		3,240

Treasure Rd/Christmas Tree (in PWS #02-008) (@ $54/ft)			
Replace exist 26'of 1-inch poly service line along Treasure Rd (in PWS #02-008) (@ $54/ft)	1,404		1,404
subtotal	**11,988**		**11,988**
Survey	3,500		3,500
Administration & legal fee (5%)	599		599
Engineering (10%)	1,199		1,199
Project management & inspection (10%)	1,199		1,199
Contingency (15%)	1,798		1,798
Sale Tax (4.60%)	551		551
Total (Project V)	**20,835**		**20,835**
TOTAL	**510,678**	**(84,431)**	**426,249**

Notes:

1. Based on Staff's experience, fire hydrant installation including material and labor can vary from $1,500 per hydrant to $2,500 per hydrant. Staff adjusted the fire hydrant installation cost to $2,500 per hydrant.
2. The Company has an unused 5,000 gallon pressure tank stored at Well Site16. Since Well Site16 is disconnected from the water system and there is no well pump motor and/or power source at Well Site 16 Staff recommends the Company move the 5,000 gallon pressure tank at Well Site 16 Site to Well Site 18.
3. Per the Flomatic Valves website, the Flomatic Resilient 6" valve lists for $2,023.35 per valve, theFlomatic Resilient 8" valve lists for $3,204.60 per valve and the Flomatic Resilient 10" valve lists for $4,369.05 per valve.

Staff concludes that the proposed capital improvements at Well Sites 3, 7 and 18 and the valve replacements and other distribution system improvements listed in the table above are appropriate and the cost estimates are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future.

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, by December 31, 2013, a copy of the ADEQ Approval of Construction ("AOC") for the capital improvements to be financed as discussed above.

L. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company is proposing to revise its meter and service line installation charges. These charges are refundable advances and the Company's proposed charges are within Staff's experience of what are reasonable and customary charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff using the combined charge proposed by the Company. Staff recommends approval of the meter and service line installation charges listed under the columns labeled "Staff Recommendation" in Table 6.

Table 6 Service Line and Meter Installation Charges

Meter Size	Current Meter & Service Line Installation Charges	Proposed Service Line installation Charge	Proposed Meter installation Charge	Proposed Total Cost	Staff Recommendation (Service Line installation charge)	Staff Recommendation (Meter installation charge)	Staff Recommended total charges
5/8 x 3/4-inch	$550	$445	$155	$600	$445	$155	$600
3/4-inch	$550	$445	$255	$700	$445	$255	$700
1-inch	$650	$495	$315	$810	$495	$315	$810
1½-inch	$875	$550	$525	$1,075	$550	$525	$1,075
2-inch (Turbine)	$1,400	$830	$1,045	$1,875	$830	$1,045	$1,875
2-inch (Compound)	N/A	$830	$1,890	$2,720	$830	$1,890	$2,720
3-inch (Turbine)	$1,900	$1,045	$1,670	$2,715	$1,045	$1,670	$2,715
3-inch (Compound	N/A	$1,165	$2,545	$3,710	$1,165	$2,545	$3,710
4-inch (Turbine)	$3,200	$1,490	$2,670	$4,160	$1,490	$2,670	$4,160
4-inch (Compound	N/A	$1,670	$3,645	$5,315	$1,670	$3,645	$5,315
6-inch (Turbine)	$5,800	$2,210	$5,025	$7,235	$2,210	$5,025	$7,235
6-inch (Compound	N/A	$2,330	$6,920	$9,250	$2,330	$6,920	$9,250
Over 6-inch	N/A	N/A	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

II. Field Inspection Findings

a. Not Used And Useful Plant Items in Well No. 16

Well No. 16 has been disconnected from its water system. There is no power to this site and an existing 5,000 gallon pressure tank is sitting unused. The 5,000 gallon pressure tank, an existing control panel and well turbine pump, were installed in 2005 and 2006 at this site, are not used and useful. All expenses and capital improvement costs related to Well No. 16 after 2005 should not be considered used and useful to the Company's provision of service[1].

b. Well No. 5

The Company had to replace the well pump at Well Site 5 in December 2011. Well No. 5 is a major water production well, when Well 5 is down, the system will not have adequate production

1 All identified invoices related to this subject had been given to Mr. Michlik to calculate the proposed new rate.

and storage capacities to serve existing customers. Based on the Company's response to Staff Data Request 4.5, the Company provided an invoice of $11,849.15 for this work which Staff finds reasonable.

III. *Reclassification*

a. *Work for Monitoring Well Pump*

The Company mistakenly posted $225 for work done to a wastewater monitoring well by D&M Well Service in 2010 in Account No. 311 Pumping Equipment (Water). The $225 should be moved from Account No. 311 (Water) to Account No. 371 (Wastewater).

IV. *Curtailment Tariff*

The Company has an approved Curtailment Tariff.

V. *Cross Connection or Backflow Prevention Tariff*

The Company has an approved Cross Connection & Backflow Tariff.

VI. *Best Management Practices ("BMPs") Tariff*

a. Background

In 2008, ADWR added a new regulatory program for the ADWR Third Management Plan for AMAs. The new program, called Modified Non-Per Capita Conservation Program ("Modified NPCCP"), addresses large municipal water providers (cities, towns and private water companies serving more than 250 acre-feet per year) and was developed in conjunction with stakeholders from all AMAs. Participation in the program is required for all large municipal water providers that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider.

The Modified NPCCP is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their service areas. A water provider regulated under the program must implement a required Public Education Program and choose one or more additional BMPs based on its size, as defined by its total number of water service connections. The provider must select the additional BMPs from the list included in the Modified NPCCP Program. The BMPs are a mix of technical, policy, and information conservation efforts.

Although the implementation of the Modified NPCCP is required of large municipal water providers within an AMA, the Commission has adopted the BMPs for implementation by large and by Commission regulated small and large water companies.

b. Recommendations

Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff for Commission's review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp .

Staff further recommends that a maximum of three BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

EXHIBIT 1

Clear Springs Water Division Certificate Service Area

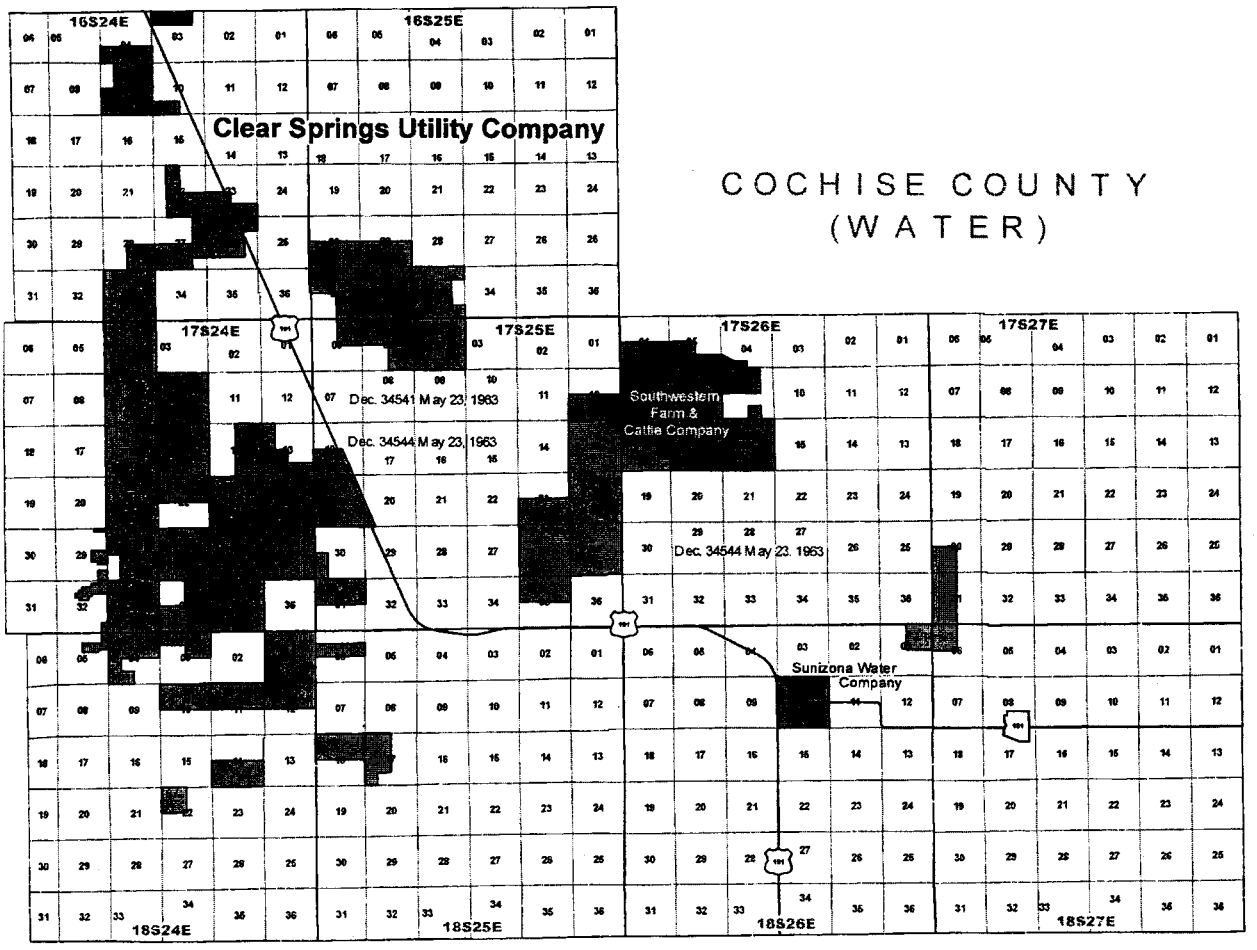

EXHIBIT 2.

LOCATION OF CLEAR SPRINGS WATER DIVISION SERVICE AREA

COCHISE COUNTY - WATER

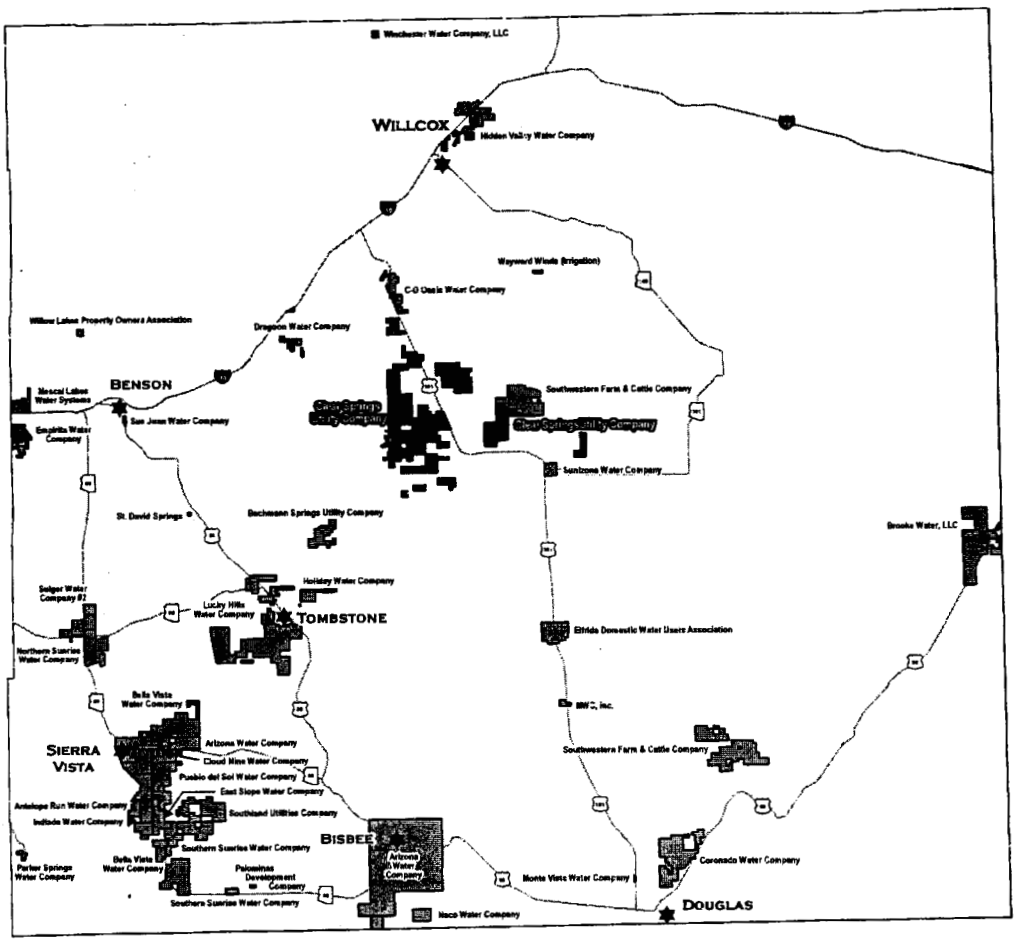

EXHIBIT 3A

SYSTEMATIC DRAWING

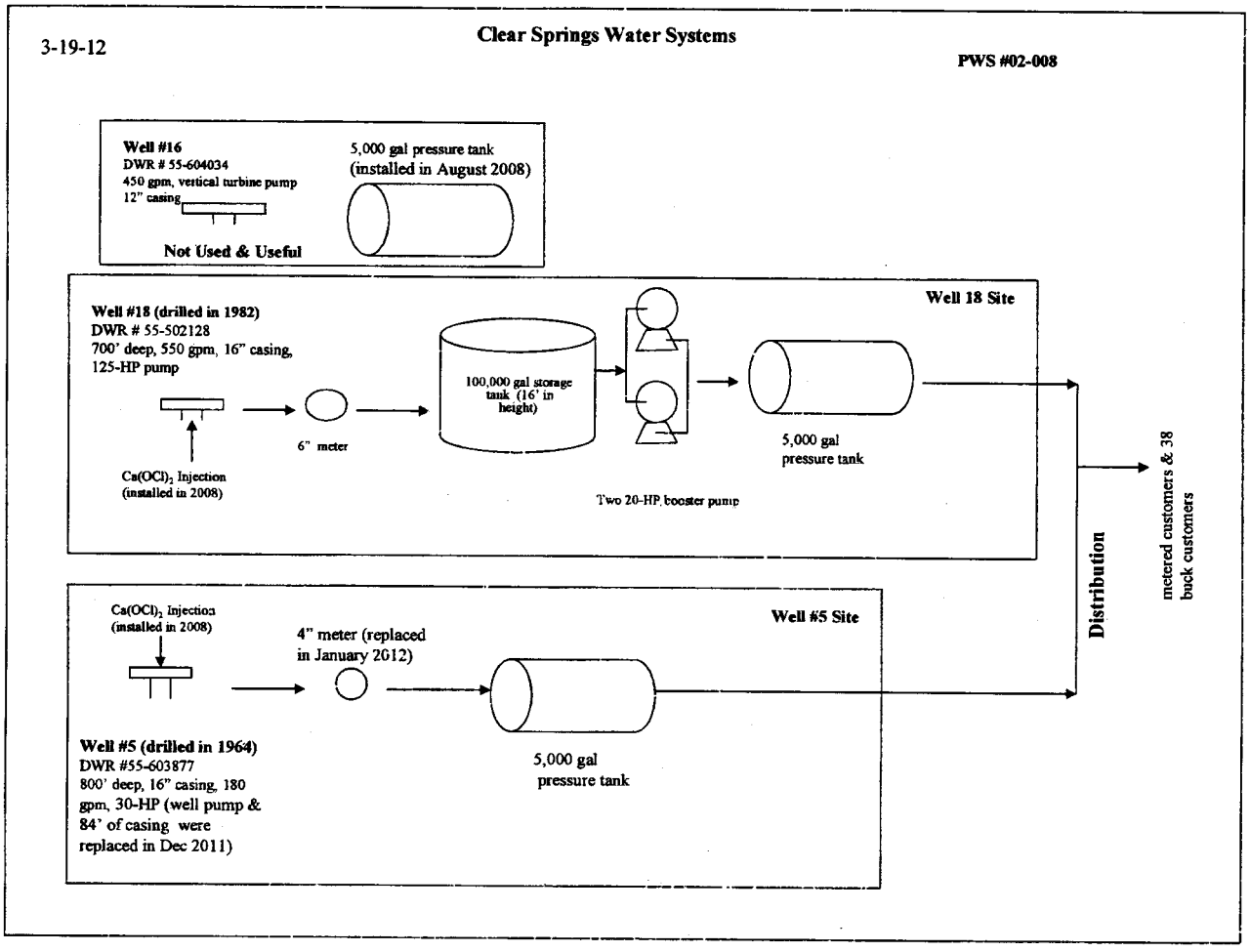

EXHIBIT 3B

SYSTEMATIC DRAWING

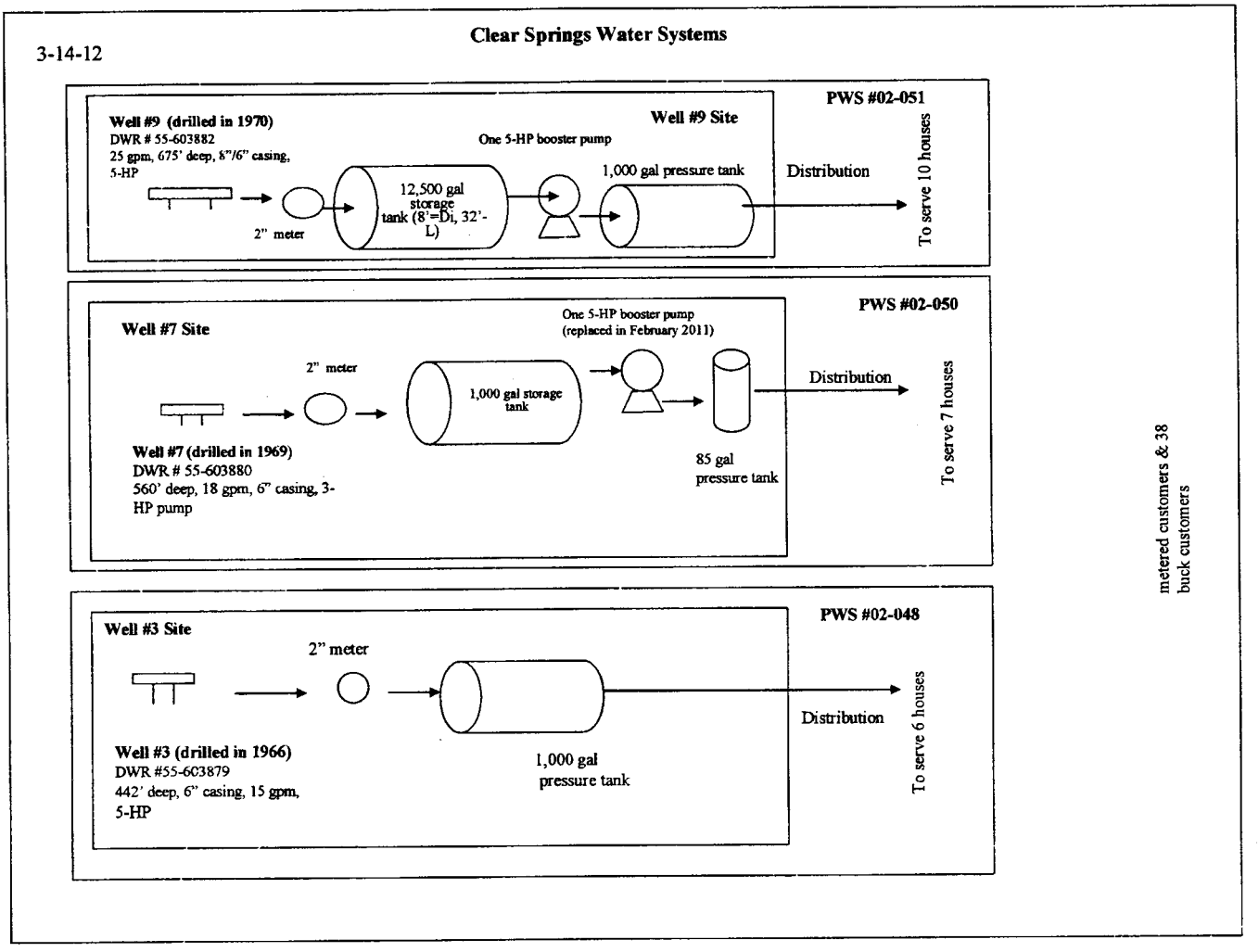

EXHIBIT 3C

SYSTEMATIC DRAWING

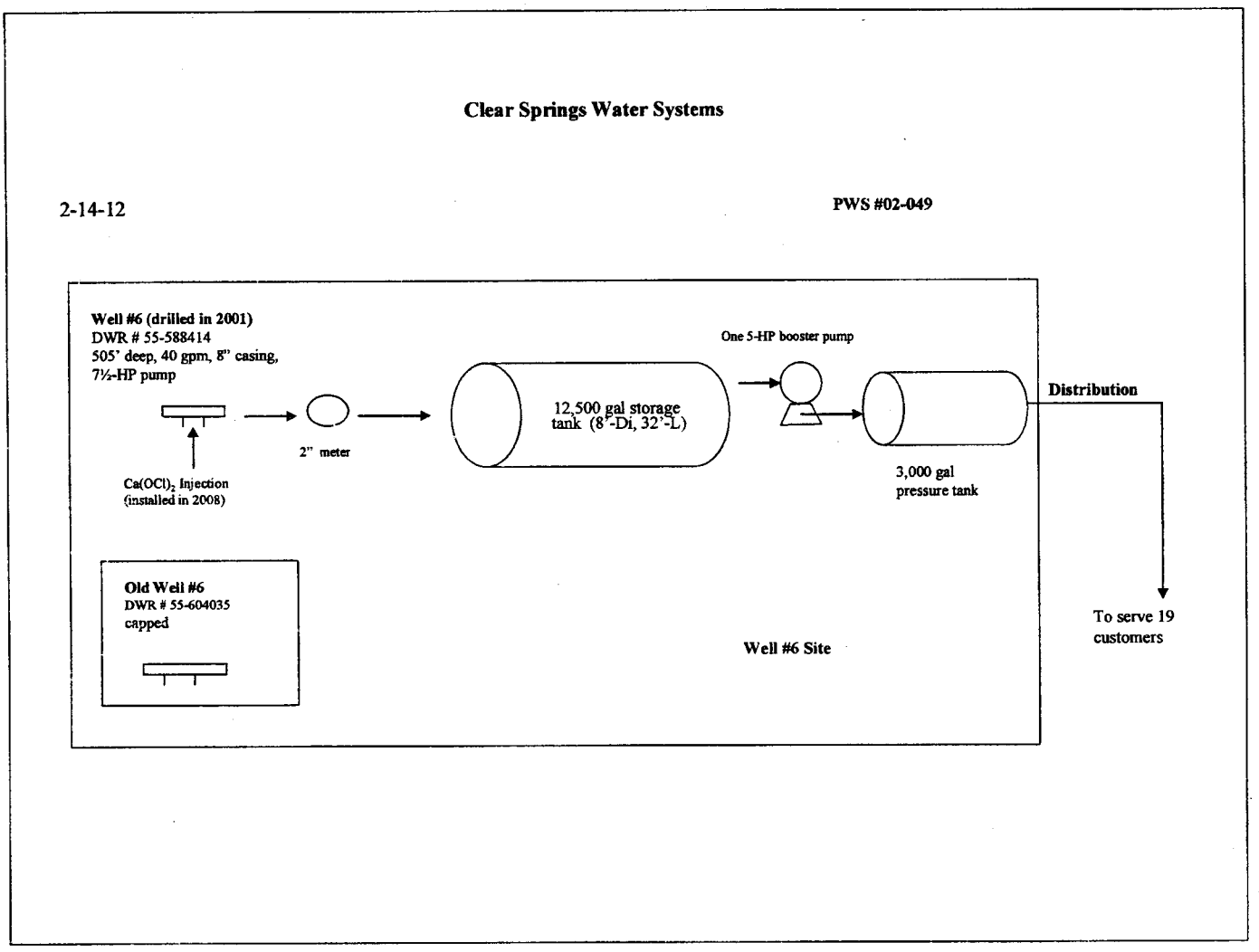

EXHIBIT 4A

WATER USAGE IN CLEAR SPRINGS WATER DIVISION SERVICE AREA

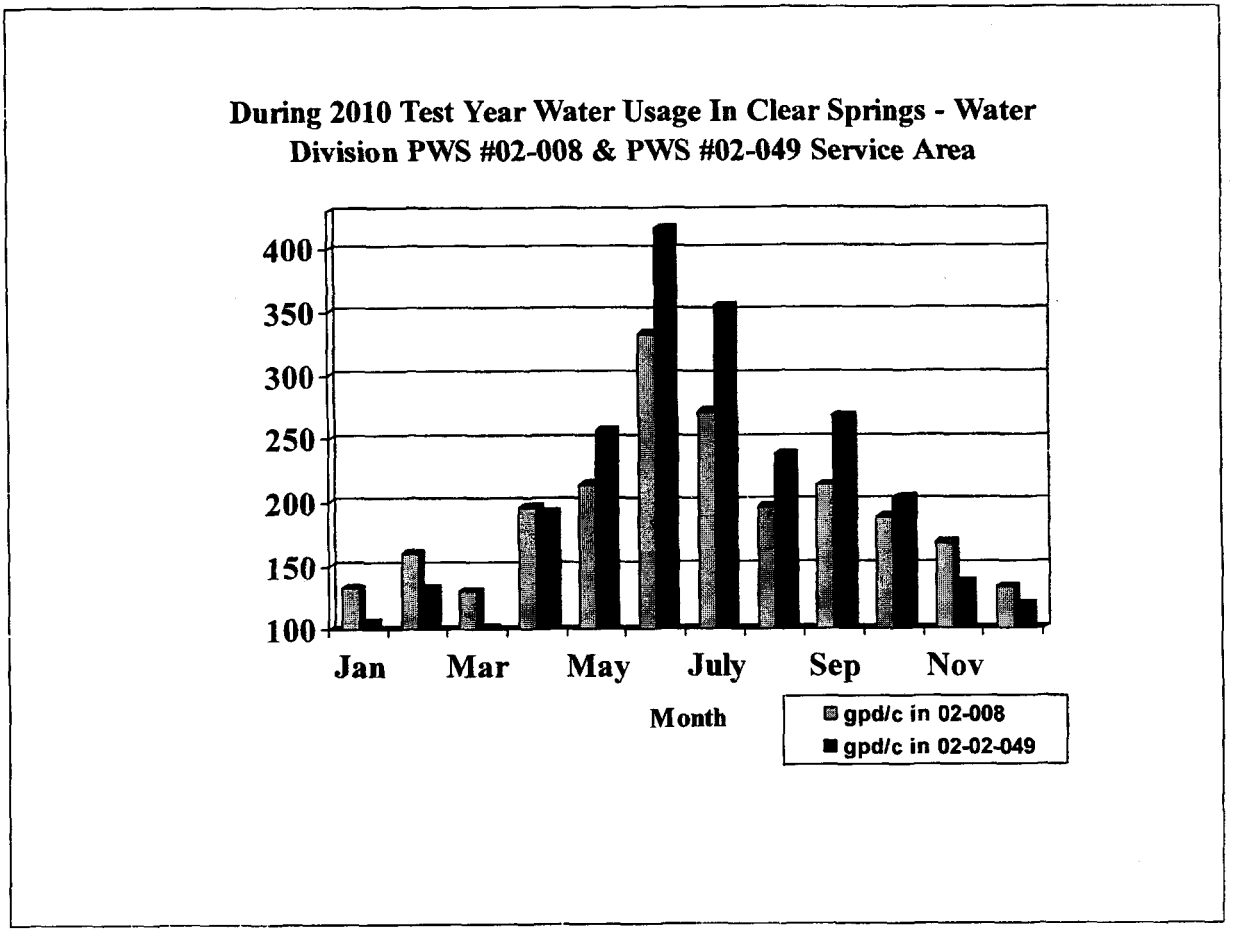

EXHIBIT 4B

WATER USAGE IN CLEAR SPRINGS WATER DIVISION SERVICE AREA

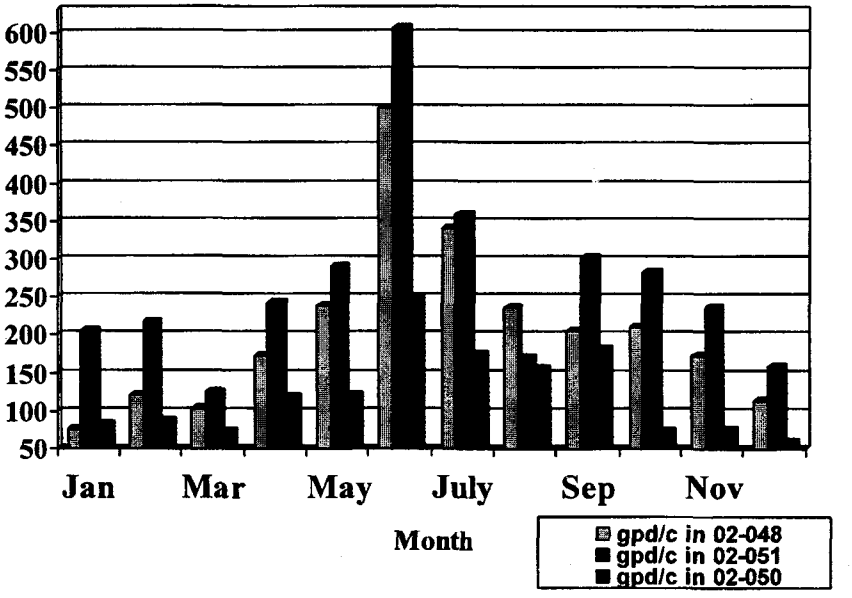

EXHIBIT 5A
ACTUAL AND PROJECTED GROWTH IN CLEAR SPRINGS WATER DIVISION SERVICE AREA

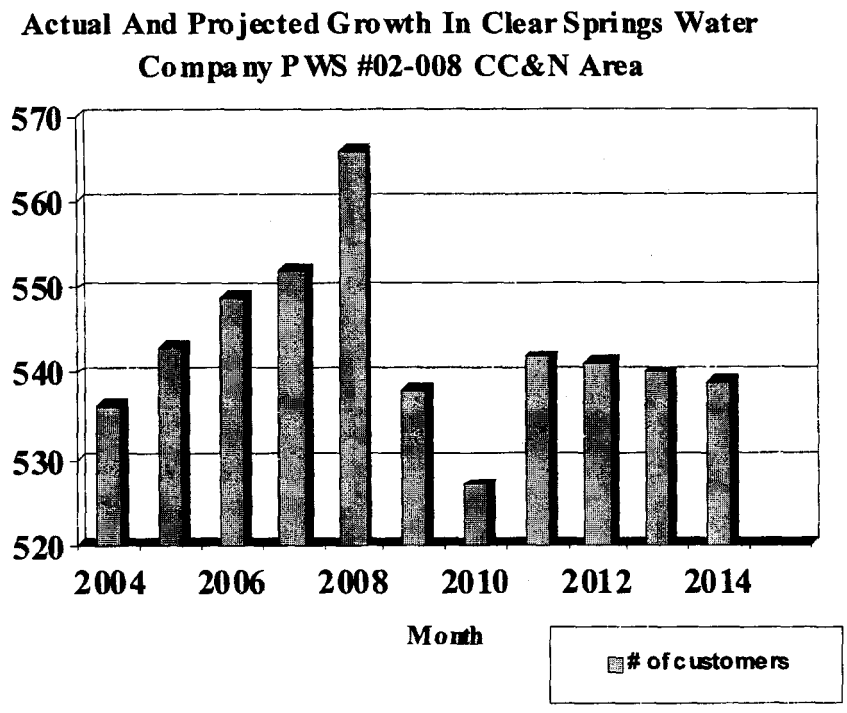

EXHIBIT 5B
ACTUAL AND PROJECTED GROWTH IN CLEAR SPRINGS WATER DIVISION SERVICE AREA

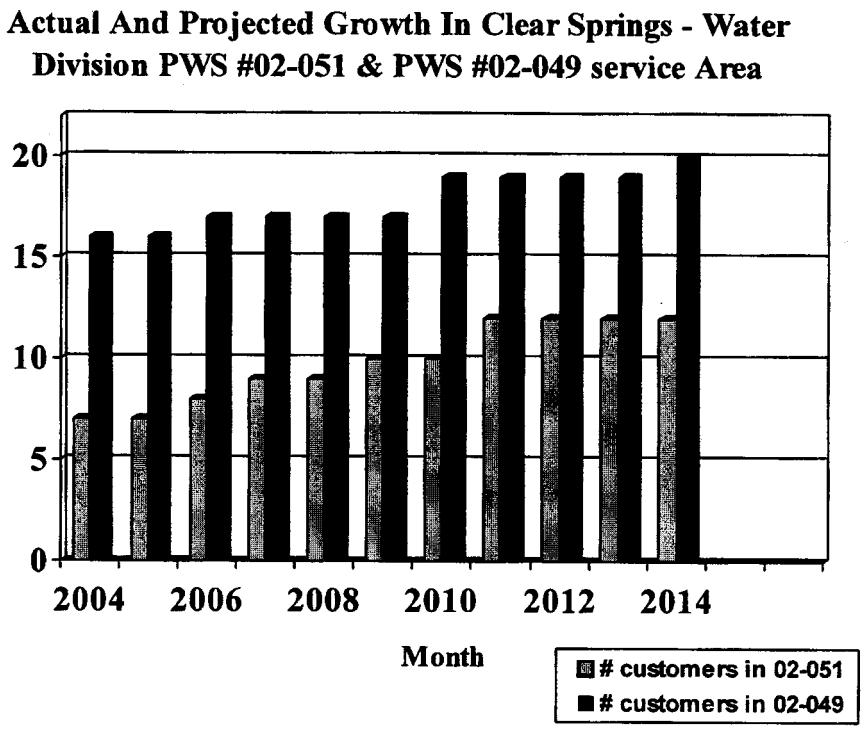

EXHIBIT 5C
ACTUAL AND PROJECTED GROWTH IN CLEAR SPRINGS WATER DIVISION SERVICE AREA

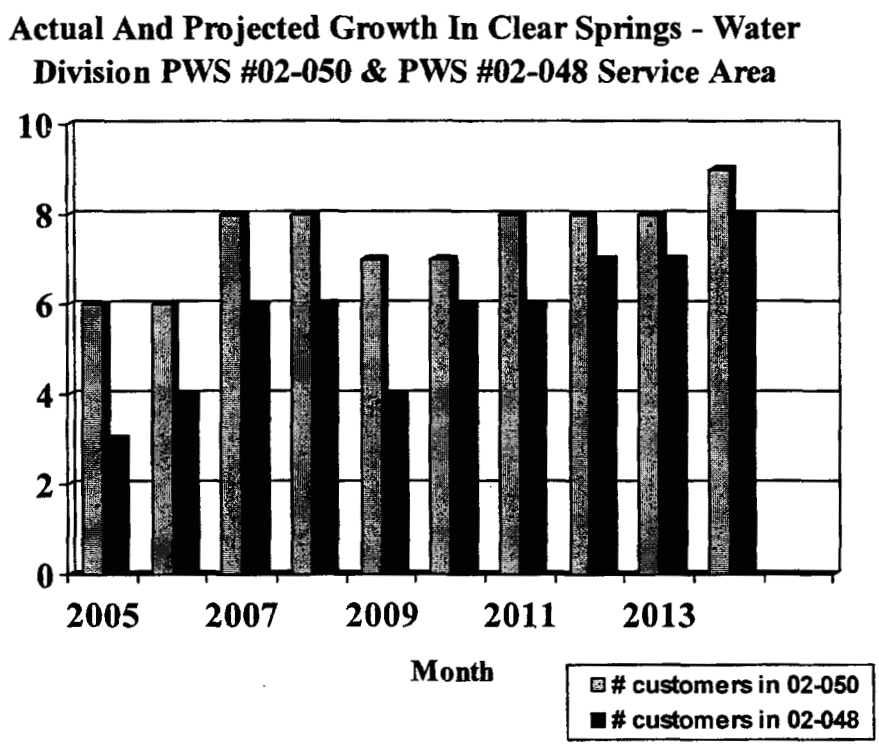

Exhibit 6

Depreciation Rates (Clear Springs – Water Division)

Acct. No.	Depreciable Plant	Approved Rate (%) (Decision # 68443)	Proposed Rate (%)	Staff Recommended Rate (%)
304	Structures & Improvements	3.33	n/a	3.33
305	Collecting & Impounding Reservoirs	2.50	n/a	2.50
306	Lake, River, Canal Intakes	2.50	n/a	2.50
307	Wells & Springs	3.33	n/a	3.33
308	Infiltration Galleries	6.67	n/a	6.67
309	Raw Water Supply Mains	2.00	n/a	2.00
310	Power Generation Equipment	5.00	n/a	5.00
311	Pumping Equipment	12.5	n/a	12.5
320	Water Treatment Equipment			
320.1	Water Treatment Plants	3.33	n/a	3.33
320.2	Solution Chemical Feeders	20.0	n/a	20.0
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tanks	2.22	n/a	2.22
330.2	Pressure Tanks	5.00	n/a	5.00
331	Transmission & Distribution Mains	2.00	n/a	2.00
333	Services	3.33	n/a	3.33
334	Meters	8.33	n/a	8.33
335	Hydrants	2.00	n/a	2.00
336	Backflow Prevention Devices	6.67	n/a	6.67
339	Other Plant & Misc Equipment	6.67	n/a	6.67
340	Office Furniture & Equipment	6.67	n/a	6.67
340.1	Computers & Software	20.00	n/a	20.00
341	Transportation Equipment	20.00	n/a	20.00
342	Stores Equipment	4.00	n/a	4.00
343	Tools, Shop & Garage Equipment	5.00	n/a	5.00
344	Laboratory Equipment	10.00	n/a	10.00
345	Power Operated Equipment	5.00	n/a	5.00
346	Communication Equipment	10.00	n/a	10.00
347	Miscellaneous Equipment	10.00	n/a	10.00
348	Other Tangible Plant	----	----	----

EXHIBIT 7

ORIGINAL

CLEAR SPRINGS UTILITY COMPANY, INC.
PO BOX 85160
TUCSON, ARIZONA 85754
520-623-5172
FAX 520-792-0377

50

July 20, 2006

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket #W-01689A-05-0629, Decision #68443 - Compliance Item

In regard to the above referenced Docket number we submit the following as ordered as a compliance item on Page 15, line 1 through 4 of Decision #68443

Statement:

It is further Ordered that Clear Springs Utility Company, Inc. shall file with the Commission a water loss report no later than 180 days after the effective date of this order. This report shall detail how the Company will work to address the water loss issue and what steps the Company is taking to decrease water loss on their system.

Response: 5/19/06 - 6/21/06

Water Loss Report - 7,359,500 (Master Meter) - 6,292,530 (Metered Sales) = 1,066,970 (Difference) / 7,359,500 (Master Meter Amount) x 100 = 14.50% (% Loss)

The steps that will be taken to prevent water loss will be in the form of new construction upgrades to the system. Upgrades are scheduled within the next eighteen months.

Regards,

Bonnie O'Connor, Sec. Treas

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Arizona Corporation Commission
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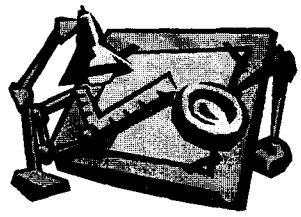

Engineering Report for Arizona-Clear Springs Utility Company, Inc., Wastewater Division (Rates)
Docket No. WS-01689A-11-0402
By Dorothy Hains
June 13, 2012

EXECUTIVE SUMMARY

CONCLUSIONS

1. Arizona Department of Environmental Quality ("ADEQ") regulates the Clear Springs Utility Company, Wastewater Division ("Company") under Permit No. 100824. Compliance Status Reports issued by ADEQ state that the Company is in full compliance for operation and maintenance, operator certification and discharge permit limits. (See §F of the report for discussion and details.).

2. Staff concludes that the Company has adequate capacity to serve existing customers. (See § D of the report for discussion and details.)

3. A check of the Arizona Corporation Commission Utilities Division Compliance database showed there is currently no delinquent compliance item for the Company. (See § G of the report for discussion and details.)

RECOMMENDATIONS

1. It is recommended that the Company use depreciation rates as delineated in Figure 6. (See § H and Figure 6 of the report for discussion and details.)

2. Staff recommends an annual wastewater testing cost of $2,715 for the Company. (See § I of the report for discussion and details.)

3. Staff recommends moving the original cost of pump equipment from Power Generator Equipment Account No. 355 to Pump Equipment Account No. 371 where this expense should have been recorded. (See § I of the report for discussion and details.)

4. Staff recommends $225 be moved from Account No. 311 (Water) to Account No. 371 (Wastewater). (See § H of the report for discussion and details.)

5. Staff recommends that $495 spent for a Lagoon Expansion Study not be considered used and useful since the studied expansion has not taken place, this expense should be removed from Account No. 354 where it was recorded. (See § I of the report for discussion and details.)

TABLE OF CONTENTS

PAGE

ENGINEERING REPORT FOR ACLEAR SPRINGS UTILITY COMPANY - WASTEWATER DIVISION (RATES) 1

CONCLUSIONS 1
RECOMMENDATIONS 1

A. PURPOSE REPORT 3

B. LOCATION OF DIVISION 3

C. DESCRIPTION OF THE WASTEWATER SYSTEM 3

WASTEWATER TREATMENT PLANT AND EFFLUENT DISPOSAL SITE 4

D. WASTEWATER FLOW 4

E. GROWTH 5

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE 6

G. ARIZONA CORPORATION COMMISSION ("COMMISSION") COMPLIANCE 6

H. DEPRECIATION RATES 6

I. OTHERS 6

CHEMICAL TESTING EXPENSES 6
RECLASSIFICATION 7

FIGURES 9

FIGURE 1 CLEAR SPRINGS WASTEWATER DIVISION CERTIFICATED AREA 10

FIGURE 2 LOCATION OF CLEAR SPRINGS WASTEWATER DIVISION 11

FIGURE 3 CLEAR SPRINGS WASTEWATER SYSTEMATIC FLOW DIAGRAM 12

FIGURE 4 WASTEWATER FLOW FROM CLEAR SPRINGS SEWER SERVICE AREA 13

FIGURE 5 PROJECTED AND ACURATE GROWTH IN CLEAR SPRING WASTEWATER DIVISION 14

FIGURE 6 DEPRECIATION RATES FOR CLEAR SPRINGS WASTEWATER DIVISION 15

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Clear Springs Utility Company, Inc. – Wastewater Division ("Clear Springs" or "Company") with the Arizona Corporation Commission ("ACC" or "the Commission") to increase its wastewater rates.

An inspection of the Company's wastewater system was conducted by Dorothy Hains, Commission Staff Engineer, accompanied by Company Representative, Mathew England (On-site Operator) on February 28, 2012.

B. LOCATION OF DIVISION

The Company is located approximately 26 miles west of Willcox along Highway 191, Cochise County. Figures 1 and 2 detail the location of the system in relation to other Commission regulated companies in Cochise County and in the immediate area. The Company serves an area approximately one and one-quarter square miles in size in Sections 18, 19 and 20 of Township 17 South, Range 25 East.

C. DESCRIPTION OF THE WASTEWATER SYSTEM

The wastewater system consists of a sewer collection system,[1] an inflow lift station, and a lagoon wastewater treatment system with 300,000 gallons per day ("GPD") treatment capacity. Final effluent is disposed of in a lined pond for evaporation. Figure 3 is a schematic drawing of the wastewater system with a detailed facilities listing in Table 1 below.

1. Wastewater Treatment and Effluent Disposal

Raw sewage is disposed of in a clay lined, five-foot deep lagoon system with three ponds equipped with aerators. Pond Nos. 1 and 2 are primary wastewater treatment ponds that provide some degree of biological treatment. Ponds 1 and 2 are equipped with an aerator to increase the dissolved oxygen level and increase the biological treatment and pollutant removal process. The partially treated effluent from either Pond 1 or 2 can be discharged into Pond No. 3 for final disposal, evaporation and percolation. The Company can dispose of the final treated effluent from Pond No. 3 in Pond No. 4 via an overflow pipeline.

[1] Sewage is collected from 372 customers in the Sunsites Village Subdivision.

Table 1 Plant Data
Lift Station ("LS")

	Location	No. Pumps	Pump (in HP per pump)	Capacity (in GPM per pump)	Wet Well Capacity (in gallons)
Inflow LS	Adjacent to the treatment plant	2	7½	500	2,000

Force Mains

Size (in inches)	Material	Length (in feet)
8	Asbestos Cement ("AC") Pipe	1,200

Collection Mains

Size (in inches)	Material	Length (in feet)
6	AC	1,225
6	PVC	3,730
8	AC	24,200
8	clay	56,000
12	AC	3,000

Manholes & Cleanouts

Type	Quantity
Standard Manhole	160
Cleanouts	11

Services

Size (in inches)	Material	Length (in feet)
4	AC	386

D. WASTEWATER FLOW

Table 2 lists wastewater flow data for Clear Springs during the test year. Figure 4 provides a graphic illustration of the wastewater flow data listed in Table 2. The average daily flow was 131 GPD per customer. The highest monthly, average daily flow of 69,391 GPD occurred in June and the highest peak day flow of 411,486 GPD occurred in August. It is typical to see the highest peak day flow occur in the winter. According to

the Company, this peak day flow occurred when summer storm runoff infiltrated the collection system.

Table 2 Wastewater Flow Clear Springs Sewer System Certified Service Area

Month	Number of Customers	Total Volumes of Treated Wastewater (gallons/month)	Average Daily Flow (GPD)	Peak Day flow (gallons)	Average Daily Flow (GPD/c)	Peak Day flow (GPD/c)
Jan 10	369	1,164,920	37,578	181,900	102	493
Feb 10	368	1,071,960	38,284	178,632	104	485
Mar 10	368	1,404,380	45,303	169,264	123	460
Apr 10	369	1,221,616	40,721	136,820	110	371
May 10	368	1,310,796	42,284	174,028	115	473
Jun 10	366	2,081,716	69,391	199,508	190	545
Jul 10	367	1,948,204	62,845	214,620	171	585
Aug 10	363	2,131,340	68,753	411,486	189	1,134
Sep 10	362	2,065,864	68,862	300,164	190	829
Oct 10	369	1,288,380	41,561	332,412	113	901
Nov 10	368	1,028,000	34,267	223,456	93	607
Dec 10	372	863,236	27,846	186,848	75	502
Avg					131	615

Staff concludes that the Clear Springs Wastewater Treatment System has adequate capacity to serve existing customers based on the highest monthly, average daily flow.

E. GROWTH

Based on the service connection data in the Company's annual reports, the Clear Springs sewer service area had very slow to almost no annual growth from 2004 to 2010. The following table summarizes actual growth in the Clear Springs sewer service area.

Table 3 Actual and Projected Growth in Clear Springs Sewer Service Area

Year	Nos. of Customers	
1999	336	Reported
2000	336	Reported
2001	347	Reported
2002	350	Reported
2003	359	Reported
2004	369	Reported
2005	375	Reported
2006	380	Reported
2007	382	Reported
2008	382	Reported
2009	372	Reported
2010	369	Reported

F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

ADEQ regulates the Clear Springs wastewater system under Wastewater Inventory number 100824 and Aquifer Protection Permit ("APP") number 14810. Per the January 10, 2012, Compliance Status Reports issued by ADEQ, the Clear Springs wastewater system is in full compliance with ADEQ requirements for operation and maintenance, operator certification and discharge permit limits.

G. ACC COMPLIANCE

A check of the Commission Utilities Division Compliance database showed there is currently no delinquent compliance item for the Company.

H. DEPRECIATION RATES

It is recommended that the Company use depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category. Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates, by NARUC category, are presented in Figure 6. It is recommended that the Company use the depreciation rates in Exhibit 6.

I. OTHER ISSUES

1. Chemical Testing Expenses

The Company reported an annual water testing expense of zero dollars. Based on existing APP monitoring and reporting requirements, Staff estimated minimum annual water testing expense for the Company to be $2,715. Staff concludes that its annual testing cost of $2,715 is reasonable and should be used for purposes of this proceeding. (See Table 6 - Wastewater Testing Cost for Clear Springs Wastewater Treatment Plant – APP # P100824)

Table 6 Wastewater Testing Cost per Permit Monitoring Requirement (for Clear Springs WWTP – APP # P100824)

	Cost per test	No. of tests per year	Annual Cost
Total Coliform – monthly	$25	12	$300
Total Nitrogen Nitrate/Nitrite as N – monthly Total Kjeldahl Nitrogen - monthly	 $20 $35	12	$660
Antimony – annually	$15	1	$15
Arsenic – annually	$15	1	$15
Barium – annually	$15	1	$15
Beryllium – annually	$15	1	$15
Cadmium – annually	$15	1	$15
Chromium – annually	$15	1	$15
Fluoride - annually	$20	1	$20
Cyanide – annually	$60	1	$60
Lead – annually	$15	1	$15
Mercury – annually	$45	1	$45
Nickel – annually	$15	1	$15
Selenium – annually	$15	1	$15
Thallium – annually	$15	1	$15
Volatile Organic Compound – annually including Benzene, Carbon Tetrachloride, o-Dichlorobenzene, para-Dichlorobenzene, 1, 2 - Dichlorobenzene, 1,1 - Dichloroethylene, cis 1, 2- Dichloroethylene, trans 1, 2 - Dichloroethylene,, Dichloromethane; 1, 2 – Dichloropropane, Ethyl benzene, monochlorobenzene, styrene, Tetrachloroethylene, Toluene, total Trihalomethanes, 1, 1, 1 – Trichloroethane, 1, 2, 4 – Trichlorobenzene, 1, 1, 2 – Trichloroethane, Trichloroethylene, Vinyle Chloride, total Xylenes	$175	1	$175
Pesticides – annually Alachlor, Altrazine, Carbonfuran, Chlordane, DBCP, 2, 4 – D, Dinoseb, Diquat' Endothall, Endrin, EDB, Glyphosate, Heptachlor, Geptachlor Expoxide, Lindane, Methoxychlor, Oxamyl, Picioram, Simazine, Toxaphene, Silvex	$1,260	1	$1,260
Metal digestion - annually	$30	1	$30
Total			**$2,715**

2. ***Reclassification***

NARUC Account No. 355

Account No. 355 for Power Generator Equipment should contain zero dollars. The Company incorrectly listed pump equipment expenses in Account No. 355. Staff recommends moving the original cost of this pump equipment to Account No. 371 where this expense should have been recorded.

Work for Monitoring Well Pump

The Company mistakenly posted $225 for work done to a wastewater monitoring well by D&M Well Service in 2010 in Account No. 311 Pumping Equipment (Water). The $225 should be moved from Account No. 311 (Water) to Account No. 371 (Wastewater).

NARUC Account No. 354 (Structures & Improvement)

The Company included $495 in 2009 in Account No. 354 (Structures & Improvement) for a study to expand the Company's lagoon. The lagoon has not been expanded therefore, the study is not used and useful and $495 should be removed from Account No. 354 for purposes of this rate proceeding.

FIGURES

Figure 1

CLEAR SPRINGS WASTEWATER DIVISION CERTIFICATED AREA

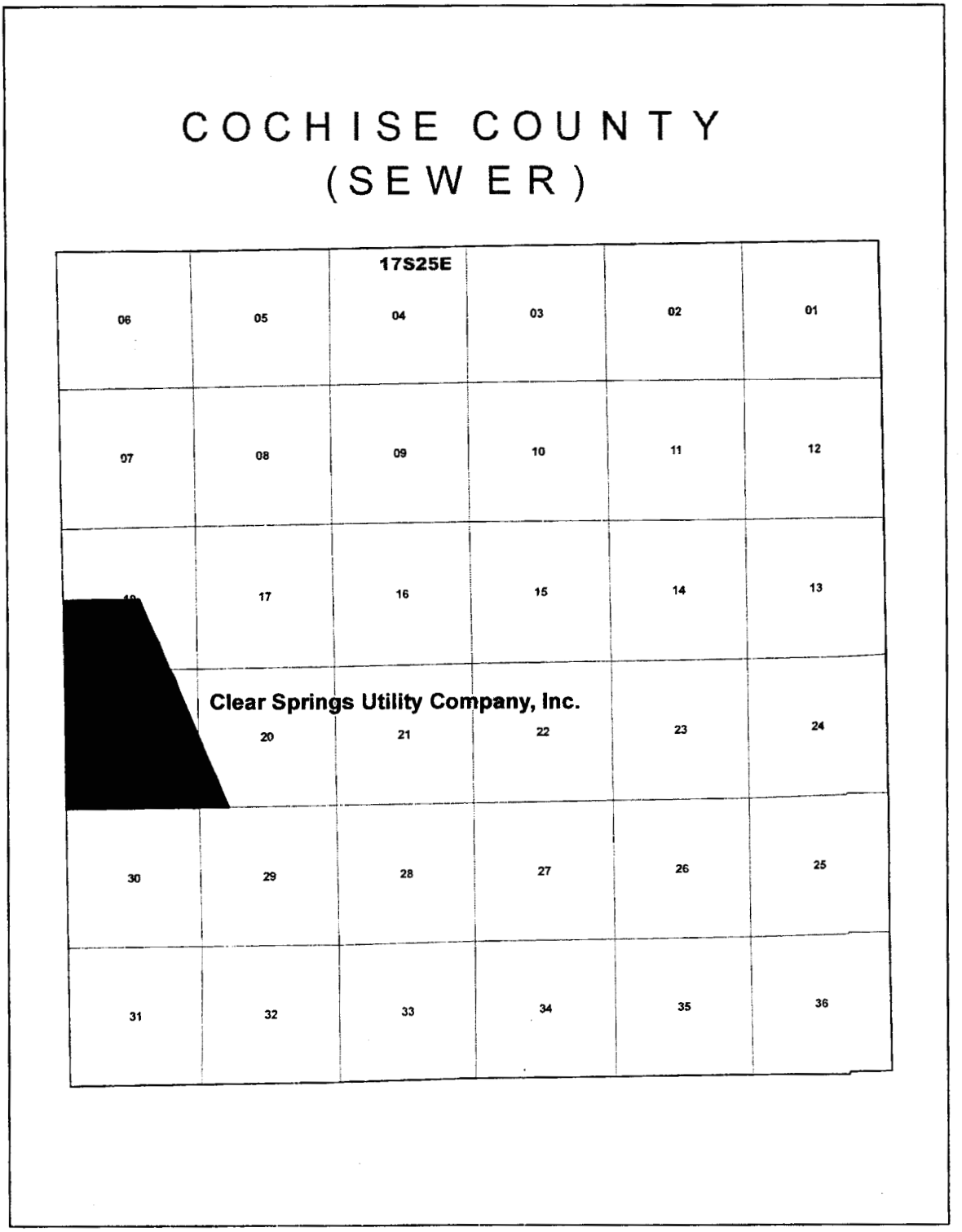

Figure 2

LOCATION OF CLEAR SPRINGS WASTEWATER DIVISION

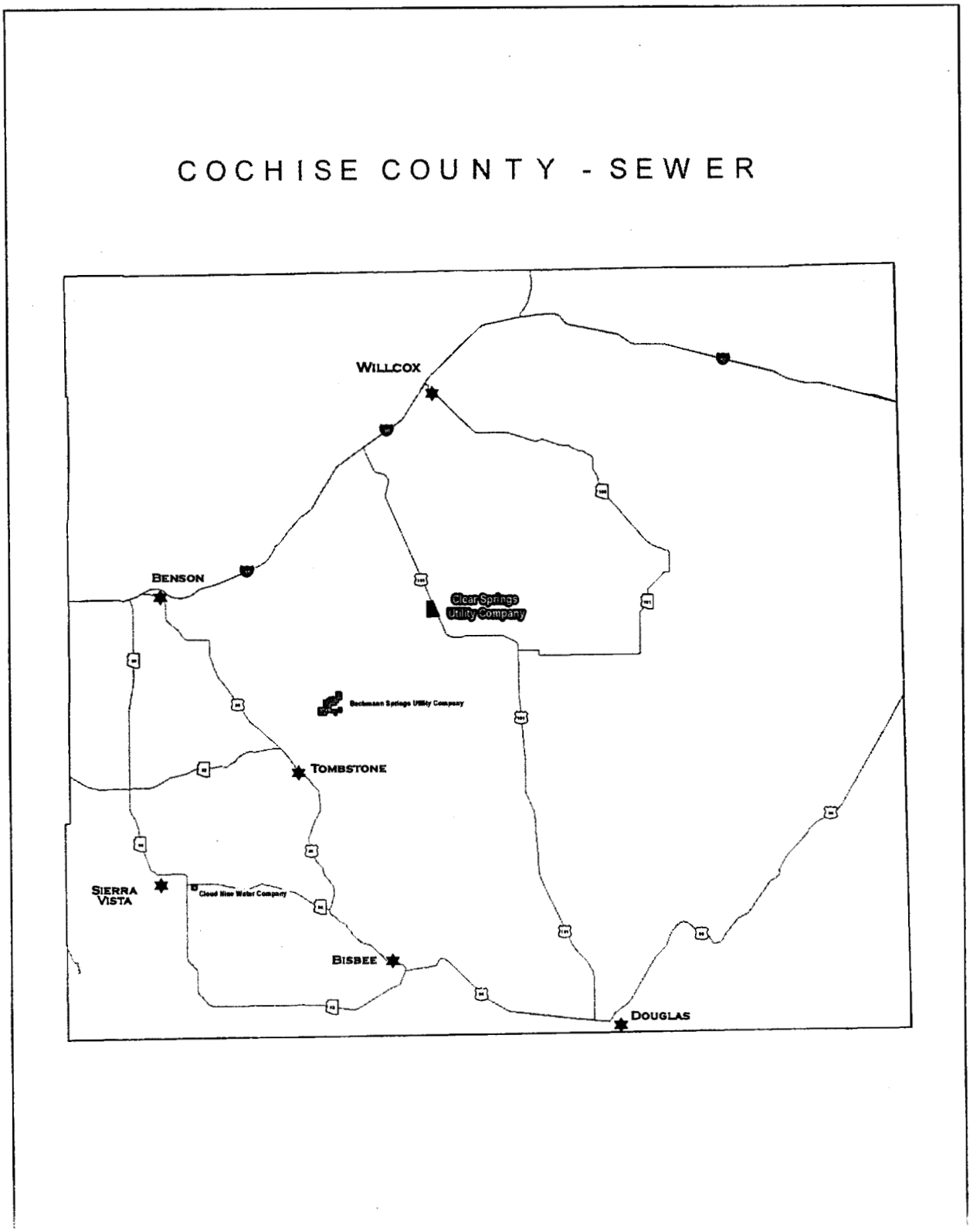

FIGURE 3

CLEAR SPRINGS WASTEWATER SYSTEMATIC FLOW DIAGRAM

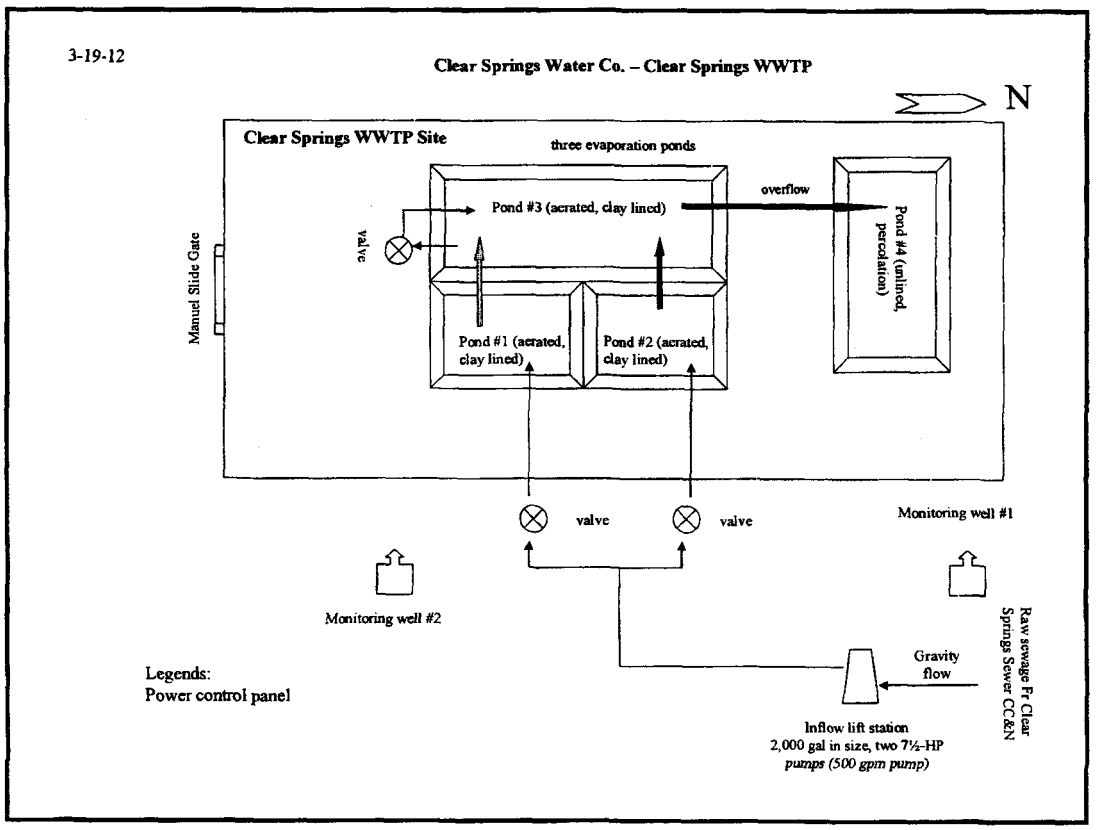

FIGURE 4

WASTEWATER FLOW FROM CLEAR SPRINGS SEWER SERVICE AREA

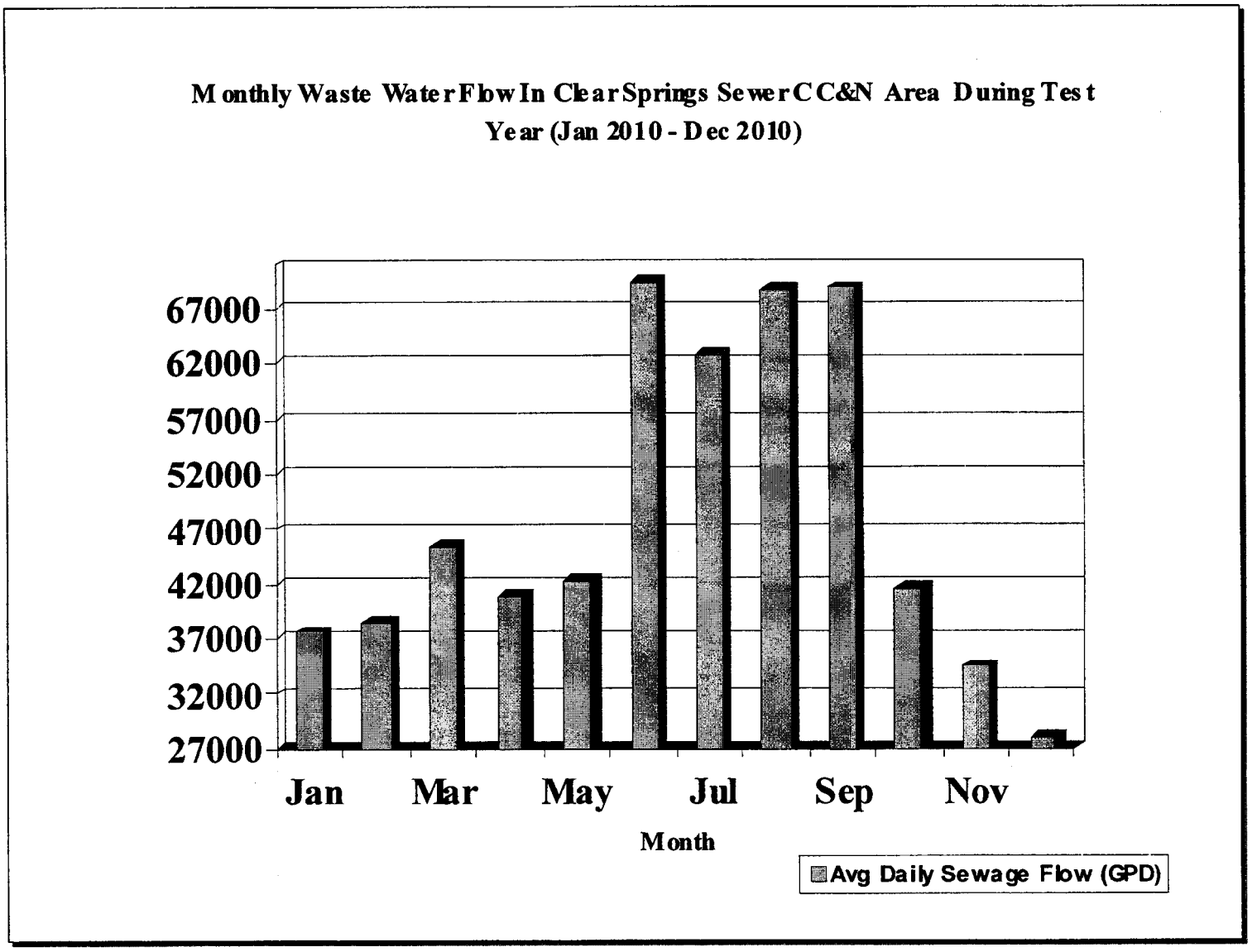

FIGURE 5

PROJECTED AND ACURATE GROWTH IN CLEAR SPRINGS WASTEWATER DIVISION

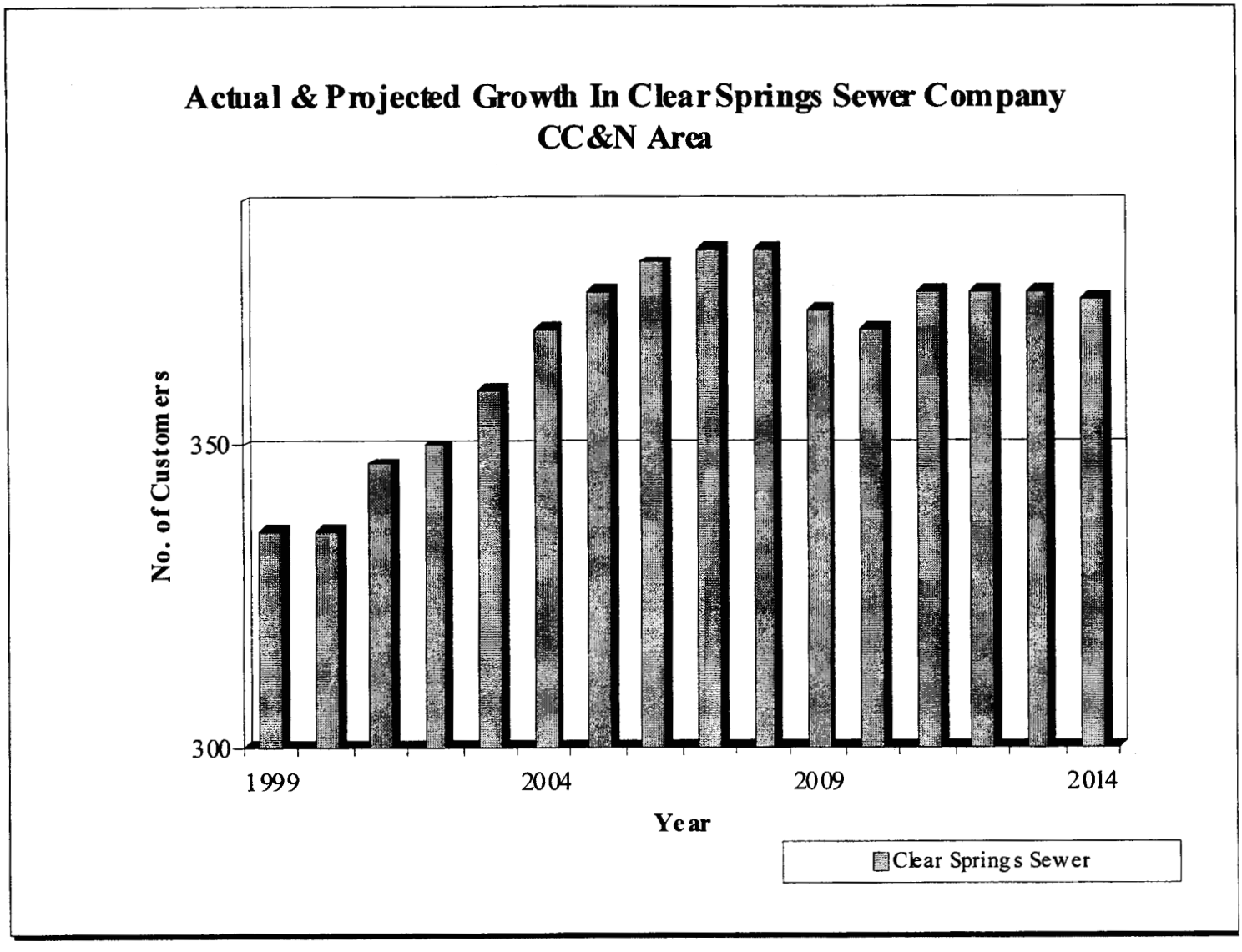

Figure 6 Depreciation Rates for Clear Springs - Wastewater Division

NARUC Acct #	Depreciable Plant	Decision #62583	Co. Proposed Rate (%)	**Staff Recommended Rate (%)**
351	**Organization**	0.00		0
352	**Franchises**	0.00		0
353	**Land & Land Rights**	0.00		0
354	**Structure & Improvements**	5.00	N/A	3.33
355	**Power Generation Equipment**	5.00	N/A	5.00
360	**Collection Sewers - Force**	5.00	N/A	2.00
361	**Collection Sewers - Gravity**	5.00	N/A	2.00
362	**Special Collection Structures**	5.00	N/A	2.00
363	**Service to Connections**	5.00	N/A	2.00
364	**Flow Measuring Devices**	5.00	N/A	10.00
365	**Flow Measuring Installations**	5.00	N/A	10.00
366	**Reuse Services**	5.00	N/A	2.00
367	**Reuse Meters & Meter Installations**	5.00	N/A	8.33
370	**Receiving Wells**	5.00	N/A	3.33
371	**Pump Equipment**	5.00	N/A	12.50
374	**Reuse Distribution Reservoirs**	5.00	N/A	2.50
375	**Reuse Transmission and Distribution System**	5.00	N/A	2.00
380	**Treatment & Disposal Equipment**	5.00	N/A	5.00
381	**Plant Sewers**	5.00	N/A	5.00
382	**Outfall Sewer Lines**	5.00	N/A	3.33
389	**Other Plant & Misc Equipments**	5.00	N/A	6.67
390	**Office Furniture & Equipments**	5.00	N/A	6.67
390.1	**Computer & Software**	5.00	N/A	20.00
391	**Transportation Equipments**	5.00	N/A	20.00
392	**Store Equipment**	5.00	N/A	4.00
393	**Tools, Shop, Garage Equipments**	5.00	N/A	5.00
394	**Lab Equipments**	5.00	N/A	10.00
395	**Power Operated Equipment**	5.00	N/A	5.00
396	**Communication Equipment**	5.00	N/A	10.00
397	**Miscellaneous Equipment**	5.00	N/A	10.00
398	**Other plants**	---	N/A	10.00

EXHIBIT
S-2
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES	)	DOCKET NO. WS-01689A-11-0402
IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	)	DOCKET NO. W-01689A-11-0401

SURREBUTTAL

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 31, 2012

TABLE OF CONTENTS

		PAGE
I.	INTRODUCTION	1
II.	WATER TESTING COSTS	1
III.	LEAKAGE AT WELL HEAD AND PRESSURE TANK	3
IV.	PLANT ITEMS NOT IN USE	4

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Dorothy Hains who has previously filed testimony in this Clear Springs Utility Co. ("Company") Water Division and Wastewater Division rate proceeding?

A. Yes.

Q. What is the purpose of your Surrebuttal Testimony?

A. In my Surrebuttal Testimony I will respond to the following issues related to the Company's water division raised in the Company's Rebuttal Testimony: (1) water testing costs, (2) water leakage at well head and pressure tank, and (3) plant items not in use.

II. WATER TESTING COSTS

Q. The Company argues that Staff's recommendation of $10 per sample for bacteria testing is too low. The Company believes that the unit cost of bacteria testing is at least $25 per test. Do you agree with the Company? Please explain.

A. Staff agrees that $10 is too low and has adjusted the unit cost for bacteria testing to $20 per test based on the invoices[1] included in the Company's application. Staff's revised water testing cost tables are listed below.

[1] Turner Laboratories, Inc., who conducted bacteria tests for the Company, charges $20 per test

Table 7A Revised Water Test Cost for Community Systems (PWS #02-008 & 02-049)

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years		Total 3 year cost ($)		Annual[1] Cost ($)
PWS # 02-xxx		**008**	**049**	**008**	**049**	
Bacteriological – monthly	$20[4]	72	36	1,440	720	720
Inorganics (& secondary)	$300	MAP	MAP	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	$60	MAP	MAP	MAP	MAP	MAP
IOC's, SOC's, VOC's	$2,805	MAP	MAP	MAP	MAP	MAP
Nitrites	$25	MAP	MAP	MAP	MAP	MAP
Nitrates – annual	$25	MAP	MAP	MAP	MAP	MAP
Asbestos – per 9 years	$180	MAP	MAP	MAP	MAP	MAP
Lead & Copper – annual	$30	30	15	900	450	450
Maximum chlorine residual levels	$0[2]	72	36	0	0	0
TTHM	$150	6	3	900	450	450
HHA	$155	6	3	930	465	465
MAP fees (annual)						2,026.58[3]
Total						**4,112**

Note
#1: The Costs are combination of expenses of System (PWS #02-008) and System (PWS #02-049).
#2: Per the Response to Staff's Data Request # DH4.6, the Company stated that this test is performed on-site and samples are not sent to a laboratory for testing.
#3: The 2011 MAP invoice for System (PWS #02-008) was $1,727.75 and invoice for System (PWS #02-049) was $298.83.
#4 Based on invoice dated August 30, 2010 from Turner Laboratories, Inc. ("Turner"), cost for testing one total coliform sample is $20/unit.

Table 7B Revised Water Test Costs for Clear Springs Non-Community Systems (PWS #02-048, #02-050, 02-051)

Monitoring (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period			Total cost per three year period ($)			Annual Cost ($)[1]
PWS #02-		**048**	**050**	**051**	**048**	**050**	**051**	
Bacteriological – monthly[2]	$20[3]	36	36	36	720	720	720	720
nitrites – annual[2]	$25	3	3	3	75	75	75	75
Lead & Copper – annual[2]	$30	15	15	15	450	450	450	450
Total								**1,245**

Note
#1: The Costs are combination of expenses of System (PWS #02-050), System (PWS #02-051) and System (PWS #02-048).
#2 Testing frequencies are based on ADEQ monitoring requirement.
#3 Based on invoice dated August 30, 2010 from Turner, cost for testing one total coliform sample is $20/unit.

Q. The Company argues that radiochemical testing costs are $430 instead of Staff's recommended $60 per sample and that nitrate testing costs are $35 per sample instead of Staff's recommended $25 per sample. Do you agree? Please explain.

A. No. Staff has found that the cost of radiochemical testing varies from $50 to $85 per sample depending on the laboratory used. The full battery radiochemical tests would be approximately $430 but the full battery of radiochemical testing is not necessary for routine monitoring and reporting purposes. Staff believes that a unit cost of $60 per sample is reasonable. Furthermore, the radiochemical test cost has been included in MAP expense. Staff believes that a unit cost for of $25 per sample for nitrate testing is also reasonable. Staff is aware of laboratories that charge $15 per sample for testing nitrate. Therefore, Staff's recommended unit costs for radiochemical and nitrate testing remains the same.

III. LEAKAGE AT WELL HEAD AND PRESSURE TANK

Q. In its Direct Testimony Staff recommended that the Company repair the leaks that Staff observed during its field inspection at the wellhead of Well No. 5 and at the pressure tank at Well No. 18. The Company claims that these leaks have already been repaired and that the Company notified Staff of these repairs, does Staff agree?

A. Yes. The Company provided photos and invoices to demonstrate that the leaks had been repaired.

IV. PLANT ITEMS NOT IN USE

Q. The Company disagrees with Staff's position that Well No. 16 and its associated plant items were not used and useful. Does Staff agree with the Company? Please explain.

A. No. Well No. 16 was not in service during the test year or at the time of Staff's field inspection, therefore, Staff considers Well No. 16 not used and useful to the Company's provision of water service. During the field inspection of Well No. 16 in February 2012, Staff observed that the power company meter had been removed, power supply conductors had been disconnected from the well pump, the well turbine pump had been disconnected for repair and the on-site pressure tank had also been disconnected. Therefore, Well No. 16, its well pump, its control panel, and the pressure tank were "not used and useful" to the Company's provision of service at the time of Staff inspection. Therefore, Staff's conclusion regarding these plant items has not been changed.

Q. Does the Company have adequate water production to serve its existing customers without Well No. 16?

A. Yes. The Company has adequate production to serve existing customers in PWS #02-008 without well No. 16.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

EXHIBIT
S-3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AN INCREASE IN RATES	)))	DOCKET NO. WS-01689A-11-0402
IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	)))	DOCKET NO. W-01689A-11-0401

DIRECT

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 13, 2012

TABLE OF CONTENTS

PAGE

I. INTRODUCTION 1

II. BACKGROUND 2

III. CONSUMER SERVICES 3

IV. COMPLIANCE 3

V. SUMMARY OF FILING, RECOMMENDATIONS, AND ADJUSTMENTS 4

VI. RATE BASE ADJUSTMENTS 8

Fair Value Rate Base *8*
Rate Base Summary – Water Division *8*
Rate Base Adjustment No. 1 – Post Test Year Plant *8*
Rate Base Adjustment No. 2 – Plant Not Used and Useful *9*
Rate Base Adjustment No. 3 – Not Used *9*
Rate Base Adjustment No. 4 – Customer Deposits *9*
Rate Base Adjustment No. 5 – Cash Working Capital *10*
Rate Base Summary – Wastewater Division *11*
Rate Base Adjustment No. 1 – Reclassification of Plant *11*
Rate Base Adjustment No. 2 -- Plant Not Used and Useful *12*
Rate Base Adjustment No. 3 – Cash Working Capital *12*

VII. OPERATING INCOME ADJUSTMENTS 13

Operating Income Summary -- Water Division *13*
Operating Income Adjustment No. 1 – Water Testing Expense *13*
Operating Income Adjustment No. 2 – Depreciation Expense *14*
Operating Income Adjustment No. 3 – Property Tax Expense *14*
Operating Income Adjustment No. 4 – Income Tax Expense *15*
Operating Income Summary – Wastewater Division *16*
Operating Income Adjustment No. 1 – Wastewater Testing Expense *16*
Operating Income Adjustment No. 2 – Depreciation Expense *16*
Operating Income Adjustment No. 3 – Property Tax Expense *17*
Operating Income Adjustment No. 4 – Income Tax Expense *18*

VIII. REVENUE REQUIREMENT 18

IX. RATE DESIGN 20

X. FINANCING 21

SCHEDULES

CLEAR SPRINGS UTILITY COMPANY, INC. – WATER DIVISION

Revenue Requirement JMM-W1

Gross Revenue Conversion Factor JMM-W2

Rate Base – Original Cost JMM-W3

Summary of Original Cost Rate Base Adjustments JMM-W4

Rate Base Adjustment No. 1 – Post Test Year Plant JMM-W5

Rate Base Adjustment No. 2 – Plant Not Used and Useful JMM-W6

Rate Base Adjustment No. 3 – Not Used JMM-W7

Rate Base Adjustment No. 4 – Customer Deposits JMM-W8

Rate Base Adjustment No. 5 – Cash Working Capital JMM-W9

Operating Income Statement – Adjusted Test Year and Staff Recommended JMM-W10

Summary of Operating Income Statement Adjustments – Test Year JMM-W11

Operating Income Adj. No. 1 – Water Testing Expense JMM-W12

Operating Income Adj. No. 2 – Depreciation Expense JMM-W13

Operating Income Adj. No. 3 – Property Tax Expense JMM-W14

Operating Income Adj. No. 4 – Income Tax Expense JMM-W15

Cash Flow Analysis JMM-W16

Financing Analysis JMM-W17

Calculation of Infrastructure Surcharge Amount JMM-W18

Rate Design JMM-W19

Typical Bill Analysis JMM-W20

Typical Bill Analysis with Surcharge JMM-W21

CLEAR SPRINGS UTILITY COMPANY, INC. – WASTEWATER DIVISION

Revenue Requirement JMM-WW1

Gross Revenue Conversion Factor JMM-WW2

Rate Base – Original Cost JMM-WW3

Summary of Original Cost Rate Base Adjustments JMM-WW4

Rate Base Adjustment No. 1 – Reclassification of Plant JMM-WW5

Rate Base Adjustment No. 2 – Plant Not Used and Useful JMM-WW6

Rate Base Adjustment No. 3 – Cash Working Capital JMM-WW7

Operating Income Statement – Adjusted Test Year and Staff Recommended JMM-WW8

Summary of Operating Income Statement Adjustments – Test Year JMM-WW9

Operating Income Adj. No. 1 – Water Testing Expense JMM-WW10

Operating Income Adj. No. 2 – Depreciation Expense JMM-WW11

Operating Income Adj. No. 3 – Property Tax Expense JMM-WW12

Operating Income Adj. No. 4 – Income Tax Expense JMM-WW13

Cash Flow Analysis JMM-WW14

Rate Design JMM-WW15

Typical Bill Analysis JMM-WW16

EXECUTIVE SUMMARY
CLEAR SPRINGS UTILITY COMPANY, INC.
DOCKET NOS. WS-01689A-11-0401 AND W-01689A-11-0402

Clear Springs Utility Company, Inc. ("Company") is a certificated Arizona public service corporation that provided water and wastewater services during 2010 in Cochise County, Arizona. The average number of customers per the Company during the test year was 565 for the water division and 386 for the wastewater division.

On November 3, 2011, the Company filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase, with a test year ending December 31, 2010. Also on November 3, 2011, the Company filed an application requesting authority to incur long-term debt to make system improvements. A Procedural Order, dated June 5, 2011, consolidated the rate and financing applications.

Rate Application:

Water Division

The Company-proposed rates, as filed, produce total operating revenue of $266,673, an increase of $98,423, or 58.50 percent, over test year revenue of $168,250 to provide a $333,861 operating income and a 35.00 percent rate of return on its proposed $96,746 fair value rate base ("FVRB") which is its original cost rate base ("OCRB").

The Utilities Division ("Staff") recommends rates that produce total operating revenue of $216,023, an increase of $47,773, or 28.39 percent over the Staff-adjusted test year revenue of $168,250, to provide a $4,432 operating income and an 11.50 percent return on the $38,541 Staff-adjusted FVRB and OCRB.

The Company-proposed rates would increase the monthly bill for a typical 5/8 x 3/4-inch meter residential customer, with a median usage of 3,318 gallons, by $7.19 (46.5 percent), from $15.47 to $22.65. Under the Staff-recommended rate design for permanent rates, the monthly bill for a typical residential customer would increase by $1.85 (11.95 percent), from $15.47 to $17.31. (Schedule JMM-W20).

Wastewater Division

The Company does not request an increase or decrease in total operating revenue for its wastewater division; however, it does propose to change the rate design. Therefore, the Company-proposed rates, as filed, produce the $47,802 test year total operating revenue and a zero dollar and percent increase to provide a $9,556 operating income. The Company proposes a FVRB of negative $13,244, which is its OCRB. The Company presents its rate of return on rate base as negative 72.15 percent.

Staff agrees with the Company's proposal not to increase or decrease total operating revenue from the $47,802 test year amount for the wastewater division. Therefore, the Staff-recommended rates produce the $47,802 test year total operating revenue and a zero dollar and percent increase to provide an $8,273 operating income. Staff recommends an OCRB of negative $13,016 which is its FVRB. Calculating a rate of return on the negative rate base is not meaningful. Accordingly, Staff's recommended $47,802 revenue requirement is based on providing sufficient cash flow of $8,190.

The Company-proposed rates would decrease the monthly bill for a typical 5/8 x 3/4-inch meter residential customer, with a median usage of 3,226 gallons, by $0.24 (2.62 percent), from $9.24 to $9.00 (Schedule JMM-WW20). Under the Staff-recommended rate design, the monthly bill for a typical residential customer would decrease by $0.24 (2.62 percent), from $9.24 to $9.00. (Schedule JMM-WW16).

Staff Recommendations (not related to the Financing):

Staff recommends:

- Approval of Staff's rates and charges as shown in schedules JMM-W19 and JMM-WW15. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).

- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.

- Directing the Company to file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least five Best Management Practices ("BMPs"), in the form of tariffs that substantially conform to the templates created by Staff, for Commission review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp (see Engineering Report).

- Directing the Company to submit a detailed water loss reduction plan with Docket Control, as a compliance item in this docket, before any rate increase adopted in this matter becomes effective (see engineering report).

- Directing the Company to monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on an annual basis, the Company shall, within 270 days of a decision in this case, filed a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective (see Engineering Report).

- Directing the Company to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket, and for the first water loss progress report to be filed by June 30, 2013, and for Staff to determine that any future rate case filed by the Company is insufficient if these items are not properly submitted (see Engineering Report).

- Since the Company failed to comply with Commission Decision No. 68443 which ordered the Company to resolve the water storage deficiencies of Public Water System ("PWS") #02-048 and PWS #02-050 prior to filing its next rate application, directing the Company correct the water storage deficiencies of PWS #02-048 and PWS #02-050 before any rate increase adopted in this matter becomes effective (see Engineering Report).

- Directing the Company to immediately repair the leaks that Staff observed during its field inspection and to file, within 15 days of the effective date of the Commission's order in this matter, documentation showing that it has complied (see Engineering Report).

- Directing the Company to file with Docket Control, as a compliance item in this docket, an affidavit indicating that the water testing referenced in Table 4B has been completed and that the Company is delivering water to customers served by its non-community systems that complies with applicable water quality standards and to file its affidavit on a quarterly basis with the first affidavit due for the first quarter of 2013, by April 30, 2013, and to continue filing such quarterly reports until the non-community water systems become community water systems (see Engineering Report).

- Authorizing the depreciation rates by individual NARUC account, as presented in Table B of Staff's Engineering Report.

- Directing the Company, as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly-scheduled billing and to file copies with Docket Control within 10 days of the date the notice is sent to customers.

Financing Application:

The Company's financing application, as filed, seeks approval for a $511,000, 20-year amortizing loan from the Water Infrastructure Finance Authority of Arizona ("WIFA") to finance capital improvements at well sites 3, 7, and 18 and to replace plant items in the distribution system. Staff reviewed the Company's proposed capital improvements and finds a $426,249 Staff-adjusted cost as reasonable.

Staff calculated a pro forma 0.83 debt service coverage ratio ("DSC") using Staff's recommended permanent rates. This pro forma DSC shows that cash flow from operations is insufficient to cover debt service on the proposed loan; thus, in addition to Staff's recommended permanent rates, the Company would need an additional source of funds to meet its obligations.

Staff determined that additional surcharge revenues of $42,443 would be needed to provide the Company $10,000 of uncommitted cash flow, resulting in a 1.84 DSC. Additional surcharge revenues of $42,443 combined with Staff's recommended $47,773 increase in permanent water rates represents a 53.62 percent increase over test year water revenues of $168,250. The combined increase $90,216 ($47,773 + $42,443) provides sufficient cash flow to meet all obligations including WIFA's requirement to fund a "Debt Service Reserve Fund" equal to 20 percent of debt service and $10,000 of uncommitted cash flow in the water division. A $4.99 per 5/8 x 3/4-inch meter equivalent monthly infrastructure surcharge would provide the needed additional funds under Staff's assumed loan terms. The infrastructure surcharge combined with Staff's recommended permanent rates would increase the typical bill for a 5/8 x 3/4-inch meter customer with a median use of 3,318 gallons by $6.84, or 44.21 percent, from $15.47 to $22.30. (Schedule JMM-W21)

Staff Recommendations pertaining to the Financing Application:

Staff recommends:

- Granting the Company authorization to incur an 18- to 22-year amortizing loan in an amount not to exceed $426,249 pursuant to a loan agreement with WIFA and at an interest rate not to exceed that available from WIFA for the purpose of making capital improvements at Well Sites 3, 7, and 18 and replacing plant items in the distribution system as recommended in Staff's Engineering Report, subject to the condition that the Company is authorized sufficient revenue in this rate case via permanent rates and an infrastructure surcharge to meet its debt service and the associated loan covenants.

- Establishing an expiration date for any unused authorization to incur debt granted in this proceeding of December 31, 2014.

- Directing the Company to file as a compliance item in this Docket, within 30 days of the execution of any financing transaction authorized herein, a notice confirming that such execution has occurred and a certification by an authorized Company representative that the terms of the financing fully comply with the authorizations granted.

- Directing the Company to provide to Staff's Compliance Section, a copy of any WIFA loan documents executed pursuant to the authorizations granted herein, within 30 days of the execution of the loan, and also to file a letter in Docket Control verifying that such documents have been provided.

- Granting the Company authorization to charge an infrastructure surcharge to become effective at a date and in a manner as subsequently authorized by the Commission.

- Directing the Company to file in this Docket, upon filing of the loan closing notice and upon providing the loan documents to Staff, an application requesting to implement an associated surcharge.

- Directing Staff to calculate the appropriate WIFA surcharge and prepare and file a recommended order for Commission consideration within 60 days of the filing of a surcharge implementation request by the Company and to calculate the surcharge based on the actual loan debt service (interest and principal) payments and using the current customer count at the time of the loan closing to provide the cash flow adopted in this proceeding.

- Authorizing the Company to pledge its assets in the State of Arizona pursuant to Arizona Revised Statutes § 40-285 and A.A.C. R18-15-104 in connection with the WIFA loan.

- Authorizing the Company to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst V.

A. In my capacity as a Public Utilities Analyst V, I analyze and examine accounting, financial, statistical and other information and prepare reports based on my analyses that present Staff's recommendations to the Commission on utility revenue requirements, rate design and other matters. I also provide expert testimony on these same issues.

Q. Please describe your educational background and professional experience.

A. In 2000, I graduated from Idaho State University, receiving a Bachelor of Business Administration Degree in Accounting and Finance, and I am a Certified Public Accountant with the Arizona State Board of Accountancy. I have attended the National Association of Regulatory Utility Commissioners' ("NARUC") Utility Rate School, which presents general regulatory and business issues.

I joined the Commission as a Public Utilities Analyst in May of 2006. Prior to employment with the Commission, I worked four years for the Arizona Office of the Auditor General as a Staff Auditor, and one year in public accounting as a Senior Auditor.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's analysis and recommendations regarding Clear Springs Utility Company, Inc.'s ("Clear Springs" or "Company") Water and Wastewater Division

applications for a permanent rate increase and its request for authorization to incur long-term debt. I am presenting testimony and schedules addressing rate base, operating revenues and expenses, revenue requirement, rate design, and financial analysis. Ms. Dorothy Hains is presenting Staff's engineering analysis and related recommendations.

Q. What is the basis of your testimony in this case?

A. I performed a regulatory audit of the Company's application and records. The regulatory audit consisted of examining and testing financial information, accounting records, and other supporting documentation and verifying that the accounting principles applied were in accordance with the Commission-adopted NARUC Uniform System of Accounts.

Q. How is your testimony organized?

A. My testimony is presented in ten sections. Section I is this introduction. Section II provides a background of the Company. Section III is a summary of consumer service issues. Section IV presents compliance status. Section V is a summary of the Company's filing and Staff's rate base and operating income adjustments. Section VI presents Staff's rate base recommendations. Section VII presents Staff's operating income recommendations. Section VIII presents Staff's revenue requirement. Section IX presents Staff's rate design, and Section X presents Staff's financing recommendations.

II. BACKGROUND

Q. Please review the background of this application.

A. Clear Springs is a certificated Arizona public service corporation that provided water and wastewater services during 2010 in Cochise County, Arizona. The average number of customers per the Company during the test year was 565 for the water division and 386 for the wastewater division.

On November 3, 2011, the Company filed an application for a permanent rate increase, with a test year ending December 31, 2010. Also on November 3, 2011, the Company filed a financing application requesting authorization to incur long-term debt in order to make system improvements.

III. CONSUMER SERVICES

Q. Please provide a brief history of customer complaints received by the Commission regarding the Company. Additionally, please discuss customer responses to the Company's proposed rate increase.

A. A review of the Commission's Consumer Services database for the Company from January 1, 2009, to June 1, 2012, revealed the following:

2012 – One complaint (defective equipment), 140 opinions all opposed to the rate case, and zero inquiries.

2011 – Two complaints (one billing and one new service), zero opinions, and zero inquiries.

2010 – Four complaints (quality of service), zero opinions, and zero inquiries.

2009 – One complaint (billing), zero opinions, and zero inquiries.

All complaints have been resolved and closed.

IV. COMPLIANCE

Q. Please provide a summary of the compliance status of the Company.

A. A check of the Commission's Compliance database indicates that there are currently no delinquencies for the Company.

V. SUMMARY OF FILING, RECOMMENDATIONS, AND ADJUSTMENTS

Q. Please summarize the Company's proposals in this filing, for each of its divisions.

A. The Company proposed the following for each of its divisions.

Water Division

The Company-proposed rates, as filed, produce total operating revenue of $266,673, an increase of $98,423, or 58.50 percent, over test year revenue of $168,250 to provide a $333,861 operating income and a 35.00 percent rate of return on its proposed $96,746 fair value rate base ("FVRB") which is its original cost rate base ("OCRB").

Wastewater Division

The Company does not request an increase or decrease in total operating revenue for its wastewater division; however, it does propose to change the rate design. Therefore, the Company-proposed rates, as filed, produce the $47,802 test year total operating revenue and a zero dollar and percent increase to provide a $9,556 operating income. The Company proposes a FVRB of negative $13,244, which is its OCRB. The Company presents its rate of return on rate base as negative 72.15 percent.

Q. Please summarize Staff's recommendations.

A. Staff recommends the following for each of the Company's divisions.

Water Division

Staff recommends rates that produce total operating revenue of $216,023, an increase of $47,773, or 28.39 percent over the Staff-adjusted test year revenue of $168,250, to provide a $4,432 operating income and an 11.50 percent return on the $38,541 Staff-adjusted FVRB and OCRB.

Wastewater Division

Staff agrees with the Company's proposal not to increase or decrease total operating revenue from the $47,802 test year amount for the wastewater division. Therefore, the Staff-recommended rates produce the $47,802 test year total operating revenue and a zero dollar and percent increase to provide an $8,273 operating income. Staff recommends an OCRB of negative $13,016 which is its FVRB. Calculating a rate of return on the negative rate base is not meaningful. Accordingly, Staff's recommended $47,802 revenue requirement is based on a cash flow analysis.

Q. What test year did the Company use in this filing?

A. The Company's rate filing is based on the twelve months ended December 31, 2010 ("test year").

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

A. My testimony addresses the following issues for the water and wastewater divisions:

Water Division

Post Test Year Plant – This adjustment increases plant by $11,849 and accumulated depreciation by $741 to include post test year capital improvements made to Well Site 5.

Plant Not Used and Useful - This adjustment decreases plant by $34,151 and accumulated depreciation by $10,212 to remove plant that was deemed not used and useful during the test year.

Customer Deposits – This adjustment deducts customer deposits of $46,540 in the calculation of rate base.

Cash Working Capital – This adjustment decreases the working capital allowance, calculated using the formula method, by $317 to reflect Staff's adjustments to operating expenses.

Wastewater Division

Reclassification of Plant- This adjustment reclassifies $51,208 from account no. 355 power generation equipment to account no. 371 pumping equipment.

Plant Not Used and Useful - This adjustment decreases plant by $495 and accumulated depreciation by $37 to remove plant that was deemed not used and useful during the test year.

Cash Working Capital – This adjustment increases the working capital allowance, calculated using the formula method, by $686 to reflect Staff's adjustments to operating expenses.

Q. Please summarize the operating revenue and expense adjustments addressed in your testimony.

A. My testimony addresses the following issues:

Water Division

Water Testing Expense – This adjustment decreases water testing expense by $2,535 to reflect Staff's recommended amount.

Depreciation Expense – This adjustment decreases depreciation expense by $9,367 to reflect application of Staff's recommended depreciation rates to Staff's depreciable plant balances.

Property Tax Expense – This adjustment decreases test year property taxes by $65 to reflect application of the modified version of the Arizona Department of Revenue's ("ADOR") property tax methodology which the Commission has consistently adopted.

Income Tax Expense – This adjustment decreases test year income tax expense by $3,319 to reflect application of statutory state and federal income tax rates to Staff-adjusted taxable income.

Wastewater Division

Water Testing Expense – This adjustment increases water testing expense by $2,751 to reflect Staff's recommended amount.

Depreciation Expense – This adjustment decreases depreciation expense by $1,128 to reflect application of Staff's recommended depreciation rates to Staff's depreciable plant balances.

Income Tax Expense – This adjustment decreases test year income tax expense by $340 to reflect application of statutory state and federal income tax rates to Staff-adjusted taxable income.

VI. RATE BASE ADJUSTMENTS

Fair Value Rate Base

Q. Did the Company prepare a schedule showing the elements of Reconstruction Cost New Rate Base?

A. No, the Company did not. The Company's filing treats the OCRB the same as the FVRB for both the water and wastewater divisions.

Rate Base Summary – Water Division

Q. Please summarize Staff's adjustments to the Company's rate base shown in Schedules JMM-W3 and JMM-W4.

A. Staff's adjustments to the Company's rate base resulted in a net decrease of $58,205 from $96,746 to $38,541. Staff's recommendations result from the rate base adjustments described below.

Rate Base Adjustment No. 1 – Post Test Year Plant

Q. Did the Company request post test year capital improvements to be included in rate base?

A. No.

Q. Is Staff recommending inclusion of any post test year plant?

A. Yes. Staff has included capital improvements made to Well Site 5 in December of 2011. (See Engineering Report).

Q. What is Staff's recommendation?

A. Staff recommends the inclusion of $11,849 in plant, and associated accumulated depreciation of $741, as shown in Schedule JMM-W5.

Rate Base Adjustment No. 2 – Plant Not Used and Useful

Q. Did Staff identify plant that was not used and useful?

A. Yes. Staff's engineer identified $34,151 in plant that was not serving customers during the test year. Staff also made an adjustment to the associated accumulated depreciation, as shown in Schedule JMM-W6.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $34,151 to remove all plant from rate base that was not used and useful, and to also remove the associated depreciation of $10,212, as shown in Schedule JMM-W6.

Rate Base Adjustment No. 3 – Not Used

Q. Is Staff making a rate base adjustment No. 3?

A. No, this was an inadvertent adjustment.

Rate Base Adjustment No. 4 – Customer Deposits

Q. Is the Company proposing to include customer deposits in its rate base calculation?

A. No.

Q. Are customer deposits normally a deduction in the calculation of rate base?

A. Yes. Customer deposits are a deduction in the calculation of rate base.

Q. Why are customer deposits deducted from rate base?

A. Customer deposits are deducted from rate base in order to recognize cost-free capital provided by non-investors.

Q. What were the customer deposit balances at the end of the test year?

A. The customer deposit balances at the end of the test year were $46,540.

Q. Is the end-of-test year balance the preferred customer deposit balance to be deducted from rate base?

A. Generally, a 13-month average balance is preferable. Staff is using the test year end balance provisionally until the 13-month data can be obtained from the Company.[1]

Q. What is Staff's recommendation?

A. Staff recommends deducting customer deposits from rate base, as shown in Schedule JMM-W8.

Rate Base Adjustment No. 5 – Cash Working Capital

Q. What method did the Company use to support its allowance for Cash Working Capital?

A. The Company used the formula method that represents one twenty-fourth of purchased power and purchased water and one-eighth of operating and maintenance expenses (excludes depreciation and taxes).

Q. Does the Commission typically recognize use of the formula method to provide for a cash working capital allowance for Class C or larger utilities?

A. No. Normally, the Commission requires Class C utilities to perform a lead-lag study to support its request for a cash working capital allowance. In this case, Staff recommends use of the formula method since Staff's recommended revenue requirements for the water

[1] The provision for interest expense on customer deposits is also provisional pending the 13-month average data.

and wastewater divisions on a stand-alone basis are less than $250,000, the threshold for a Class C utility.

Q. Is Staff recommending the same cash working capital allowance as requested by the Company?

A. No. Since Staff's operating and maintenance expenses differ from those proposed by the Company, Staff's cash working capital allowance is $317 less than the Company's.

Q. What is Staff's recommendation?

A. Staff recommends decreasing the Company's cash working capital by $317, as shown in Schedule JMM-W9.

Rate Base Summary – Wastewater Division

Q. Please summarize Staff's adjustments to the Company's rate base shown in Schedules JMM-WW3 and JMM-WW4.

A. Staff's adjustments to the Company's rate base resulted in a net increase of $228 from negative $13,244 to negative $13,016.

Rate Base Adjustment No. 1 – Reclassification of Plant

Q. Why is Staff recommending this adjustment?

A. Staff identified power generation equipment (account no. 355) that should be reclassified as pumping equipment (account no. 371).

Q. What is Staff's recommendation?

A. Staff recommends reclassifying $51,208 in power generation equipment (account no. 355) to pumping equipment (account no. 371), as shown in Schedule JMM-WW5.

Rate Base Adjustment No. 2 – Plant Not Used and Useful

Q. Did Staff identify plant that was not used and useful?

A. Yes. Staff's engineer identified $495 in plant that was not serving customers during the test year. Staff also made an adjustment to the associated accumulated depreciation, as shown in Schedule JMM-WW6.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $495 to remove all plant from rate base that was not used and useful, and to also remove the associated depreciation of $37, as shown in Schedule JMM-W6.

Rate Base Adjustment No. 3 – Cash Working Capital

Q. What method did the Company use to support its allowance for Cash Working Capital?

A. The Company used the formula method that represents one twenty-fourth of purchased power and purchased water and one-eighth of operating and maintenance expenses (excludes depreciation and taxes).

Q. Does the Commission typically recognize use of the formula method to provide for a cash working capital allowance for Class C or larger utilities?

A. No. Normally, the Commission requires Class C utilities to perform a lead-lag study to support its request for a cash working capital allowance. In this case, Staff recommends use of the formula method since Staff's recommended revenue requirements for the water and wastewater divisions on a stand-alone basis are less than $250,000, the threshold for a Class C utility.

Q. Is Staff recommending the same cash working capital allowance as requested by the Company?

A. No. Since Staff's operating and maintenance expenses differ from those proposed by the Company, Staff's cash working capital allowance is $686 greater than the Company's.

Q. What is Staff's recommendation?

A. Staff recommends increasing cash working capital by $686 for the Company, as shown in Schedule JMM-WW9.[2]

VII. OPERATING INCOME ADJUSTMENTS

Operating Income Summary – Water Division

Q. What are the results of Staff's analysis of test year revenues, expenses, and operating income?

A. As shown in Schedules JMM-W10 and JMM-W11, Staff's analysis resulted in test year revenues of $168,250, expenses of $200,874 and operating income of negative $32,624.

Operating Income Adjustment No. 1 – Water Testing Expense

Q. What did the Company propose for water testing expense?

A. The Company proposed $7,172 for testing expense.

Q. What adjustment did Staff make?

A. Staff adjusted the water testing expense downward by $2,535 from $7,172 to $4,637, to reflect Staff's recommended amount.

[2] Since Staff's rate base is negative, inclusion of a cash working capital provision in rate base has no effect on Staff's recommended revenue requirement.

Q. What is Staff's recommendation?

A. Staff recommends decreasing water testing expense by $2,535, as shown in Schedule JMM-W12.

Operating Income Adjustment No. 2 – Depreciation Expense

Q. How did Staff calculate depreciation expense?

A. Staff recomputed depreciation expense on a going-forward basis by applying Staff's recommended depreciation rates by account to Staff's recommended plant-in-service balances and reducing that result by the amortization of contributions-in-aid-of-construction ("CIAC"), as shown in Schedule JMM-W13.

Q. Did Staff's calculation for depreciation expense agree with the Company's proposed depreciation expense?

A. No. Since Staff's plant values differ from the Company's plant values, Staff's depreciation is different.

Q. What is Staff's recommendation?

A. Staff recommends reducing depreciation expense by $9,367, from $28,545 to $19,178, as shown in Schedule JMM-W13.

Operating Income Adjustment No. 3 – Property Tax Expense

Q. What method has the Commission typically adopted to determine property tax expense for ratemaking purposes for Class C and above water utilities?

A. The Commission's practice in recent years has been to use a modified ADOR methodology for water and wastewater utilities.

Q. Did Staff calculate property taxes using the modified ADOR method?

A. Yes. As shown in Schedule JMM-W14, Staff calculated property tax expense using the modified ADOR method for both test year and Staff-recommended revenues. Since the modified ADOR method is revenue dependent, the property tax is different for test year and recommended revenues. Staff has included a factor for property taxes in the gross revenue conversion factor that automatically adjusts the revenue requirement for changes in revenue in the same way that income taxes are adjusted for changes in operating income.

Q. What does Staff recommend for test year property tax expense?

A. Staff recommends decreasing test year property tax expense by $65, from $9,698 to $9,633, as shown in Schedule JMM-W14.

Operating Income Adjustment No. 4 – Income Tax Expense

Q. Did Staff make an adjustment to Income Tax Expense?

A. Yes, based on Staff's recommended revenue requirement.

Q. How did Staff calculate income tax expense for the Company?

A. Staff applied the statutory state and federal income tax rates to Staff's taxable income. Income tax expenses for the test year and recommended revenues are shown in Schedule JMM-W2.

Q. What adjustment does Staff recommend for test year income tax expense for the Company?

A. Staff recommends increasing test year income tax expense by $3,319, as shown in Schedule JMM-W15.

Operating Income Summary – Wastewater Division

Q. What are the results of Staff's analysis of test year revenues, expenses, and operating income?

A. As shown on Schedules JMM-WW8 and JMM-WW9, Staff's analysis resulted in test year revenues of $47,802, expenses of $39,529 and operating income of $8,273.

Operating Income Adjustment No. 1 – Wastewater Testing Expense

Q. What did the Company propose for wastewater testing expense?

A. The Company proposed $0 for testing expense.

Q. What adjustment did Staff make?

A. Staff adjusted the wastewater testing expense upward by $2,751 from $0 to $2,751, to reflect Staff's recommended amount.

Q. What is Staff's recommendation?

A. Staff recommends increasing wastewater testing expense by $2,751, as shown in Schedule JMM-WW10.

Operating Income Adjustment No. 2 – Depreciation Expense

Q. How did Staff calculate depreciation expense?

A. Staff recomputed depreciation expense on a going-forward basis by applying Staff's recommended depreciation rates by account to Staff's recommended plant-in-service balances and reducing that result by the amortization of CIAC, as shown in Schedule JMM-WW11.

Q. Did Staff's calculation for depreciation expense agree with the Company's proposed depreciation expense?

A. No. Since Staff's plant values differ from the Company's plant values, Staff's depreciation is different. In addition, Staff amortized the remaining net CIAC over three years. Although CIAC is normally amortized over the life of the plant that it funded using a composite depreciation rate, in this case, Staff used an alternate method since the normal method would have resulted in a negative depreciation expense due to a relatively large gross CIAC to net CIAC ratio.

Q. What is Staff's recommendation?

A. Staff recommends reducing depreciation expense by $1,128, from $1,128 to $0, as shown in Schedule JMM-WW11.

Operating Income Adjustment No. 3 – Property Tax Expense.

Q. Did Staff use the modified ADOR methodology, discussed above regarding the water division, to calculated property tax expense for the wastewater division?

A. Yes. This method is used by ADOR for both water and wastewater utilities, and it is appropriate because it recognizes that property tax expense is revenue dependent. The Commission's practice in recent years has been to use a modified ADOR methodology for water and wastewater utilities.

Q. Does Staff recommend an adjustment for test year property tax expense?

A. No. Staff's calculation verifies the Company's proposed test year property tax expense. Since Staff is not recommending and the Company is not proposing an increase or decrease in revenues, the property tax expense should remain at the test year level. Staff's calculation of property tax expense is shown in column A of Schedule JMM-WW12.

Operating Income Adjustment No. 4 – Income Tax Expense

Q. Did Staff make an adjustment to Income Tax Expense?

A. Yes, based on Staff's recommended revenue requirement.

Q. How did Staff calculate income tax expense for the Company?

A. Staff applied the statutory state and federal income tax rates to Staff's taxable income. Income tax expenses for the test year and recommended revenues are shown in Schedule JMM-WW2.

Q. What adjustment does Staff recommend for test year income tax expense for the Company?

A. Staff recommends decreasing test year income tax expense by $340, as shown in Schedule JMM-WW13.

VIII. REVENUE REQUIREMENT

Q. Did the Company utilize a rate of return on rate base, operating margin or cash flow methodology to determine its revenue requirement?

A. The Company utilized a rate of return methodology for its water division, and chose not to ask for a revenue increase for its wastewater division.

Q. What is the customary method for determining a utility revenue requirement?

A. Under the traditional regulatory framework, the required operating income for an investor-owned utility is determined by multiplying rate base by rate of return. Typically, a utility is entitled to a reasonable return on the value of its property and no more. Since a utility incurs expenses in the provision of service, these expenses, when added to the operating income, provide the revenue requirement. Thus, the revenue requirement can be

expressed mathematically as: Revenue Requirement = Operating and Maintenance expenses + Depreciation expense + Taxes + Operating Income.

Q. Did Staff use the rate base/rate of return method for determining the operating income and revenue requirement for the Company's water division in this case?

A. Yes. Staff applied a rate of return (11.5 percent), which is within the range typically used for small water utilities (class D and E), to the rate base to determine the operating income which, in turn, was used to calculate the revenue requirement.

Q. How did Staff determine the revenue requirement for the Company's wastewater division in this case?

A. Staff first applied the rate base/rate of return method. However, since Staff calculated a negative rate base for the Company, the rate base/rate of return method produces a negative operating income that is neither useful nor meaningful for calculating the revenue requirement. It is not uncommon, in the circumstances of small utilities with too little or no rate base, for the rate base/rate of return methodology to result in an operating income that is not meaningful or to generate a cash flow insufficient to provide for a reasonable level of contingencies. Owners of these small utilities often have no known sources of capital to address contingencies. Therefore, for the health and safety of the ratepayer and the financial viability of the company, it is reasonable to provide the utility with additional revenues to provide sufficient cash flow for contingencies. Therefore, Staff used a cash flow analysis to determine the revenue requirement for the Company's wastewater division.

Q. What is Staff's recommended revenue requirement for the water division?

A. Staff recommends a revenue requirement of $216,023, a $47,773 (28.39 percent) increase over adjusted test year revenue of $168,250, to provide a $4,432 operating income and an 11.50 percent return on the $38,541 Staff-adjusted FVRB and OCRB. Staff's recommended revenue would provide $10,004 of positive cash flow with existing loans; however, as discussed below, the Company will need another source of revenue to provide debt service coverage on its proposed loan. (See Schedule JMM-W16)

Q. What is Staff's recommended revenue requirement for the wastewater division?

A. Staff recommends a revenue requirement of $47,802, a $0 (0.00 percent) increase over adjusted test year revenue of $47,802. Staff's recommended revenue would result in operating income of $8,273 and positive cash flow of $8,190 (see Schedule JMM-WW14).

IX. RATE DESIGN

Q. Did Staff prepare a summary of the Company's present rates, proposed rates, and Staff's recommended rates for both the water and wastewater divisions?

A. Yes. See Schedules JMM-W19 and JMM-WW15, respectively.

Q. Did Staff prepare a typical bill analysis for a 5/8" x 3/4" residential customer water customer and residential wastewater customer?

A. Yes. See Schedules JMM-W20 and JMM-WW16, respectively.

Q. What does Staff recommend for other service charges?

A. Staff's recommended other service charges for the water and wastewater divisions are presented in Schedules JMM-W19 and JMM-WW15, respectively, and reflect Staff's experience of what are reasonable and customary charges. Staff's recommended service

charges agree with the Company's proposed service charges except for the Late Payment Fee. The Company proposes a 2 percent monthly Late Payment Fee and Staff recommends a 1.5 percent monthly Late Payment Fee.

Q. Does Staff have any comment regarding the Company's proposal to eliminate the Establishment (after-hours) charge and initiate an After Hours Service Charge?

A. Yes. Staff recommends adoption of the Company's proposed after-hours service charge when it is made at the customer's request. Such a tariff compensates the utility for additional expenses incurred from providing after-hours service. Staff concludes that establishing a separate after-hours tariff that is applicable for any utility service provided outside of regular business hours at the customer's request is preferable to having after-hours tariffs for each specific activity. The after-hours fee of $25.00 would apply in addition to the applicable regular-hours charge for the specific service if the customer requests that the service be performed outside of normal working hours.

Q. What is Staff's recommendation?

A. Staff recommends approval of its rates and charges as shown in Schedules JMM-W19 and JMM-WW15, respectively, for the water division and the wastewater division.

X. FINANCING

Introduction

Q. Please give a brief introduction to the Company's proposed financing plan.

A. On November 31, 2011, the Company filed a financing application with the Commission, requesting Commission approval to borrow $511,000 from the Water Infrastructure Finance Authority of Arizona ("WIFA"). On May 1, 2012, the Company provided Staff

with a revised scope of work for the capital improvement projects related to the financing resulting in a small reduction in the cost estimate to $510,678.

Q. What is the purpose of the loan?

A. The Company stated that it will use the proceeds of the loan to upgrade plant items at Well Sites 3, 7 and 18, and to purchase a generator and replace broken gate valves in its water systems.

Q. Did Staff conduct an engineering analysis of the proposed financing?

A. Yes. Please refer to the testimony of Dorothy Hains and the associated engineering report for details of Staff's engineering analysis. In brief, the engineering analysis concludes that the proposed capital improvements at Well Sites 3, 7 and 18 and the valve replacements and other distribution system improvements are appropriate and the cost estimates are reasonable. However, Table 5 of the engineering report adjusts the costs for other items in the Company's capital improvement plan resulting in a total Staff-recommended cost of $426,249. Staff makes no "used and useful" determination of the proposed projects and no particular treatment should be inferred for rate making or rate base purposes in the future.

Q. What amount of financing does Staff recommend for the proposed capital improvements?

A. Staff recommends $426,249 of financing for the Company's proposed capital improvements.

Q. Did Staff conduct a financial analysis of the Company's ability to support debt service on a $426,249 loan?

A. Yes. Staff's financial analysis is shown in Schedules JMM-W16 and JMM-W17. Schedule JMM-W17, Column [C], presents pro forma financial information reflecting Staff's audit results and recommended rates with existing loans for both divisions.[3] Schedule JMM-W17, Column [D], presents pro forma financial information that modifies Column [C] to reflect the issuance of a $426,249, 20-year amortizing loan at 3.675 percent per annum with no surcharge, and Column [E] modifies Column [D] to reflect $42,443 of infrastructure surcharge revenue. Schedule JMM-W17 also presents the debt service coverage ratio ("DSC") for each scenario.

DSC represents the number of times internally-generated cash (i.e., earnings before interest, income tax, depreciation and amortization expenses) covers required principle and interest payments on short-term and long-term debt. A DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations.

The scenario for Schedule JMM-W17, Column [D] shows that a pro forma 0.83 DSC results from Staff's recommended permanent rates (no surcharge) revenue requirement and a fully drawn $426,249, 20-year amortizing loan at 3.675 percent annual interest with no surcharge. The pro forma DSC shows that, after issuing the anticipated new debt, the Company ***does not have adequate*** cash flows to meet all obligations. A cash flow analysis of this scenario[4] is presented in Schedule JMM-W16 under the title "Without Surcharge and with New Loan," and it confirms the DSC results showing a negative

[3] Since the Company, not either division separately, is obligated for the debt obligations, the combined DSC and cash flows are used for the analysis.

[4] However, unlike the DSC calculation, the cash flow analysis assumes that the debt service obligations are entirely attributed to the Water Division and that all infrastructure surcharge revenues are collected in the Water Division since the anticipated capital improvements are for the Water Division.

$25,102 cash flow for the Water Division. Therefore, the Company will need a source of funds other than permanent rates to meet all obligations associated with the anticipated new loan.

The scenario for Schedule JMM-W17, Column [E], shows that a pro forma 1.84 DSC results from Staff's recommended permanent rates revenue requirement augmented with $42,443 of infrastructure surcharge revenue. A cash flow analysis of this scenario is presented in Schedule JMM-W16 under the title "With Surcharge and with New Loan," and it confirms the DSC results showing $10,000 of positive cash flow for the Water Division.[5] Thus, $42,443 of infrastructure surcharge revenue provides cash flows to meet all obligations including the anticipated new debt and $10,000 for contingencies in the Water Division.

Q. How does the infrastructure surcharge work?

A. A surcharge mechanism establishes the methodology for calculating the surcharge amounts. Once the Company has closed on the WIFA loan, it would submit an application in this Docket requesting implementation of the infrastructure surcharge. Staff would then calculate the surcharge based on the authorized mechanism, and prepare and file a recommended order for Commission consideration.

Q. Has Staff calculated an estimated surcharge and also provided an estimated typical bill analysis?

A. Yes. The estimated infrastructure surcharge for each meter size is presented in Schedule JMM-W18 and the typical bill analysis is presented in Schedule JMM-W21. The estimated monthly surcharge for a 5/8 x 3/4-inch meter is $4.99.

[5] Since the Wastewater Division generates $8,190 of positive cash flow, the Company as a whole will have positive cash flow when the Water Division has positive cash flow.

Q. What is Staff's conclusion regarding the Company's financing?

A. Staff concludes that issuance of debt financing not to exceed $426,249 in the form of an amortizing loan of approximately 20 years for the purpose of making capital improvements at Well Sites 3, 7, and 18 and replacing plant items in the distribution system as recommended in Staff's Engineering Report is within the Company's corporate powers, is compatible with the public interest, will not impair its ability to provide services and is consistent with sound financial practices provided the rates authorized in this proceeding provide a 1.84 or greater DSC.[6] The remainder of the Company's request for borrowing authorization should be denied.

Q. What are Staff's recommendations?

A. Staff recommends:

Recommendations (not related to the Financing):

- Approval of Staff's rates and charges as shown in Schedules JMM-W19 and JMM-WW15. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).

- Directing the Company to docket with the Commission a schedule of its approved rates and charges within 30 days after the date the Decision in this matter is issued.

- Directing the Company to file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least five Best Management Practices ("BMPs"), in the form of tariffs that substantially conform to the templates created by Staff, for Commission review and consideration. The templates created by Staff are available on the Commission's website at http://www.azcc.gov/Divisions/Utilities/forms.asp (see Engineering Report).

- Directing the Company to submit a detailed water loss reduction plan with Docket Control, as a compliance item in this docket, before any rate increase adopted in this matter becomes effective (see Engineering Report).

[6] Staff generally considers 1.25 as the minimum DSC for a WIFA loan due to debt service reserve funding requirements. In this case, a higher DSC is required to provide the Company with adequate cash flow.

- Directing the Company to monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on an annual basis, the Company shall, within 270 days of a decision in this case, filed a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective (see Engineering Report).

- Directing the Company to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket, and for the first water loss progress report to be filed by June 30, 2013, and for Staff to determine that any future rate case filed by the Company is insufficient if these items are not properly submitted (see Engineering Report).

- Since the Company failed to comply with Commission Decision No. 68443 which ordered the Company to resolve the water storage deficiencies of Public Water System ("PWS") #02-048 and PWS #02-050 prior to filing its next rate application, directing the Company correct the water storage deficiencies of PWS #02-048 and PWS #02-050 before any rate increase adopted in this matter becomes effective (see Engineering Report).

- Directing the Company to immediately repair the leaks that Staff observed during its field inspection and to file, within 15 days of the effective date of the Commission's order in this matter, documentation showing that it has complied (see Engineering Report).

- Directing the Company to file with Docket Control, as a compliance item in this docket, an affidavit indicating that the water testing referenced in Table 4B has been completed and that the Company is delivering water to customers served by its non-community systems that complies with applicable water quality standards and to file its affidavit on a quarterly basis with the first affidavit due for the first quarter of 2013, by April 30, 2013, and to continue filing such quarterly reports until the non-community water systems become community water systems (see Engineering Report).

- Authorizing the depreciation rates by individual NARUC account, as presented in Table B of Staff's Engineering Report.

- Directing the Company, as a compliance item in this case, to notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly-scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.

Recommendations pertaining to the Financing Application:

- Granting the Company authorization to incur an 18- to 22-year amortizing loan in an amount not to exceed $426,249 pursuant to a loan agreement with WIFA and at an interest rate not to exceed that available from WIFA for the purpose of making capital

improvements at Well Sites 3, 7, and 18 and replacing plant items in the distribution system as recommended in Staff's Engineering Report, subject to the condition that the Company is authorized sufficient revenue in this rate case via permanent rates and an infrastructure surcharge to meet its debt service and the associated loan covenants.

- Establishing an expiration date for any unused authorization to incur debt granted in this proceeding of December 31, 2014.

- Directing the Company to file as a compliance item in this Docket, within 30 days of the execution of any financing transaction authorized herein, a notice confirming that such execution has occurred and a certification by an authorized Company representative that the terms of the financing fully comply with the authorizations granted.

- Directing the Company to provide to the Staff's Compliance Section, a copy of any WIFA loan documents executed pursuant to the authorizations granted herein, within 30 days of the execution of the loan, and also to file a letter in Docket Control verifying that such documents have been provided.

- Granting the Company authorization to charge an infrastructure surcharge to become effective at a date and in a manner as subsequently authorized by the Commission.

- Directing the Company to file in this Docket, upon filing of the loan closing notice and upon providing the loan documents to Staff, an application requesting to implement an associated surcharge.

- Directing Staff to calculate the appropriate WIFA surcharge and prepare and file a recommended order for Commission consideration within 60 days of the filing of a surcharge implementation request by the Company and to calculate the surcharge based on the actual loan debt service (interest and principal) payments and using the current customer count at the time of the loan closing to provide the cash flow adopted in this proceeding.

- Authorizing the Company to pledge its assets in the State of Arizona pursuant to Arizona Revised Statutes § 40-285 and A.A.C. R18-15-104 in connection with the WIFA loan.

- Authorizing the Company to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Q. Does this conclude your direct testimony?

A. Yes, it does

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Direct Testimony of Jeffrey M. Michlik

TABLE OF CONTENTS TO SCHEDULES

SCH #	TITLE
JMM-W1	REVENUE REQUIREMENT
JMM-W2	GROSS REVENUE CONVERSION FACTOR
JMM-W3	RATE BASE - ORIGINAL COST
JMM-W4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JMM-W5	ORIGINAL COST RATE BASE ADJUSTMENT # 1 - POST TEST YEAR PLANT
JMM-W6	ORIGINAL COST RATE BASE ADJUSTMENT # 2 - PLANT NOT USED AND USEFUL
JMM-W7	ORIGINAL COST RATE BASE ADJUSTMENT # 3 - NOT USED
JMM-W8	ORIGINAL COST RATE BASE ADJUSTMENT # 4 - CUSTOMER DEPOSITS
JMM-W9	ORIGINAL COST RATE BASE ADJUSTMENT # 5 - CASH WORKING CAPITAL
JMM-W10	OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED
JMM-W11	SUMMARY OF OPERTING INCOME STATEMENT ADJUSTMENTS - TEST YEAR
JMM-W12	OPERATING INCOME ADJUSTMENT # 1 - WATER TESTING EXPENSE
JMM-W13	OPERATING INCOME ADJUSTMENT # 2 - DEPRECIATION EXPENSE
JMM-W14	OPERATING INCOME ADJUSTMENT # 3 - PROPERTY TAX EXPENSE
JMM-W15	OPERATING INCOME ADJUSTMENT # 4 - INCOME TAX EXPENSE
JMM-W16	CASH FLOW ANALYSIS
JMM-W17	FINANCING ANALYSIS
JMM-W18	CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT
JMM-W19	RATE DESIGN
JMM-W20	TYPICAL BILL
JMM-W21	TYPICAL BILL WITH SURCHARGE

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$ 96,746	$ 38,541
2	Adjusted Operating Income (Loss)	$ (41,272)	$ (32,624)
3	Current Rate of Return (L2 / L1)	-42.66%	-84.65%
4	Required Rate of Return	35.00%	11.50%
5	Required Operating Income (L4 * L1)	$ 33,861	$ 4,432
6	Operating Income Deficiency (L5 - L2)	$ 75,133	$ 37,056
7	Gross Revenue Conversion Factor	1.3100	1.2892
8	Required Revenue Increase (L7 * L6)	$ 98,423	**$ 47,773**
9	Adjusted Test Year Revenue	$ 168,250	$ 168,250
10	Proposed Annual Revenue	$ 266,673	$ 216,023
11	Required Increase in Revenue (%)	58.50%	28.39%

References:
Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-W3 and JMM-W10

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	22.4319%			
5	Subtotal (L3 - L4)	77.5681%			
6	**Revenue Conversion Factor (L1 / L5)**	1.289190			
	Calculation of Effective Tax Rate:				
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	13.9548%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		20.9228%		
	Calculation of Effective Property Tax Factor				
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	20.9228%			
15	One Minus Combined Income Tax Rate (L13-L14)	79.0772%			
16	Property Tax Factor (JMM-W14, L27)	1.9084%			
17	Effective Property Tax Factor (L15*L16)		1.5091%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			22.4319%	
19	Required Operating Income (Schedule JMM-W1, Line 5)	$ 4,432			
20	AdjustedTest Year Operating Income (Loss) (JMM-W10, L35)	(32,624)			
21	Required Increase in Operating Income (L19 - L20)		$ 37,056		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	$ (222)			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	(10,027)			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		9,805		
25	Recommended Revenue Requirement (Schedule JMM-W1, Line 10)	$ 216,023			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	$ -			
28	Adjusted Test Year Uncollectible Expense	$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-W14, L21)	$ 10,544			
31	Property Tax on Test Year Revenue (Schedule JMM-W14, Line 17)	9,633			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		912		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		$ 47,773		

	Calculation of Income Tax:	Test Year		Staff Recommended	Staff W/Surcharge
34	Revenue (Schedule JMM-W1, Col. [B], Line 9 & Sch. JMM-W1, Col. [B] Line 10)	$ 168,250	$ 47,773	$ 216,023	$ 258,465
35	Operating Expenses Excluding Income Taxes	$ 210,901		$ 211,813	$ 212,623
36	Synchronized Interest (L51)	$ 5,271		$ 5,271	$ 20,689
37	Arizona Taxable Income (L34 - L35 - L36)	$ (47,922)		$ (1,061)	$ 25,153
38	Arizona State Income Tax Rate	6.9680%		6.9680%	6.9680%
39	Arizona Income Tax (L37 x L38)	$ (3,339)		$ (74)	$ 1,753
40	Federal Taxable Income (L37- L39)	$ (44,583)		$ (987)	$ 23,401
41	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (6,687)		$ (148)	$ 3,510
42	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -		$ -	$ -
43	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -	$ -
44	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -	$ -
45	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -	$ -
46	Total Federal Income Tax	$ (6,687)		$ (148)	$ 3,510
47	Combined Federal and State Income Tax (L39 + L46)	$ (10,027)		$ (222)	$ 5,263

48 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 15.0000%

$ 5,271

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 1,102,085	$ (22,301)	$ 1,079,784
2	Less: Accumulated Depreciation	909,719	(10,953)	898,766
3	Net Plant in Service	$ 192,366	$ (11,349)	$ 181,017
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 265,728	$ -	$ 265,728
5	Less: Accumulated Amortization	229,063	-	$ 229,063
6	Net CIAC	36,665	-	$ 36,665
7	Advances in Aid of Construction (AIAC)	78,613	-	78,613
8	Customer Deposits	-	46,540	46,540
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Working Capital Allowance	19,658	(317)	19,341
11	Defered Regulatory Assets	-	-	-
12	**Original Cost Rate Base**	$ 96,746	$ (58,205)	$ 38,541

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Schedule JMM-W4

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Post Test Year Plant Adjustment Ref: Sch JMM-W5	[C] ADJ #2 Plant Not Used And Useful Ref: Sch JMM-W6	[D] ADJ #3 Not Used Ref: Sch JMM-W7	[E] ADJ #4 Customer Deposits Ref: Sch JMM-W8	[F] ADJ #5 Cash Working Capital Ref: Sch JMM-W9	[G] STAFF ADJUSTED
1	*PLANT IN SERVICE:*								
2	301	Organization Cost	$ 1,625	$ -	$ -	$ -	$ -	$ -	$ 1,625
3	302	Franchise Cost	-	-	-	-	-	-	-
4	303	Land and Land Rights	210	-	-	-	-	-	210
5	304	Structures and Improvements	28,565	-	-	-	-	-	28,565
6	305	Collecting and Impounding Res.	-	-	-	-	-	-	-
7	306	Lake River and Other Intakes	-	-	-	-	-	-	-
8	307	Wells and Springs	179,255	-	-	-	-	-	179,255
9	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-
10	309	Supply Mains	-	-	-	-	-	-	-
11	310	Power Generation Equipment	-	-	-	-	-	-	-
12	311	Electric Pumping Equipment	172,837	11,849	(7,561)	-	-	-	177,126
13	320.1	Water Treatment Plants	-	-	-	-	-		-
14	320.2	Solution Chemical Feeders	4,574	-	-	-	-		4,574
15	330	Distribution Reservoirs & Standpipe	16,011	-	-	-	-	-	16,011
16	330.1	Storage Tanks	122,423		(26,590)				95,833
17	330.2	Pressure Tanks	-						-
18	331	Transmission and Distribution Mains	349,433	-	-	-	-	-	349,433
19	333	Services	121,259	-	-	-	-		121,259
20	334	Meters	83,678	-	-	-	-		83,678
21	335	Hydrants	12,214	-	-	-	-	-	12,214
22	336	Backflow Prevention Devices	-	-	-	-	-	-	-
23	339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-
24	340	Office Furniture and Fixtures	3,274	-	-	-	-	-	3,274
25	341	Transportation Equipment	-	-	-	-	-	-	-
26	342	Stores Equipment	-	-	-	-	-	-	-
25	343	Tools and Work Equipment	6,727	-	-	-	-		6,727
26	344	Laboratory Equipment	-	-	-	-	-	-	-
27	345	Power Operated Equipment	-	-	-	-	-	-	-
28	346	Communications Equipment	-	-	-	-	-	-	-
29	347	Miscellaneous Equipment	-	-	-	-	-	-	-
30	348	Other Tangible Plant	-	-	-	-	-	-	-
31	Total Plant in Service - Actual		1,102,085	-	-	-	-	-	1,079,784
32		Post Test-Year Plant	-						-
33	Total Plant in Service		$ 1,102,085	$ 11,849	$ (34,151)	$ -	$ -	$ -	$ 1,079,784
34	Less: Accumulated Depreciation		909,719	(741)	(10,212)	-	-	-	898,766
35			-	-	-		-	-	-
36	Net Plant in Service		$ 192,366	$ 12,590	$ (23,939)	$ -	$ -	$ -	$ 181,017
37									
38	*LESS:*								
39	Contributions in Aid of Construction (CIAC)		$ 265,728	$ -	$ -	$ -	$ -	$ -	$ 265,728
40	Less: Accumulated Amortization		229,063	-	-	-	-	-	229,063
41	Net CIAC (L39 - L40)		36,665	-	-	-	-	-	36,665
42	Advances in Aid of Construction (AIAC)		78,613	-	-	-	-	-	78,613
43	Customer Deposits		-	-	-	-	46,540	-	46,540
44	Deferred Income Taxes		-	-	-	-	-	-	-
45			-						-
46									
47	*ADD:*								
48	Working Capital Allowance		19,658	-	-	-	-	(317)	19,341
49	Defered Regulatory Assets		-	-	-	-	-	-	-
50									
51	**Original Cost Rate Base**		$ 96,746	$ 12,590	$ (23,939)	$ -	$ (46,540)	$ (317)	$ 38,541

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W5

RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	311	Electric Pumping Equipment	$ 172,837	$ 11,849	$ 184,686
2					
3		Accumulated Depreciation	$ 909,719	$ (741)	$ 908,978

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W6

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A] Plant in Service Per Company	[B] Not Used and Useful Plant	[C] Plant in Service Per Staff (Col A + Col B)
1	311	Pumping Equipment	$ 172,837	$ (7,561)	$ 165,276
2	330.1	Storage Tanks	122,423	(26,590)	95,833
3		Total	$ 295,260	$ (34,151)	$ 261,109
4					
5		Accumulated Depreciation	$ 909,719	$ (10,212)	$ 899,507

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - NOT USED

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W8

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Customer Deposits	$ -	$ 46,540	$ 46,540
2				
3	Staff's Calculation			

4	GL Account	Amount	Description
5	03-2341	$ 40,253	Meter Deposits
6	03-2351	6,284	Security Deposits
7	03-2353	3	Unclaimed Security Deposits
8	Total	$ 46,540	

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W9

RATE BASE ADJUSTMENT NO. 5 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Cash Working Capital	$ 19,658	$ (317)	$ 19,341
2				
3	Staff's Calculation of Cash Working Capital			
4	1/24th Purchased Power	$ 1,690		
5	1/8th Operation & Maintenance Expense	17,652		
6	Total Cash Working Capital	$ 19,341		

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED	[F] SURCHARGE	[G] STAFF RECOMMENDED WITH SURCHARGE
1	*REVENUES:*							
2	Metered Water Sales	$ 165,031	$ -	$ 165,031	$ 47,773	$ 212,804	$ 42,443	$ 255,246
3	Water Sales-Unmetered	-	-	-	-	-		-
4	Other Water Revenue	3,219	-	3,219	-	3,219		3,219
5	Intentionally Left Blank	-	-	-	-	-		-
6	**Total Operating Revenues**	$ 168,250	$ -	$ 168,250	$ 47,773	$ 216,023	$ 42,443	$ 258,465
7								
8	*OPERATING EXPENSES:*							
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -		$ -
10	Purchased Water	-	-	-	-	-		-
11	Purchased Power	40,551	-	40,551	-	40,551		40,551
12	Fuel for Power Production	-	-	-	-	-		-
13	Chemicals	1,811	-	1,811	-	1,811		1,811
14	Repairs and Maintenance	12,168	-	12,168	-	12,168		12,168
15	Office Supplies and Expense	9,437	-	9,437	-	9,437		9,437
16	Outside Services	92,240	-	92,240	-	92,240		92,240
17	Outside Services - Other	-	-	-	-	-		-
18	Outside Services - Legal	-	-	-	-	-		-
19	Water Testing	7,172	(2,535)	4,637	-	4,637		4,637
20	Rents	-	-	-	-	-		-
21	Transportation Expenses	6,938	-	6,938	-	6,938		6,938
22	Insurance - General Liability	3,443	-	3,443	-	3,443		3,443
23	Insurance - Health and Life	-	-	-	-	-		-
24	Regulatory Commission Expenese	-	-	-	-	-		-
25	Regulatory Commission Expense - Rate Case	10,000	-	10,000	-	10,000		10,000
26	Miscellaneous Expense	540	-	540	-	540		540
27	Bad Debt Expense	-	-	-	-	-		-
28	Depreciation Expense	28,545	(9,367)	19,178	-	19,178		19,178
29	Amortization of CIAC	-	-	-	-	-		-
30	Taxes Other than Income	-	-	-	-	-		-
31	Property Taxes	9,698	(65)	9,633	912	10,544	810	11,354
32	Income Taxes	(13,346)	3,319	(10,027)	9,805	(222)	5,485	5,263
33	Interest on Customer Deposits	325	-	325	-	325		325
34	**Total Operating Expenses**	$ 209,522	$ (8,648)	$ 200,874	$ 10,716	$ 211,591	$ 6,295	$ 217,885
35	**Operating Income (Loss)**	$ (41,272)	$ 8,648	$ (32,624)	$ 37,056	$ 4,432	$ 36,148	$ 40,580

References:
Column (A): Company Schedule C-1
Column (B): Schedule JMM-W11
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-W1, JMM-W14 and JMM-W15
Column (E): Column (C) + Column (D)
Column (F): Surcharge plus incremental property and income taxes
Column (G): Column (E) + Column (F)

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W11

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Testing Expenses ADJ #1	[C] Depreciation Expense ADJ #2	[D] Property Tax Expense ADJ #3	[E] Income Tax Expense ADJ #4	[F] STAFF ADJUSTED
			Ref: Sch JMM-W12	Ref: Sch JMM-W13	Ref: Sch JMM-W14	Ref: Sch JMM-W15	
1	*REVENUES:*						
2	Metered Water Sales	$ 165,031	$ -	$ -	$ -	$ -	$ 165,031
3	Water Sales-Unmetered	-	-	-	-	-	-
4	Other Water Revenue	3,219	-	-	-	-	3,219
5	Intentionally Left Blank	-	-	-	-	-	-
6	**Total Operating Revenues**	$ 168,250	$ -	$ -	$ -	$ -	$ 168,250
7							
8	*OPERATING EXPENSES:*						
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Water	-	-	-	-	-	-
11	Purchased Power	40,551	-	-	-	-	40,551
12	Fuel for Power Production	-	-	-	-	-	-
13	Chemicals	1,811	-	-	-	-	1,811
14	Repairs and Maintenance	12,168	-	-	-	-	12,168
15	Office Supplies and Expense	9,437	-	-	-	-	9,437
16	Outside Services	92,240	-	-	-	-	92,240
17	Outside Services - Other	-	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-	-
19	Water Testing	7,172	(2,535)	-	-	-	4,637
20	Rents	-	-	-	-	-	-
21	Transportation Expenses	6,938	-	-	-	-	6,938
22	Insurance - General Liability	3,443	-	-	-	-	3,443
23	Insurance - Health and Life	-	-	-	-	-	-
24	Regulatory Commission Expenese	-	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	10,000	-	-	-	-	10,000
26	Miscellaneous Expense	540	-	-	-	-	540
27	Bad Debt Expense	-	-	-	-	-	-
28	Depreciation Expense	28,545	-	(9,367)	-	-	19,178
29	Amortization of CIAC	-	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-	-
31	Property Taxes	9,698	-	-	(65)	-	9,633
32	Income Taxes	(13,346)	-	-	-	3,319	(10,027)
33	Interest on Customer Deposits	325	-	-	-	-	325
34	**Total Operating Expenses**	$ 209,522	$ (2,535)	$ (9,367)	$ (65)	$ 3,319	$ 200,874
35	**Operating Income (Loss)**	$ (41,272)	$ 2,535	$ 9,367	$ 65	$ (3,319)	$ (32,624)

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W12

OPERATING ADJUSTMENT NO. 1 - WATER TESTING EXPENSE

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing	$ 7,172	$ (2,535)	$ 4,637

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	$ 1,625	$ 1,625	$ -	0.00%	$ -
2	302	Franchise Cost	$ -	$ -	$ -	0.00%	$ -
3	303	Land and Land Rights	$ 210	$ 210	$ -	0.00%	$ -
4	304	Structures and Improvements	$ 28,565	$ 28,565	$ -	3.33%	$ -
5	305	Collecting and Impounding Res.	$ -	$ -	$ -	2.50%	$ -
6	306	Lake River and Other Intakes	$ -	$ -	$ -	2.50%	$ -
7	307	Wells and Springs	$ 179,255	$ -	$ 179,255	3.33%	$ 5,969
8	308	Infiltration Galleries and Tunnels	$ -	$ -	$ -	6.67%	$ -
9	309	Supply Mains	$ -	$ -	$ -	2.00%	$ -
10	310	Power Generation Equipment	$ -	$ -	$ -	5.00%	$ -
11	311	Electric Pumping Equipment	$ 177,126	$ 121,259	$ 55,867	12.50%	$ 6,983
12	320	Water Treatment Equipment	$ -	$ -	$ -	3.33%	$ -
13	320	Water Treatment Plant	$ 4,574	$ -	$ 4,574	20.00%	$ 915
14	330	Distribution Reservoirs & Standpipe	$ 16,011	$ 16,011	$ -	2.22%	$ -
15	330.1	Storage Tanks	$ 122,423	$ -	$ 122,423	2.22%	$ 2,718
16	330.2	Pressure Tanks	$ -	$ -	$ -	5.00%	$ -
17	331	Transmission and Distribution Mains	$ 349,433	$ -	$ 349,433	2.00%	$ 6,989
18	333	Services	$ 121,259	$ -	$ 121,259	3.33%	$ 4,038
19	334	Meters	$ 83,678	$ 78,938	$ 4,740	8.33%	$ 395
20	335	Hydrants	$ 12,214	$ 9,850	$ 2,364	2.00%	$ 47
21	336	Backflow Prevention Devices	$ -	$ -	$ -	6.67%	$ -
22	339	Other Plant and Miscellaneous Equipment	$ -	$ -	$ -	6.67%	$ -
23	340	Office Furniture and Fixtures	$ 3,274	$ 3,274	$ -	6.67%	$ -
24	341	Transportation Equipment	$ -	$ -	$ -	20.00%	$ -
25	342	Stores Equipment	$ -	$ -	$ -	4.00%	$ -
26	343	Tools and Work Equipment	$ 6,727	$ 6,727	$ -	5.00%	$ -
27	344	Laboratory Equipment	$ -	$ -	$ -	10.00%	$ -
28	345	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
29	346	Communications Equipment	$ -	$ -	$ -	10.00%	$ -
30	347	Miscellaneous Equipment	$ -	$ -	$ -	10.00%	$ -
31	348	Other Tangible Plant	$ -	$ -	$ -	10.00%	$ -
32		Total Plant	$ 1,106,374	$ 266,459	$ 839,915		$ 28,054
33							
34		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	3.34%				
35		CIAC:	$ 265,728				
36		Amortization of CIAC (Line 32 x Line 33):	$ 8,876				
37							
38		Depreciation Expense Before Amortization of CIAC:	$ 28,054				
39		Less Amortization of CIAC:	$ 8,876				
40		**Test Year Depreciation Expense - Staff:**	**$ 19,178**				
41		Depreciation Expense - Company:	$ 28,545				
42		**Staff's Total Adjustment:**	**$ (9,367)**				
43							

Note: For accounts 311, 334, and 335 the Company recognizes a portion of the origingal cost balance as fully depreciated. See Company Schedule C-2Wc.

References:
Column [A]: Schedule JMM-W4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 3 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED	[C] STAFF W/SURCHARGE
1	Staff Adjusted Test Year Revenues	$ 168,250	$ 168,250	$ 168,250
2	Weight Factor	2	2	2
3	Subtotal (Line 1 * Line 2)	336,500	$ 336,500	$ 336,500
4	Staff Recommended Revenue, Per Schedule JMM-1	168,250	$ 216,023	$ 258,465
5	Subtotal (Line 4 + Line 5)	504,750	552,523	594,965
6	Number of Years	3	3	3
7	Three Year Average (Line 5 / Line 6)	168,250	$ 184,174	$ 198,322
8	Department of Revenue Mutilplier	2	2	2
9	Revenue Base Value (Line 7 * Line 8)	336,500	$ 368,349	$ 396,644
10	Plus: 10% of CWIP -	-	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	336,500	$ 368,349	$ 396,644
13	Assessment Ratio	20.5%	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	68,983	$ 75,511	$ 81,312
15	Composite Property Tax Rate (Per Company Schedule)	13.9638%	13.9638%	13.9638%
16			$ -	
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 9,633		
18	Company Proposed Property Tax	9,698		
19				
20	Staff Test Year Adjustment (Line 17-Line 18)	$ (65)		
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 10,544	$ 11,354
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		$ 9,633	$ 10,544
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 912	$ 810
24				
25	Increase to Property Tax Expense		$ 912	
26	Increase in Revenue Requirement		47,773	
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.908386%	

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W15

OPERATING INCOME ADJUSTMENT NO. 4 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ (13,346)	$ 3,319	$ (10,027)

References:
Column (A), Company Schedule C-1
Column (B): Column [C] - Column [A]
Column (C): Schedule JMM-W2

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W16

Line No.		Without Surcharge	Without Surcharge and with New Loan	With Surcharge and with New Loan
1	**Cash Inflows**			
2	Revene - Base Rates	$ 216,023	$ 216,023	$ 216,023
3	Revenue - Surcharge for $10,000 Cash Flow with Loan			$ 42,443
4	Total Revenue	$ 216,023	$ 216,023	$ 258,465
5				
6	**Cash Outflows**			
7	Salaries and Wages	$ -	$ -	$ -
8	Purchased Water	$ -	$ -	$ -
9	Purchased Power	$ 40,551	$ 40,551	$ 40,551
10	Fuel for Power Production	$ -	$ -	$ -
11	Chemicals	$ 1,811	$ 1,811	$ 1,811
12	Repairs and Maintenance	$ 12,168	$ 12,168	$ 12,168
13	Office Supplies and Expense	$ 9,437	$ 9,437	$ 9,437
14	Outside Services	$ 92,240	$ 92,240	$ 92,240
15	Outside Services - Other	$ -	$ -	$ -
16	Outside Services - Legal	$ -	$ -	$ -
17	Water Testing	$ 4,637	$ 4,637	$ 4,637
18	Rents	$ -	$ -	$ -
19	Transportation Expenses	$ 6,938	$ 6,938	$ 6,938
20	Insurance - General Liability	$ 3,443	$ 3,443	$ 3,443
21	Insurance - Health and Life	$ -	$ -	$ -
22	Regulatory Commission Expenese	$ -	$ -	$ -
23	Regulatory Commission Expense - Rate Case	$ 10,000	$ 10,000	$ 10,000
24	Miscellaneous Expense	$ 540	$ 540	$ 540
25	Bad Debt Expense	$ -	$ -	$ -
26	Depreciation Expense	$ 19,178	$ 19,178	$ 19,178
27	Amortization of CIAC	$ -	$ -	$ -
28	Taxes Other than Income	$ -	$ -	$ -
29	Property Taxes	$ 10,544	$ 10,544	$ 11,354
30	Income Taxes	$ (222)	$ (3,448)	$ 5,263
31	Interest on Customer Deposits	$ 325	$ 325	$ 325
32	Total Expenses	$ 211,591	$ 208,365	$ 217,885
33				
34	**Operating Income**	$ 4,432	$ 7,658	$ 40,580
35				
36	Plus Depreciation Expense	$ 19,178	$ 19,178	$ 19,178
37	Less: AIAC Refunded in Test Year	$ 525	$ 525	$ 525
38	Less: WIFA Loan Payment Interest[1]	$ 5,271	$ 20,689	$ 20,689
39	Less: WIFA Loan Payment Principle[1]	$ 5,630	$ 20,339	$ 20,339
40	**Cash Flow from Operations before WIFA Reserve**	$ 12,185	$ (14,716)	$ 18,206
41				
42	WIFA Reserve (20% of Principal and Interest)	$ 2,180	$ 10,386	$ 8,206
43	**Cash Flow from Operations after WIFA Reserve**	**$ 10,004**	**$ (25,102)**	**$ 10,000**
44				
45	Operating Income	$ 4,432	$ 7,658	$ 40,580
46	Less: WIFA Loan Payment Interest	$ 5,271	$ 20,689	$ 20,689
47	**Net Income**	$ 9,703	$ 28,348	$ 19,891
48				
49	Rate of Return on Rate Base	11.50%	19.87%	105.29%
50	Operating Margin	2.05%	3.55%	15.70%

[1] Calculated based on WIFA loans authorized in Decision Nos. 62583 and 68443.

		[A] Water 12/31/2010	[B] Wastewater 12/31/2010	[C] Combined 12/31/2010	[D] *Pro forma Combined Without Surcharge*	[E] *Pro forma Combined Includes Surcharge*
1	Operating Income	$4,432	$8,273	$12,705	$12,705	$48,853
2	Depreciation & Amort.	19,178	0	$19,178	$19,178	19,178
3	Income Tax Expense	-222	2,189	$1,967	$1,967	7,452
4						
5	Interest Expense	5,271	0	$5,271	$20,689	20,689
6	Repayment of Principal	5,630	0	$5,630	$20,339	20,339
7						
8	**TIER**					
9	[1+3] ÷ [5]	0.80	N/M	2.78	0.71	2.72
10						
11	**DSC**					
12	[1+2+3] ÷ [5+6]	2.15	N/M	3.11	0.83	1.84
13						
14						

References:
Column [A]: Staff Recommended Water Divison
Column [B]: Staff Recommended Wastewater Division
Column [C]: Column [A] + Column [B]
Column [D]: Pro forma Loan with no Surcharge
Column [E]: Pro forma Loan includes Surcharge

CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT

Infrastructure Surcharge Based on AWWA Meter Multipliers

Loan Amount		**$**	**426,249**
Additional Revenue Required for $10,000 Cash Flow		**$**	**42,443**
Total Equivalent Annual Bills			**8,502**
5/8"x 3/4" Meter Surcharge Amount	$ 42,443 / 8,502 =	**$**	**4.99**
3/4" Meter Surcharge Amount	$ 42,443 / 8,502 x 1.5 =	**$**	**7.49**
1" Meter Surcharge Amount	$ 42,443 / 8,502 x 2.5 =	**$**	**12.48**
1 1/2" Meter Surcharge Amount	$ 42,443 / 8,502 x 5 =	**$**	**24.96**
2" Meter Surcharge Amount	$ 42,443 / 8,502 x 8 =	**$**	**39.94**
3." Meter Surcharge Amount	$ 42,443 / 8,502 x 16 =	**$**	**79.87**
4" Meter Surcharge Amount	$ 42,443 / 8,502 x 25 =	**$**	**124.80**
6" Meter Surcharge Amount	$ 42,443 / 8,502 x 50 =	**$**	**249.60**

Meter Size	Number of Customers [1]	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	582	1	582	6,984	$ 4.99	$ 59.90	$ 34,865
3/4" Meter	6	1.5	9	108	7.49	89.86	$ 539
1" Meter	17	2.5	43	510	12.48	149.76	$ 2,546
1 1/2" Meter	7	5	35	420	24.96	299.52	$ 2,097
2" Meter	3	8	24	288	39.94	479.24	$ 1,438
3" Meter	1	16	16	192	79.87	958.48	$ 958
4" Meter	-	25	-	-	124.80	1,497.62	$ -
6" Meter	-	50	-	-	249.60	2,995.24	$ -
TOTAL	616		709	8,502			$ 42,443

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	$ 11.00	$ 16.00	$ 12.00
3/4 Inch	14.50	24.00	18.00
1 Inch	23.25	40.00	30.00
1 1/2 Inch	44.00	80.00	60.00
2 Inch	66.00	128.00	96.00
3 Inch	125.50	256.00	192.00
4 Inch	250.00	400.00	300.00
6 Inch	500.00	800.00	600.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	$ 1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 3,000 gallons	N/A	N/A	$ 1.4000
3,001 to 8,000 gallons	N/A	N/A	3.5000
Over 8,000 gallons	N/A	N/A	5.0000
3/4" Meter (Residential)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 3,000 gallons	N/A	N/A	1.4000
3,001 to 8,000 gallons	N/A	N/A	3.5000
Over 8,000 gallons	N/A	N/A	5.0000
5/8" x 3/4" Meter (Commerical/Irrigation)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 8,000 gallons	N/A	N/A	3.5000
Over 8,000 gallons	N/A	N/A	5.0000
3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 8,000 gallons	N/A	N/A	3.5000
Over 8,000 gallons	N/A	N/A	5.0000
1" Meter (All Classes)			
First 31,000 gallons	2.2500	N/A	N/A
Over 31,000 gallons	3.5000	N/A	N/A
First 30,000 gallons	N/A	3.7500	N/A
Over 30,000 gallons	N/A	6.0000	N/A
First 15,000 gallons	N/A	N/A	3.5000
Over 15,000 gallons	N/A	N/A	5.0000
1.5" Meter (All Classes)			
First 58,000 gallons	2.2500	N/A	N/A
Over 58,000 gallons	3.5000	N/A	N/A
First 50,000 gallons	N/A	3.7500	N/A
Over 50,000 gallons	N/A	6.0000	N/A
First 35,000 gallons	N/A	N/A	3.5000
Over 35,000 gallons	N/A	N/A	5.0000

Rate Design

2" Meter (All Classes)			
First 74,000 gallons	2.2500	N/A	N/A
Over 74,000 gallons	3.5000	N/A	N/A
First 70,000 gallons	N/A	3.7500	N/A
Over 70,000 gallons	N/A	6.0000	N/A
First 60,000 gallons	N/A	N/A	3.5000
Over 60,000 gallons	N/A	N/A	5.0000
3" Meter (All Classes)			
First 100,000 gallons	2.2500	3.7500	N/A
Over 100,000 gallons	3.5000	6.0000	N/A
First 125,000 gallons	N/A	N/A	3.5000
Over 125,000 gallons	N/A	N/A	5.0000
4" Meter (All Classes)			
First 150,000 gallons	2.2500	3.7500	N/A
Over 150,000 gallons	3.5000	6.0000	N/A
First 200,000 gallons	N/A	N/A	3.5000
Over 200,000 gallons	N/A	N/A	5.0000
6" Meter (All Classes)			
First 250,000 gallons	2.2500	3.7500	N/A
Over 250,000 gallons	3.5000	6.0000	N/A
First 400,000 gallons	N/A	N/A	3.5000
Over 400,000 gallons	N/A	N/A	5.0000
Bulk Water Sales - 3"			
Excess of Minimum	4.0000	6.0000	N/A
All Usage (per 1,000 gallons)	N/A	N/A	5.0000

Other Service Charges

Establishment	$ 30.00	$ 35.00	$ 35.00
Establishment (After Hours)	$ 45.00	N/A	N/A
Reconnection (Delinquent)	$ 30.00	$ 40.00	$ 40.00
Meter Test (If Correct)	$ 45.00	$ 45.00	$ 45.00
Meter Reread (If Correct)	$ 25.00	$ 30.00	$ 30.00
NSF Check Charge	$ 20.00	$ 25.00	$ 25.00
Deposit	*	*	*
Deposit Interest (Per Annum)	*	*	*
Deferred Payment (Per Month)	1.50%	1.50%	**
Late Payment Fee (Per Month)	N/A	2.00%	1.50%
Re-establishment (within 12 months)	***	***	***
After Hours Service Charge	N/A	$ 25.00	$ 25.00

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
**** 2% of monthly minimum for a comparable sized meter connection, but no less than $10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
Service Size 5/8"	$ 550.00	$ 445.00	$ 155.00	$ 600.00	$ 445.00	$ 155.00	$ 600.00
3/4"	$ 550.00	$ 445.00	$ 255.00	$ 700.00	$ 445.00	$ 255.00	$ 700.00
1"	$ 650.00	$ 495.00	$ 315.00	$ 810.00	$ 495.00	$ 315.00	$ 810.00
1-1/2"	$ 875.00	$ 550.00	$ 525.00	$ 1,075.00	$ 550.00	$ 525.00	$ 1,075.00
2" Turbine	$ 1,400.00	$ 830.00	$ 1,045.00	$ 1,875.00	$ 830.00	$ 1,045.00	$ 1,875.00
2" Compound	N/A	$ 830.00	$ 1,890.00	$ 2,720.00	$ 830.00	$ 1,890.00	$ 2,720.00
3" Turbine	$ 1,900.00	$ 1,045.00	$ 1,670.00	$ 2,715.00	$ 1,045.00	$ 1,670.00	$ 2,715.00
3" Compound	N/A	$ 1,165.00	$ 2,545.00	$ 3,710.00	$ 1,165.00	$ 2,545.00	$ 3,710.00
4" Turbine	$ 3,200.00	$ 1,490.00	$ 2,670.00	$ 4,160.00	$ 1,490.00	$ 2,670.00	$ 4,160.00
4" Compound	N/A	$ 1,670.00	$ 3,645.00	$ 5,315.00	$ 1,670.00	$ 3,645.00	$ 5,315.00
6" Turbine	$ 5,800.00	$ 2,210.00	$ 5,025.00	$ 7,235.00	$ 2,210.00	$ 5,025.00	$ 7,235.00
6" Compound	N/A	$ 2,330.00	$ 6,920.00	$ 9,250.00	$ 2,300.00	$ 6,920.00	$ 9,220.00

Other Rates and Charges by Order:

In Addition to the Collection of its regular rates and charges, the Company shall collect from customers their proportionate share of any privilege, sales or use tax in accordance with R14-2-409.D.5.

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W20

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,179	$ 19.65	$ 29.63	$ 9.98	50.77%
Median Usage	3,318	15.47	22.65	$ 7.19	46.47%
Staff Recommended					
Average Usage	5,179	$ 19.65	$ 23.83	$ 4.17	21.24%
Median Usage	3,318	15.47	17.31	$ 1.85	11.95%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 11.00	$ 16.00	45.45%	$ 12.00	9.09%
1,000	12.25	17.82	45.47%	13.40	9.39%
2,000	13.50	19.64	45.48%	14.80	9.63%
3,000	14.75	21.46	45.49%	16.20	9.83%
4,000	17.00	25.21	48.29%	19.70	15.88%
5,000	19.25	28.96	50.44%	23.20	20.52%
6,000	21.50	32.71	52.14%	26.70	24.19%
7,000	23.75	36.46	53.52%	30.20	27.16%
8,000	26.00	40.21	54.65%	33.70	29.62%
9,000	28.25	46.21	63.58%	38.70	36.99%
10,000	30.50	52.21	71.18%	43.70	43.28%
11,000	34.00	58.21	71.21%	48.70	43.24%
12,000	37.50	64.21	71.23%	53.70	43.20%
13,000	41.00	70.21	71.24%	58.70	43.17%
14,000	44.50	76.21	71.26%	63.70	43.15%
15,000	48.00	82.21	71.27%	68.70	43.13%
16,000	51.50	88.21	71.28%	73.70	43.11%
17,000	55.00	94.21	71.29%	78.70	43.09%
18,000	58.50	100.21	71.30%	83.70	43.08%
19,000	62.00	106.21	71.31%	88.70	43.06%
20,000	65.50	112.21	71.31%	93.70	43.05%
25,000	83.00	142.21	71.34%	118.70	43.01%
30,000	100.50	172.21	71.35%	143.70	42.99%
35,000	118.00	202.21	71.36%	168.70	42.97%
40,000	135.50	232.21	71.37%	193.70	42.95%
45,000	153.00	262.21	71.38%	218.70	42.94%
50,000	170.50	292.21	71.38%	243.70	42.93%
75,000	258.00	442.21	71.40%	368.70	42.91%
100,000	345.50	592.21	71.41%	493.70	42.89%

Clear Springs Utility Company, Inc. - Water Division (with surcharge)
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-W21

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,179	$ 19.65	$ 29.63	$ 9.98	50.77%
Median Usage	3,318	15.47	22.65	$ 7.19	46.47%
Staff Recommended					
Average Usage	5,179	$ 19.65	$ 28.82	$ 9.16	46.63%
Median Usage	3,318	15.47	22.30	$ 6.84	44.21%

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

Gallons Consumption	Present Rates	Company *Proposed* Rates	% Increase	Staff *Recommended* Rates	% Increase
-	$ 11.00	$ 16.00	45.45%	$ 16.99	54.45%
1,000	12.25	17.82	45.47%	18.39	50.12%
2,000	13.50	19.64	45.48%	19.79	46.59%
3,000	14.75	21.46	45.49%	21.19	43.66%
4,000	17.00	25.21	48.29%	24.69	45.24%
5,000	19.25	28.96	50.44%	28.19	46.44%
6,000	21.50	32.71	52.14%	31.69	47.40%
7,000	23.75	36.46	53.52%	35.19	48.17%
8,000	26.00	40.21	54.65%	38.69	48.81%
9,000	28.25	46.21	63.58%	43.69	54.65%
10,000	30.50	52.21	71.18%	48.69	59.64%
11,000	34.00	58.21	71.21%	53.69	57.91%
12,000	37.50	64.21	71.23%	58.69	56.51%
13,000	41.00	70.21	71.24%	63.69	55.34%
14,000	44.50	76.21	71.26%	68.69	54.36%
15,000	48.00	82.21	71.27%	73.69	53.52%
16,000	51.50	88.21	71.28%	78.69	52.80%
17,000	55.00	94.21	71.29%	83.69	52.16%
18,000	58.50	100.21	71.30%	88.69	51.61%
19,000	62.00	106.21	71.31%	93.69	51.11%
20,000	65.50	112.21	71.31%	98.69	50.67%
25,000	83.00	142.21	71.34%	123.69	49.02%
30,000	100.50	172.21	71.35%	148.69	47.95%
35,000	118.00	202.21	71.36%	173.69	47.19%
40,000	135.50	232.21	71.37%	198.69	46.63%
45,000	153.00	262.21	71.38%	223.69	46.20%
50,000	170.50	292.21	71.38%	248.69	45.86%
75,000	258.00	442.21	71.40%	373.69	44.84%
100,000	345.50	592.21	71.41%	498.69	44.34%

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Direct Testimony of Jeffrey M. Michlik

TABLE OF CONTENTS TO SCHEDULES

SCH #	TITLE
JMM-WW1	REVENUE REQUIREMENT
JMM-WW2	GROSS REVENUE CONVERSION FACTOR
JMM-WW3	RATE BASE - ORIGINAL COST
JMM-WW4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JMM-WW5	ORIGINAL COST RATE BASE ADJUSTMENT # 1 - RECLASSIFICATION OF PLANT
JMM-WW6	ORIGINAL COST RATE BASE ADJUSTMENT # 2 - PLANT NOT USED AND USEFUL
JMM-WW7	ORIGINAL COST RATE BASE ADJUSTMENT # 3 - CASH WORKING CAPITAL
JMM-WW8	OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED
JMM-WW9	SUMMARY OF OPERTING INCOME STATEMENT ADJUSTMENTS - TEST YEAR
JMM-WW10	OPERATING INCOME ADJUSTMENT # 1 - WASTEWATER TESTING EXPENSE
JMM-WW11	OPERATING INCOME ADJUSTMENT # 2 - DEPRECIATION EXPENSE
JMM-WW12	OPERATING INCOME ADJUSTMENT # 3 - PROPERTY TAX EXPENSE
JMM-WW13	OPERATING INCOME ADJUSTMENT # 4 - INCOME TAX EXPENSE
JMM-WW14	CASH FLOW ANALYSIS
JMM-WW15	RATE DESIGN
JMM-WW16	TYPICAL BILL

Clear Springs Utility Company, Inc. - Wastewater Division **Schedule JMM-WW1**
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$ (13,244)	$ (13,016)
2	Adjusted Operating Income (Loss)	$ 9,556	$ 8,273
3	Current Rate of Return (L2 / L1)	-72.15%	-63.56%
4	Required Rate of Return	**N/M**	**N/M**
5	Required Operating Income (L4 * L1)	$ 9,556	$ 8,273
6	Operating Income Deficiency (L5 - L2)	$ -	$ (0)
7	Gross Revenue Conversion Factor	1.0000	1.2892
8	Required Revenue Increase (L7 * L6)	$ -	**$ (0)**
9	Adjusted Test Year Revenue	$ 47,802	$ 47,802
10	Proposed Annual Revenue	$ 47,802	$ 47,802
11	Required Increase in Revenue (%)	0.00%	0.00%

N/M = Not Meaningful

References:
Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-WW3 and JMM-WW8

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	22.4303%			
5	Subtotal (L3 - L4)	77.5697%			
6	**Revenue Conversion Factor (L1 / L5)**	1.289162			
	Calculation of Effective Tax Rate:				
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	13.9548%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		20.9228%		
	Calculation of Effective Property Tax Factor				
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	20.9228%			
15	One Minus Combined Income Tax Rate (L13-L14)	79.0772%			
16	Property Tax Factor (JMM-WW12, L27)	1.9063%			
17	Effective Property Tax Factor (L15*L16)		1.5075%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			22.4303%	
19	Required Operating Income (Schedule JMM-WW1, Line 5)	$ 8,273			
20	AdjustedTest Year Operating Income (Loss) (JMM-WW8, L35)	8,273			
21	Required Increase in Operating Income (L19 - L20)		$ -		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	$ 2,189			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	2,189			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		(0)		
25	Recommended Revenue Requirement (Schedule JMM-WW1, Line 10)	$ 47,802			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	$ -			
28	Adjusted Test Year Uncollectible Expense	$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-WW12, L21)	$ 2,734			
31	Property Tax on Test Year Revenue (Schedule JMM-WW12, Line 17)	2,734			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		(0)		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		$ (0)		

	Calculation of Income Tax:	Test Year		Staff Recommended
34	Revenue (Schedule JMM-WW1, Col. [B], Line 9 & Sch. JMM-WW1, Col. [B] Line 10	$ 47,802	$ (0)	$ 47,802
35	Operating Expenses Excluding Income Taxes	$ 37,340		$ 37,340
36	Synchronized Interest (L51)	$ -		$ -
37	Arizona Taxable Income (L34 - L35 - L36)	$ 10,462		$ 10,462
38	Arizona State Income Tax Rate	6.9680%		6.9680%
39	Arizona Income Tax (L37 x L38)	$ 729		$ 729
40	Federal Taxable Income (L37- L39)	$ 9,733		$ 9,733
41	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 1,460		$ 1,460
42	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -		$ -
43	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -
44	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -
45	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
46	Total Federal Income Tax	$ 1,460		$ 1,460
47	Combined Federal and State Income Tax (L39 + L46)	$ 2,189		$ 2,189

48 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 15.0000%

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 355,470	$ (495)	$ 354,975
2	Less: Accumulated Depreciation	328,780	(37)	328,743
3	Net Plant in Service	$ 26,690	$ (458)	$ 26,232
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 87,976	$ -	$ 87,976
5	Less: Accumulated Amortization	83,400	-	$ 83,400
6	Net CIAC	4,576	-	$ 4,576
7	Advances in Aid of Construction (AIAC)	40,658	-	40,658
8	Customer Deposits	-	-	-
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Working Capital Allowance	5,300	686	5,986
11	Defered Regulatory Assets	-	-	-
12	**Original Cost Rate Base**	$ (13,244)	$ 228	$ (13,016)

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.		[A] COMPANY AS FILED	[B] ADJ #1 Reclassification of Plant Ref: Sch JMM-WW5	[C] ADJ #2 Plant Not Used and Useful Ref: Sch JMM-WW6	[D] ADJ #3 Cash Working Capital Ref: Sch JMM-WW7	[E] STAFF ADJUSTED
	PLANT IN SERVICE:						
1		DESCRIPTION					
2	351	Organization Cost	$ -	$ -	$ -	$ -	$ -
3	352	Franchise Cost	-	-	-	-	-
4	353	Land and Land Rights	4,654	-	-	-	4,654
5	354	Structures and Improvements	9,999	-	(495)	-	9,504
6	355	Power Generation Equipment	51,208	(51,208)	-	-	-
7	360	Collection Sewers - Force	276,318	-	-	-	276,318
8	361	Collection Sewers - Gravity	-	-	-	-	-
9	362	Special Collecting Structures	-	-	-	-	-
10	363	Services to Customers	9,880	-	-	-	9,880
11	364	Flow Measuring Devices	-	-	-	-	-
12	365	Flow Measuring Installations	-	-	-	-	-
13	370	Receiving Wells	-	-	-	-	-
14	371	Pumping Equipment	-	51,208	-	-	51,208
15	375	Resuse T&D	-	-	-	-	-
16	380	Treatment and Disposal Equipment	487				487
17	381	Plant Sewers	-				-
18	382	Outfall Sewer Lines	-	-	-	-	-
19	389	Other Plant and Misc. Equipment	-	-	-	-	-
20	390	Office Furniture and Equipment	-	-	-	-	-
21	391	Transportation Equipment	863	-	-	-	863
22	393	Tools, Shop and Garage Equipment	2,061	-	-	-	2,061
23	394	Laboratory Equipment	-	-	-	-	-
24	395	Power Operated Equipment	-	-	-	-	-
25	398	Other Tangible Plant	-	-	-	-	-
23		Total Plant in Service - Actual	355,470	-	-	-	354,975
24		Post Test-Year Plant	-				-
25		Total Plant in Service	$ 355,470	$ -	$ (495)	$ -	$ 354,975
26		Less: Accumulated Depreciation	328,780	-	(37)	-	328,743
27			-	-	-		-
25		Net Plant in Service	$ 26,690	$ -	$ (458)	$ -	$ 26,232
26							
27		*LESS:*					
28		Contributions in Aid of Construction (CIAC)	$ 87,976	$ -	$ -	$ -	$ 87,976
29		Less: Accumulated Amortization	83,400	-	-	-	83,400
27		Net CIAC (L39 - L40)	4,576	-	-	-	4,576
28		Advances in Aid of Construction (AIAC)	40,658	-	-	-	40,658
29		Customer Deposits	-	-	-	-	-
30		Deferred Income Taxes	-	-	-	-	-
31			-				-
29							
30		*ADD:*					
31		Working Capital Allowance	5,300	-	-	686	5,986
32		Defered Regulatory Assets	-	-	-	-	-
33							
31		**Original Cost Rate Base**	$ (13,244)	$ -	$ (458)	$ 686	$ (13,016)

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW5

RATE BASE ADJUSTMENT NO. 1 - RECLASSIFICATION OF PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	355	Power Generation Equipment	$ 51,208	$ (51,208)	$ -
2	371	Pumping Equipment	-	51,208	51,208
3		Total	$ 51,208	$ -	$ 51,208

Note: As the prior depreciation rate was 5.00 percent for all plant line items there is no corresponding adjustment to accumulated depreciation for the $51,208.

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW6

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	354	Structures and Improvements	$ 9,999	$ (495)	$ 9,504
2		Accumulated Depreciation	$ 328,780	$ (37)	$ 328,743

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW7

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Cash Working Capital	$ 5,300	$ 686	$ 5,986
2				
3	Staff's Calculation of Cash Working Capital			
4	1/24th Purchased Power	$ 138		
5	1/8th Operation & Maintenance Expense	4,246		
6	Materials and Supplies Inventories	1,602		
7	Total Cash Working Capital	$ 5,986		

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW8

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Flat Rate Revenues	$ -	$ -	$ -	$ -	$ -
3	Measured Revenues	47,372	-	47,372	(0)	47,372
4	Other Wastewater Revenues	430	-	430	-	430
5	Intentionally Left Blank	-	-	-	-	-
6	**Total Operating Revenues**	$ 47,802	$ -	$ 47,802	$ (0)	$ 47,802
7						
8	*OPERATING EXPENSES:*					
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Treatment	-	-	-	-	-
11	Sludge Removal Expense	-	-	-	-	-
12	Purchased Power	3,313	-	3,313	-	3,313
13	Fuel for Power Production	-	-	-	-	-
14	Chemicals	-	-	-	-	-
15	Materials and Supplies	939	-	939	-	939
16	Office Supplies	431	-	431	-	431
17	Contractual Services - Professional	23,270	-	23,270	-	23,270
18	Contractual Services - Other	-	-	-	-	-
19	Water Testing	-	2,751	2,751	-	2,751
20	Transportation Expense	341	-	341	-	341
21	Insurance Expense	-	-	-	-	-
22	Rate Case Expense	3,500	-	3,500	-	3,500
23	Miscellaneous Expense	-	-	-	-	-
24	Depreciation Expense	1,128	(1,128)	(0)	-	(0)
25	Taxes Other than Income	-	-	-	-	-
26	Property Taxes	2,734	(0)	2,734	(0)	2,734
27	Income Taxes	2,529	(340)	2,189	(0)	2,189
28	Interest on Customer Deposits	61	-	61	-	61
29	**Total Operating Expenses**	$ 38,246	$ 1,283	$ 39,529	$ (0)	$ 39,529
30	**Operating Income (Loss)**	$ 9,556	$ (1,283)	$ 8,273	$ (0)	$ 8,273

References:
Column (A): Company Schedule C-1
Column (B): Schedule JMM-WW9
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-WW1, JMM-WW13 and JMM-WW14
Column (E): Column (C) + Column (D)

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Testing Expenses ADJ #1	[C] Depreciation Expense ADJ #2	[D] Property Tax Expense ADJ #3	[E] Income Tax Expense ADJ #4	[E] STAFF ADJUSTED
			Ref: Sch JMM-WW10	Ref: Sch JMM-WW11	Ref: Sch JMM-WW12	Ref: Sch JMM-WW13	
1	*REVENUES:*						
2	Flat Rate Revenues	$ -	$ -	$ -	$ -	$ -	$ -
3	Measured Revenues	47,372	-	-	-	-	47,372
4	Other Wastewater Revenues	430	-	-	-	-	430
5	Intentionally Left Blank	-	-	-	-	-	-
6	**Total Operating Revenues**	$ 47,802	$ -	$ -	$ -	$ -	$ 47,802
7							
8	*OPERATING EXPENSES:*						
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Treatment	-	-	-	-	-	-
11	Sludge Removal Expense	-	-	-	-	-	-
12	Purchased Power	3,313	-	-	-	-	3,313
13	Fuel for Power Production	-	-	-	-	-	-
14	Chemicals	-	-	-	-	-	-
15	Materials and Supplies	939	-	-	-	-	939
16	Office Supplies	431	-	-	-	-	431
17	Contractual Services - Professional	23,270	-	-	-	-	23,270
18	Contractual Services - Other	-	-	-	-	-	-
19	Water Testing Expense	-	2,751	-	-	-	2,751
20	Transportation Expense	341	-	-	-	-	341
21	Insurance Expense	-	-	-	-	-	-
22	Rate Case Expense	3,500	-	-	-	-	3,500
23	Miscellaneous Expense	-	-	-	-	-	-
24	Depreciation Expense	1,128	-	(1,128)	-	-	(0)
25	Taxes Other than Income	-	-	-	-	-	-
26	Property Taxes	2,734	-	-	(0)	-	2,734
27	Income Taxes	2,529	-	-	-	(340)	2,189
28	Interest on Customer Deposits	61	-	-	-	-	61
34	**Total Operating Expenses**	$ 38,246	$ 2,751	$ (1,128)	$ (0)	$ (340)	$ 39,529
35	**Operating Income (Loss)**	$ 9,556	$ (2,751)	$ 1,128	$ 0	$ 340	$ 8,273

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW10

OPERATING ADJUSTMENT NO. 1 - WASTEWATER TESTING EXPENSE

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	$ -	$ 2,751	$ 2,751

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization Cost	$ -	$ -	$ -	0.00%	$ -
2	352	Franchise Cost	$ -	$ -	$ -	0.00%	$ -
3	353	Land and Land Rights	$ 4,654	$ 4,654	$ -	0.00%	$ -
4	354	Structures and Improvements	$ 9,504	$ -	$ 9,504	3.33%	$ 316
5	355	Power Generation Equipment	$ -	$ -	$ -	5.00%	$ -
6	360	Collection Sewers - Force	$ 276,318	$ 266,052	$ 10,266	2.00%	$ 205
7	361	Collection Sewers - Gravity	$ -	$ -	$ -	2.00%	$ -
8	362	Special Collecting Structures	$ -	$ -	$ -	2.00%	$ -
9	363	Services to Customers	$ 9,880	$ -	$ 9,880	2.00%	$ 198
10	364	Flow Measuring Devices	$ -	$ -	$ -	10.00%	$ -
11	365	Flow Measuring Installations	$ -	$ -	$ -	10.00%	$ -
12	370	Receiving Wells	$ -	$ -	$ -	3.33%	$ -
13	371	Pumping Equipment	$ 51,208	$ 45,916	$ 5,292	12.50%	$ 662
14	375	Resuse T&D	$ -	$ -	$ -	2.50%	$ -
15	380	Treatment and Disposal Equipment	$ 487	$ -	$ 487	5.00%	$ 24
16	381	Plant Sewers	$ -	$ -	$ -	5.00%	$ -
17	382	Outfall Sewer Lines	$ -	$ -	$ -	3.33%	$ -
18	389	Other Plant and Misc. Equipment	$ -	$ -	$ -	6.67%	$ -
19	390	Office Furniture and Equipment	$ -	$ -	$ -	6.67%	$ -
20	391	Transportation Equipment	$ 863	$ 863	$ -	20.00%	$ -
21	393	Tools, Shop and Garage Equipment	$ 2,061	$ -	$ 2,061	5.00%	$ 103
22	394	Laboratory Equipment	$ -	$ -	$ -	10.00%	$ -
23	395	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
24	398	Other Tangible Plant	$ -	$ -	$ -	10.00%	$ -
32		Total Plant	$ 354,975	$ 317,485	$ 37,490		$ 1,508
33							
34		Net CIAC Balance:	$ 4,576				
35		Amortization of Remaining Net CIAC Over 3 Years (Line 34 / 4):	$ 1,525				
36							
37		Depreciation Expense Before Amortization of CIAC:	$ 1,508				
38		Less Amortization of CIAC:	$ 1,525				
39		**Test Year Depreciation Expense - Staff (rounded to zero):**	$ (0)				
40		Depreciation Expense - Company:	$ 1,128				
41		**Staff's Total Adjustment:**	$ (1,128)				

Note: For accounts 360, and 371 the Company recognizes a portion of the original cost balance as fully depreciated. See Company Schedule C-2Sb.

References:
Column [A]: Schedule JMM-WW4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW12

OPERATING INCOME ADJUSTMENT NO. 3 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 47,802	$ 47,802
2	Weight Factor	2	2
3	Subtotal (Line 1 • Line 2)	95,604	$ 95,604
4	Staff Recommended Revenue, Per Schedule JMM-1	47,802	$ 47,802
5	Subtotal (Line 4 + Line 5)	143,406	143,406
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	47,802	$ 47,802
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	95,604	$ 95,604
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	95,604	$ 95,604
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 • Line 13)	19,599	$ 19,599
15	Composite Property Tax Rate (Per Company Schedule)	13.9486%	13.9486%
16			$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 2,734	
18	Company Proposed Property Tax	2,734	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	$ (0)	
21	Property Tax - Staff Recommended Revenue (Line 14 • Line 15)		$ 2,734
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		$ 2,734
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ (0)
24			
25	Increase to Property Tax Expense		$ (0)
26	Increase in Revenue Requirement		(0)
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.906309%

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW13

OPERATING INCOME ADJUSTMENT NO. 4 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ 2,529	$ (340)	$ 2,189

References:
Column (A), Company Schedule C-1
Column (B): Column [C] - Column [A]
Column (C): Schedule JMM-WW2

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW14

[redacted]

Line No.			
1	**Cash Inflows**		
2	Revenue	$	47,802
3			
4	**Cash Outflows**		
5	Salaries and Wages	$	-
6	Purchased Wastewater Treatment	$	-
7	Sludge Removal Expense	$	-
8	Purchased Power	$	3,313
9	Fuel for Power Production	$	-
10	Chemicals	$	-
11	Materials and Supplies	$	939
12	Office Supplies	$	431
13	Contractual Services - Professional	$	23,270
14	Contractual Services - Other	$	-
15	Water Testing	$	2,751
16	Transportation Expense	$	341
17	Insurance Expense	$	-
18	Rate Case Expense	$	3,500
19	Miscellaneous Expense	$	-
20	Depreciation Expense	$	(0)
21	Taxes Other than Income	$	-
22	Property Taxes	$	2,734
23	Income Taxes	$	2,189
24	Interest on Customer Deposits	$	61
25	Total Expenses	$	39,529
26			
27	**Operating Income**	$	8,273
28			
29	Plus Depreciation Expense	$	(0)
30	Less: AIAC Refunded in Test Year	$	83
31	Less: WIFA Loan Payment Interest	$	-
32	Less: WIFA Loan Payment Principle	$	-
33	**Cash Flow from Operations**	$	8,190

Clear Springs Utility Co., Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-401
Test Year Ended December 31, 2010

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
Residential	$ 6.50	$ 9.00	$ 9.00
Commercial	6.50	9.36	9.36
Commodity Charge - Per 1,000 Gallons			
All Usage (per 1,000 gallons applies to both Residential and Commercail)	0.8500	N/A	N/A
Residential (After 6,000 gallons of water use)	N/A	0.8500	N/A
Commercial	0.8500	0.8500	0.8500
Residential			
First 6,000 gallons	N/A	N/A	0.0000
6,001 to 20,000 gallons	N/A	N/A	1.0000
Over 20,001 gallons	N/A	N/A	0.0000
Other Service Charges			
Establishment	$ 10.00	$ 30.00	$ 30.00
Reconnection (Delinquent)	*	*	*
Deposit - Residential	**	**	**
Deposit - Commercial	**	**	**
Deposit Interest (Per Annum)	**	**	**
NSF Check	$ 15.00	$ 25.00	$ 25.00
Deferred Payment (Per Month)	N/A	1.50%	1.50%
Late Payment Penalty (Per Month)	N/A	2.00%	1.50%
After Hours Service Charge	N/A	$ 25.00	$ 25.00
Sewer Tap Charge (Non-refundable)	Cost	Cost	Cost

* Per Commission Rule A.A.C. R-14-2-603(D)
**Per Commission Rule A.C.C R14-2-603(B)

Other Rates and Charges by Order:

In Addition to the Collection of its regular rates and charges, the Company shall collect from customers their proportionate share of any privilege, sales or use tax in accordance with R14-2-409.D.5.

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Schedule JMM-WW16

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,763	$ 10.55	$ 9.00	$ (1.55)	-14.68%
Median Usage	3,226	9.24	9.00	$ (0.24)	-2.62%
Staff Recommended					
Average Usage	4,763	$ 10.55	$ 9.00	$ (1.55)	-14.68%
Median Usage	3,226	9.24	9.00	$ (0.24)	-2.62%

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

	3/4"		3/4"		3/4"	
	Minimum Charge	$ 6.50	Minimum Charge	$ 9.00	Minimum Charge	$ 9.00
	1st Tier Rate	0.8500	1st Tier Rate	-	1st Tier Rate	-
	1st Tier Breakover	1,000	1st Tier Breakover	6,000	1st Tier Breakover	6,000
	2nd Tier Rate	0.8500	2nd Tier Rate	0.8500	2nd Tier Rate	1.0000
	2nd Tier Breakover	99,999	2nd Tier Breakover	99,999	2nd Tier Breakover	20,000
	3rd Tier Rate	0.8500	3rd Tier Rate	0.8500	3rd Tier Rate	-
Gallons	Present		Company Proposed	%	Staff Recommended	%
Consumption	Rates		Rates	Increase	Rates	Increase
-	$ 6.50		$ 9.00	38.46%	$ 9.00	38.46%
1,000	7.35		9.00	22.45%	9.00	22.45%
2,000	8.20		9.00	9.76%	9.00	9.76%
3,000	9.05		9.00	-0.55%	9.00	-0.55%
4,000	9.90		9.00	-9.09%	9.00	-9.09%
5,000	10.75		9.00	-16.28%	9.00	-16.28%
6,000	11.60		9.00	-22.41%	9.00	-22.41%
7,000	12.45		9.85	-20.88%	10.00	-19.68%
8,000	13.30		10.70	-19.55%	11.00	-17.29%
9,000	14.15		11.55	-18.37%	12.00	-15.19%
10,000	15.00		12.40	-17.33%	13.00	-13.33%
11,000	15.85		13.25	-16.40%	14.00	-11.67%
12,000	16.70		14.10	-15.57%	15.00	-10.18%
13,000	17.55		14.95	-14.81%	16.00	-8.83%
14,000	18.40		15.80	-14.13%	17.00	-7.61%
15,000	19.25		16.65	-13.51%	18.00	-6.49%
16,000	20.10		17.50	-12.94%	19.00	-5.47%
17,000	20.95		18.35	-12.41%	20.00	-4.53%
18,000	21.80		19.20	-11.93%	21.00	-3.67%
19,000	22.65		20.05	-11.48%	22.00	-2.87%
20,000	23.50		20.90	-11.06%	23.00	-2.13%
25,000	27.75		25.15	-9.37%	23.00	-17.12%
30,000	32.00		29.40	-8.13%	23.00	-28.13%
35,000	36.25		33.65	-7.17%	23.00	-36.55%
40,000	40.50		37.90	-6.42%	23.00	-43.21%
45,000	44.75		42.15	-5.81%	23.00	-48.60%
50,000	49.00		46.40	-5.31%	23.00	-53.06%
75,000	70.25		67.65	-3.70%	23.00	-67.26%
100,000	91.50		88.90	-2.84%	23.00	-74.86%

EXHIBIT
S-4
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AN INCREASE IN RATES	)	DOCKET NO. WS-01689A-11-0402
IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	)	DOCKET NO. W-01689A-11-0401

SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 31, 2012

EXECUTIVE SUMMARY
CLEAR SPRINGS UTILITY COMPANY, INC.
DOCKET NOS. WS-01689A-11-0402 AND W-01689A-11-0401

Clear Springs Utility Company, Inc. ("Company") is a certificated Arizona public service corporation that provided water and wastewater services during 2010 in Cochise County, Arizona. On November 3, 2011, the Company filed an application for permanent rate increase, with a test year ending December 31, 2010, for the water and wastewater divisions. Also on November 3, 2011, the Company filed an application requesting authority to incur long-term debt to make system improvements. A Procedural Order, dated June 5, 2012, consolidated the rate and financing applications.

The Company's rebuttal testimony for the water division requests an $84,332 (50.12 percent) revenue increase to provide a $25,788 operating income for a 50.00 percent rate of return on a $51,575 FVRB which is its original cost rate base ("OCRB"), and a surcharge to collect $42,648 annually for debt service, property and income taxes and debt service reserve on its proposed Water Infrastructure Finance Authority of Arizona ("WIFA") loan.

The Company's rebuttal testimony for the wastewater division requests a $0 (0.00 percent) revenue increase to provide an $8,008 operating income on a negative $17,048 FVRB.

Staff's surrebuttal revenue requirement for the water division of $226,902 represents an increase of $58,652, or 34.86 percent, over test year revenue of $168,250 for a 30.00 percent rate of return on a Staff adjusted FVRB of $21,364. Staff's surrebuttal revenue requirement represents a $10,879 increase from its direct testimony. In addition, Staff recommends granting the Company authorization to charge an infrastructure surcharge to become effective at a date and in a manner as subsequently authorized by the Commission. The estimated annual surcharge revenue is $31,617.

Staff's surrebuttal revenue requirement for the wastewater division of $47,802 represents an increase of $0, or 0.00 percent, over test year revenue of $47,802. Staff's adjusted FVRB is negative $16,893. Calculating a rate of return on a negative rate base is not meaningful. Accordingly, Staff's recommended revenue requirement is based on a cash flow analysis. Staff's surrebuttal revenue requirement is the same as in its direct testimony.

The surrebuttal testimony of Staff witness Mr. Jeffrey M. Michlik addresses rate base, operating income, revenue requirement and rate design issues. Staff's surrebuttal testimony also addresses the rebuttal testimony of Company witness Sonn S. Rowell on the issues of:

a. Customer Security Deposits,
b. Changes to AIAC and CIAC.
c. Water Testing Expenses.
d. Cash Flow Statements.
e. Billing Determinants for Infrastructure Surcharge Estimation.
f. Separating the Company's divisions for purposes of obtaining a loan.

In addition to those recommendations is its direct testimony, Staff recommends:

That the Company track CIAC by plant account number on a going-forward basis.

That the Company record a regulatory liability for any infrastructure surcharge collected by the Company for the debt service reserve fund and the associated property and income taxes.

TABLE OF CONTENTS

		PAGE
I.	INTRODUCTION	1
II.	PURPOSE OF SURREBUTTAL TESTIMONY	1
III.	CONSUMER SERVICES	2
IV.	SUMMARY OF PROPOSED AND RECOMMENDED REVENUES	2
V.	RESPONSE TO THE REBUTTAL TESTIMONY OF SONN S. ROWELL	4
	A. Customer Security Deposits	*4*
	B. Changes to AIAC and Contributions-in-aid-of Construction ("CIAC")	*6*
	C. Water Testing Expenses	*8*
	D. Cash Flow Statement	*8*
	E. Billing Determinants for Infrastructure Surcharge Estimation	*13*
	F. Separating the Company's divisions for purposes of obtaining a loan	*14*

SURREBUTTAL SCHEDULES

CLEAR SPRINGS UTILITY COMPANY, INC. – WATER DIVISION

Revenue Requirement JMM-W1

Gross Revenue Conversion Factor JMM-W2

Rate Base – Original Cost JMM-W3

Summary of Original Cost Rate Base Adjustments JMM-W4

Rate Base Adjustment No. 1 – Post Test Year Plant JMM-W5

Rate Base Adjustment No. 2 -- Plant Not Used and Useful JMM-W6

Rate Base Adjustment No. 3 – Customer Deposits JMM-W7

Rate Base Adjustment No. 4 – Cash Working Capital JMM-W8

Rate Base Adjustment No. 5 – Advances In Aid of Construction JMM-W9.1

Rate Base Adjustment No. 6 – Contributions In Aid of Construction JMM-W9.2

Operating Income Statement – Adjusted Test Year and Staff Recommended JMM-W10

Summary of Operating Income Statement Adjustments – Test Year JMM-W11

Operating Income Adj. No. 1 – Water Testing Expense JMM-W12

Operating Income Adj. No. 2 – Depreciation Expense JMM-W13

Operating Income Adj. No. 3 – Property Tax Expense JMM-W14

Operating Income Adj. No. 4 – Income Tax Expense JMM-W15

Operating Income Adj. No. 5 – Customer Deposit Interest JMM-W16

Cash Flow Analysis JMM-W17

Financing Analysis JMM-W18

Calculation of Infrastructure Surcharge Amount JMM-W19

Rate Design JMM-W20

Typical Bill Analysis JMM-W21

Typical Bill Analysis with Surcharge JMM-W22

CLEAR SPRINGS UTILITY COMPANY, INC. – WASTEWATER DIVISION

Revenue Requirement JMM-WW1

Gross Revenue Conversion Factor JMM-WW2

Rate Base – Original Cost JMM-WW3

Summary of Original Cost Rate Base Adjustments JMM-WW4

Rate Base Adjustment No. 1 – Reclassification of Plant JMM-WW5

Rate Base Adjustment No. 2 – Plant Not Used and Useful JMM-WW6

Rate Base Adjustment No. 3 – Cash Working Capital JMM-WW7

Rate Base Adjustment No. 4 – Customer Deposits JMM-WW8.1

Rate Base Adjustment No. 5 – Advances In Aid of Construction JMM-WW8.2

Rate Base Adjustment No. 6 – Contributions In Aid of Construction JMM-WW8.3

Operating Income Statement – Adjusted Test Year and Staff Recommended JMM-WW9

Summary of Operating Income Statement Adjustments – Test Year JMM-WW10

Operating Income Adj. No. 1 – Wastewater Testing Expense JMM-WW11

Operating Income Adj. No. 2 – Depreciation Expense JMM-WW12

Operating Income Adj. No. 3 – Property Tax Expense JMM-WW13

Operating Income Adj. No. 4 – Income Tax Expense JMM-WW14

Operating Income Adj. No. 5 – Customer Deposit Interest JMM-WW15

Cash Flow Analysis JMM-WW16

Rate Design JMM-WW17

Typical Bill Analysis JMM-WW18

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Jeffrey M. Michlik that filed direct testimony regarding rate design in this case?

A. Yes, I am.

II. PURPOSE OF SURREBUTTAL TESTIMONY

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony in this proceeding is to respond on behalf of Staff to the rebuttal testimony of Clear Springs Utility Company, Inc. ("Clear Springs" or "Company") witness Sonn S. Rowel and to present Staff's surrebuttal position regarding rate base, operating income, revenue requirement and rate design issues. Staff witness Dorothy Hains is presenting the engineering analysis and recommendations.

Q. Has Staff attempted to address every issue raised by the Company in its rebuttal testimony?

A. No. Staff's silence on any particular issue introduced in the Company's rebuttal testimonies does not indicate that Staff agrees with the stated rebuttal position on the issue, but rather it relies on its direct testimony.

Q. Have you prepared any schedules to accompany your surrebuttal testimony?

A. Yes. I prepared Surrebuttal Schedules JMM-W1 to JMM-W22 for the water division and JMM-WW-1 to JMM-WW-19 for the wastewater division to reflect Staff's surrebuttal position. The surrebuttal schedules reflect the Company's application as filed, not its rebuttal position.

III. CONSUMER SERVICES

Q. Please provide a brief summary of customer complaints received by the Commission regarding the Company.

A. The Commission's Consumer Services database for the Company from January 1, 2009, to July 26, 2012, shows the following:

2012 – One complaint (defective equipment), 140 opinions all opposed to the rate case, and zero inquiries.

2011 – Two complaints (one billing and one new service), zero opinions, and zero inquiries.

2010 – Four complaints (quality of service), zero opinions, and zero inquiries.

2009 – One complaint (billing), zero opinions, and zero inquiries.

All complaints have been resolved and closed.

IV. SUMMARY OF PROPOSED AND RECOMMENDED REVENUES

Q. What rebuttal revenue requirement is Clear Springs proposing?

A. For the water division, the Company's rebuttal testimony requests an $84,332 (50.12 percent) revenue increase to provide a $25,788 operating income for a 50.00 percent rate of return on a $51,575 fair value rate base ("FVRB") which is its original cost rate base ("OCRB"), and a surcharge to collect $42,648 annually for debt service, property and

income taxes and debt service reserve on its proposed Water Infrastructure Finance Authority of Arizona ("WIFA") loan.

For the wastewater division, the Company's rebuttal testimony requests a $0 (0.00 percent) revenue increase to provide an $8,088 operating income. Calculating a rate of return on its proposed negative $17,048 FVRB is not meaningful.

Q. Please provide a summary of Staff's surrebuttal recommendations.

A. For the water division, Staff's surrebuttal revenue requirement of $226,902 represents an increase of $58,652, or 34.86 percent, over test year revenue of $168,250 for a 30.00 percent rate of return on a Staff adjusted FVRB of $21,364. Staff's surrebuttal revenue requirement represents a $10,879 increase from its direct testimony. In addition, Staff recommends granting the Company authorization to charge an infrastructure surcharge to become effective at a date and in a manner as subsequently authorized by the Commission. The estimated annual surcharge revenue is $31,617. Staff's recommended rates (without surcharge) would increase the typical residential water bill with median usage of 3,318 gallons by $2.93, or 18.94 percent, from $15.47 to $18.39. Staff's recommended rates (with the surcharge) would increase the typical residential water bill with median usage of 3,318 gallons by $7.04 or 45.52 percent, from $15.47 to $22.50.

For the wastewater division, Staff's surrebuttal revenue requirement of $47,802 represents no increase over test year revenue of $47,802. Staff's adjusted FVRB is negative $16,893. Calculating a rate of return on a negative rate base is not meaningful. Accordingly, Staff's recommended revenue requirement is based on a cash flow analysis. Staff's surrebuttal revenue requirement is the same as in its direct testimony. Staff's recommended rates

would decrease the typical residential wastewater bill by $0.24, or 2.62 percent, from $9.24 to $9.00.

Q. Explain the primary reason that Staff's surrebuttal revenue requirement for the water division differs from that in its direct testimony.

A. The primary way in which Staff's surrebuttal position differs from its direct testimony is an increase in the rate of return from 11.50 percent to 30.00 percent. As noted in the Company's rebuttal testimony,[1] the Company has a nominal rate base rendering the rate of return less meaningful. Accordingly, Staff increased the rate of return to provide a positive net income from base rates. The increase in base rates is offset by a reduction in the infrastructure surcharge to provide an appropriate level of cash flow with the proposed loan.

V. RESPONSE TO THE REBUTTAL TESTIMONY OF SONN S. ROWELL

A. Customer Security Deposits

Q. Did the Company present any reason in its rebuttal testimony to support its position to not deduct customer security deposits in the calculation of rate base?

A. No. As noted in Staff's direct testimony, customer security deposits represent non-investor-provided capital; and therefore, they should be a deduction in the calculation of rate base and the interest paid to customers should be included as an operating expense.

Q. Is Staff's recommendation consistent with prior Commission decisions?

A. Yes. The Commission in Decision No. 72026 (Litchfield Park Service Company), Decision No. 72251 (Bella Vista Water Company, Inc.), and more recently in Decision No. 73091 (East Slope, Antelope Run and Indiada or ("ESARIN")), the Commission has

[1] Sonn S. Rowell Rebuttal at 16.

supported Staff's position that customer security deposits are a deduction in the calculation of rate base and that the associated interest paid to customers on those deposits should be included in operating expenses.

Q. Please comment further?

A. In the ESARIN case, Decision No. 73091, page 20, Finding of Facts 104 and 105 state:

> The Commission has adopted Staffs position to deduct Customer Security Deposits from rate base in prior Commission Decisions. This position is consistent with NARUC and recognizes that there are no constraints on the Companies' use of these funds which are provided by ratepayers, and that the utility should not be permitted to earn a rate of return on any plant that may be purchased with the non-investor-supplied funds.
>
> We find in this case that Staff's position is reasonable and the Customer Security Deposits should be deducted from rate base with a corresponding allowance for the associated interest as an operating expense.

Q. Has Staff included interest expense on customer security deposits in operating expenses?

A. Yes.

Q. Does your direct testimony state that you would update your schedules to include customer security deposits based on a 13-month average and the interest expense corresponding with that 13-month average?

A, Yes. Staff used a 13-month customer security deposit balance in its rate base calculation and to calculate the interest to include in operating expenses. See Surrebuttal Schedules JMM-W7, JMM-W16, JMM-WW8.1, and JMM-WW14.

Q. Does Staff's surrebuttal make any changes from its direct testimony other than to use the 13-month average balance for customer security deposits?

A. Yes. In its direct testimony, Staff combined Service Line and Meter Installation Charges with Customer Security Deposits. Service Line and Meter Installation Charges are one source of advances-in-aid-of-construction ("AIAC"). While AIACs and customer deposits are both deductions in the calculation of rate base, Staff has reclassified the Service Line and Meter Installation Charges previously combined with customer deposits to AIAC, as shown in Surrebuttal Schedules JMM-W4 and JMM-W9.1.

B. Changes to AIAC and Contributions-in-aid-of Construction ("CIAC")

Q. Did the Company propose several changes to AIAC and CIAC in its rebuttal testimony?

A. Yes.

Q. Specifically, what changes did the Company propose in its rebuttal testimony regarding AIAC and CIAC?

A. The Company adjusted its AIAC and CIAC amounts to reconcile with its accounting records and transferred some AIAC to CIAC.

Q. What is the Company proposing for the amortization of CIAC?

A. The Company proposes to use a composite rate for amortizing CIAC based on the expected remaining useful life of the assets funded by AIAC that are subsequently converted the CIAC. The Company calculated the proposed composite CIAC amortization rate as the average of two plant accounts. The Company proposes to use its CIAC amortization rate for "current and future" transfers from AIAC and CIAC.

Q. What is Staff's response to the Company's CIAC amortization proposal?

A. Preferably a utility will track AIAC and CIAC funded plant by account allowing the CIAC amortization to match the useful life to the plant funded by CIAC and AIAC that is converted to CIAC. Most small utilities do not maintain detailed records to allow tracking these funds by account, and in those circumstances a composite CIAC amortization is appropriate. Clear Springs has maintained the necessary records to track the source of funds by plant account; accordingly, a CIAC amortization for each account is possible and appropriate.

The Company's proposal is a hybrid approach that derives a composite CIAC amortization rate using only the plant accounts that have CIAC. Staff has accepted the Company's methodology for purposes of this rate case. However, Staff does not support the Company's proposal to establish this as an authorized method for future transfers. Factors not reflected in the CIAC amortization rate proposed in this case may affect the reasonableness of the Company's proposed 3.03 percent CIAC amortization rate. For example, future AIAC or CIAC may fund plant in accounts not included in the calculation of the proposed rate or the terms of main extension agreements may alter the remaining useful life of plant assets upon conversion from AIAC to CIAC. Also, the Company must continue to maintain appropriate records to support the method it proposes for these CIAC amortizations going forward.

Q. Has Staff made changes to its AIAC, CIAC, and CIAC amortization to reflect the Company's proposal for this rate case?

A. Yes. See Surrebuttal Schedules JMM-W9, JMM-W16, JMM-WW8, and JMM-WW15.

C. Water Testing Expenses

Q. Has Staff revised its water testing expense based on new information provided by the Company in its rebuttal testimony?

A. Yes. Staff has revised its water testing expense, for the water division only, upward from $4,637 in direct testimony to $5,357 in surrebuttal, as shown in Surrebuttal Schedule JMM-W12.

D. Cash Flow Statement

Q. Does Staff have any response to the Company's assertions that (1) $10,000 of undesignated cash flow is inadequate; (2) use of depreciation expense to pay debt service strips the Company of a source of funds for other system improvements; and (3) rational utility owners will not enter into loan agreements that require them to pledge personal assets as security and pay 20 percent of the loan payments into a debt service reserve fund?

A. Yes. As explained in my direct testimony, under the traditional regulatory framework, the required operating income for an investor-owned utility is determined by multiplying rate base by rate of return. Typically, a utility is entitled to a reasonable return on the value of its property and no more. Since a utility incurs expenses in the provision of service, these expenses, when added to the operating income, provide the revenue requirement. Thus, the revenue requirement can be expressed mathematically as: Revenue Requirement = Operating and Maintenance expenses + Depreciation expense + Taxes + Operating Income.

However, ultimately the result must be just and reasonable. The Company asserts that "[T]he rate of return on rate base percentage is still irrelevant due to the low rate base

amount."[2] Staff agrees that when a utility's rate base is nominal, it is not uncommon for the rate base/rate of return methodology to result in an operating income that generates a cash flow insufficient to meet a reasonable level of contingencies. The owners of a small utility often have no known sources of funds to address contingencies. Therefore, for the health and safety of the ratepayer, it is reasonable to provide the utility with additional revenues to provide sufficient cash flow for contingencies. Staff fundamentally agrees with the Company's assertion that its rate base is sufficiently small to justify substitution of a cash flow basis as opposed to a rate base/rate of return method for determining its revenue requirement. Thus, the amount that constitutes adequate cash flow is the issue in question.

As noted above, Staff's surrebuttal position differs from its direct testimony primarily in that it increases the rate of return from 11.50 percent to 30.00 percent to provide a positive net income from base rates. It also increases uncommitted cash flow (without the proposed loan or surcharge) to $18,402, and the increase in base rates is offset by a reduction in the infrastructure surcharge to provide $10,000 of cash flow with the proposed loan and surcharge. See Surrebuttal Schedule JMM-W17.[3]

A small rate base means that the utility owners have a small investment in the utility. Since the owners' investment is small, the earnings should be correspondingly small. When the rate base/rate of return methodology is set aside to provide additional revenues, the purpose is to support the provision of adequate, safe and reliable service for ratepayers, not to enrich the owners. However, owners are the obvious and immediate beneficiaries of the additional revenues. No reasonable amount of cash flow can ensure

[2] Sonn S. Rowell Rebuttal at 16.
[3] Surrebuttal Schedule JMM-W17 updates Direct Schedule JMM-W16 to reflect the principal ($5,630) and interest ($6,245) the Company's rebuttal testimony claims for the test year and corrects Net Income calculation on Line No. 47.

that cash flow will meet any and every contingency. Therefore, an appropriate level of cash flow should address a reasonable level of anticipated contingencies under efficient operations while minimizing the additional revenue that exceeds those that which would be generated using the rate base/rate of return methodology.

Staff has reviewed the Company's operating expenses and concludes that $10,000 of cash flow is sufficient to address any reasonable short-term increase in operating expenses. Contingencies for capital improvements should be financed with long-term capital as opposed to operating revenues. The Company should effectively manage its cash flow. Effective cash flow management includes saving excess cash flow when available to address future unexpected contingencies. For example, if the Company were to save $10,000 per year for two years, it would have $20,000 available at the beginning of year three for contingencies.

Utility owners should be encouraged to invest in plant necessary for the provision of service. Providing excess returns to investors by using the cash flow method of revenue requirement sends the wrong message, i.e., a disincentive, by providing a higher return on a lower investment.

In circumstances where the cash flow method supplants the rate base/rate of return method for determining the revenue requirement, the Company's concern that using depreciation expense to fund debt service strips a source of funds available for plant improvements is misplaced. First, to be clear, cash flow is generated by collection of cash, and depreciation expense does not directly provide collection of any cash flow. The amount of cash a utility receives is independent of the amount of depreciation expense recorded. When depreciation expense is included as a component of the revenue requirement, the

revenue generated to recover that depreciation component of the revenue requirement provides cash flow. Adding depreciation expense to income is simply the easiest and most common method for calculating the amount of cash flow available.

Second, debt service payments (principal and interest) represent the funding of plant under construction as well as existing plant. The former is not a normal component of rate base or the revenue requirement. The absence of sufficient investment by the owners contributes to the need for use of the cash flow method of determining the revenue requirement to cover debt service on plant under construction. That is, if rate base was greater, the equity higher and the debt lower, the need to supplant the rate base/rate of return method with the cash flow method may be unnecessary.

Furthermore, it is the responsibility of owners to invest in plant. Ratepayers should not be placed in the position of funding plant via excess earnings and then having to provide a return of and return on that plant. Depreciation expense represents the removal of investment. That is the reason accumulated depreciation is a deduction in the calculation of rate base. Using the available cash flow to fund debt service requires the Company to reinvest amounts recovered through depreciation expense. Requiring the Company to make this reinvestment is compelling in a circumstance where the cash flow method of determining the revenue requirement exists.

Clear Springs as a public service corporation has an obligation to serve its customers and to provide service that is adequate, safe and reliable. The Company's management has discretion in choosing the manner to achieve the required level of service. If the Company's owners conclude that it is irrational to enter into loan agreements that require them to pledge personal assets as security and pay 20 percent of the loan payments into a

debt service reserve fund to obtain funds for needed capital improvements, they have the obligation to find acceptable funding alternatives.

However, Staff's recommendations provide all the funding necessary for the Company to meet its obligations, thus, the Company would have reason and incentive to obtain the proposed loan. By definition, $10,000 of uncommitted cash flow provides coverage of all cash requirements and $10,000 for unspecified contingencies. It also provides for a 159.89 percent rate of return. Staff recommendations do not, as the Company suggests "sets the Company up to fail"[4] or place it in the position of "taking more financial obligation than it could responsibly manage.[5]" In fact, to the extent that the infrastructure surcharge provides coverage for the WIFA debt service reserve fund, those surcharge collections should be recorded as a regulatory liability to be returned to ratepayers as specified by the Commission. Staff's cash flow analysis (with the proposed loan and surcharge) includes $10,630 ($8,206 for the debt service reserve fund and $2,424 for the associated property and income taxes) annual provision for a WIFA debt service reserve fund. See Surrebuttal Schedules JMM-W17 and JMM-W19. In order to segregate and provide for tracking of the regulatory liability, Staff calculated two separate components for infrastructure surcharge. The estimated non-liability component for a 5/8 x 3/4-inch customer is $2.73 per month and the liability component is $1.38 per month.

A regulatory liability is an amount ratepayers can expect to receive as a benefit in the future via various means (refunds, rate base reductions, operating expense reductions, etc.) as determined by the Commission at a later time (future rate case). Treatment of surcharge collections as a regulatory liability is appropriate because the debt service reserve funds, while requiring cash payments, are not a component of the revenue

[4] Sonn S. Rowell Rebuttal at 15.
[5] Sonn S. Rowell Rebuttal at 16.

requirement. The debt service reserve is essentially a savings account that accumulates to the benefit of the utility owners. That is, since ratepayers should not be required to provide funds for utility owners to accumulate savings, any additional funds collected from ratepayers to satisfy the cash flow requirement of the WIFA debt service reserve fund should be treated as a regulatory liability. Minimizing the regulatory liability is one reason that an infrastructure surcharge should not become effective until the Company begins drawing on a loan and repayment obligation is initiated.

E. Billing Determinants for Infrastructure Surcharge Estimation

Q. Does Staff have a response to the Company's concern that Staff included inactive or unused meters to calculate an estimate for the infrastructure surcharge?[6]

A. Yes. The Company correctly notes that Staff used billing determinates for the surcharge estimate that differ from the actual test year billing determinants. This difference would have no impact on the surcharge that would eventually be approved since Staff's recommendation in direct testimony as presented below recommends using the actual billing determinants at the time of the loan.

> Directing Staff to calculate the appropriate WIFA surcharge and prepare and file a recommended order for Commission consideration within 60 days of the filing of a surcharge implementation request by the Company and to calculate the surcharge based on the actual loan debt service (interest and principal) payments and ***using the current customer count*** at the time of the loan closing to provide the cash flow adopted in this proceeding (emphasis added).

The billing determinants and actual loan terms may vary from the estimate. To remove any disagreement with the Company, Staff has recalculated the two components of the

[6] Sonn S. Rowell Rebuttal at 15.

infrastructure surcharge estimate using the Company's proposed billing determinants. See Surrebuttal Schedule JMM-W19.

F. Separating the Company's divisions for purposes of obtaining a loan

Q. Does Staff have a response to the Company's comments regarding Staff including operational and statistical percentages from the sewer division in an analysis for the loan for the water division?[7]

A. Yes. Staff has determined on a stand-alone basis for the water and sewer divisions: revenue requirement, operating income and cash flow. Thus, cash flow from the sewer division was not used to calculate the cash flow required for the water division. However since the water and sewer divisions are only components of one legal entity, and the legal entity will pledge its assets and be obligated for the loans, Staff has calculated debt service coverage ("DSC") for Clear Springs as a whole. See Surrebuttal Schedule JMM-W18. This calculation in no way creates a subsidy between the water and sewer divisions.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

[7] Sonn S. Rowell Rebuttal at 15-16.

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Testimony of Jeffrey M. Michlik

TABLE OF CONTENTS TO SCHEDULES

SCH #	TITLE
JMM-W1	REVENUE REQUIREMENT
JMM-W2	GROSS REVENUE CONVERSION FACTOR
JMM-W3	RATE BASE - ORIGINAL COSTS
JMM-W4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JMM-W5	ORIGINAL COST RATE BASE ADJUSTMENT # 1 - POST TEST YEAR PLANT
JMM-W6	ORIGINAL COST RATE BASE ADJUSTMENT # 2 - PLANT NOT USED AND USEFUL
JMM-W7	ORIGINAL COST RATE BASE ADJUSTMENT # 3 - CUSTOMER DEPOSITS
JMM-W8	ORIGINAL COST RATE BASE ADJUSTMENT # 4 - CASH WORKING CAPITAL
JMM-W9.1	ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ADVANCES IN AID OF CONSTRUCTION
JMM-W9.2	ORIGINAL COST RATE BASE ADJUSTMENT # 6 - CONTRIBUTIONS IN AID OF CONSTRUCTION
JMM-W10	OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED
JMM-W11	SUMMARY OF OPERTING INCOME STATEMENT ADJUSTMENTS - TEST YEAR
JMM-W12	OPERATING INCOME ADJUSTMENT # 1 - WATER TESTING EXPENSE
JMM-W13	OPERATING INCOME ADJUSTMENT # 2 - DEPRECIATION EXPENSE
JMM-W14	OPERATING INCOME ADJUSTMENT # 3 - PROPERTY TAX EXPENSE
JMM-W15	OPERATING INCOME ADJUSTMENT # 4 - INCOME TAX EXPENSE
JMM-W16	OPERATING INCOME ADJUSTMENT # 5 - CUSTOMER DEPOSIT INTEREST
JMM-W17	CASH FLOW ANALYSIS
JMM-W18	FINANCING ANALYSIS
JMM-W19	CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT
JMM-W20	RATE DESIGN
JMM-W21	TYPICAL BILL
JMM-W22	TYPICAL BILL WITH SURCHARGE

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$ 96,746	$ 21,364
2	Adjusted Operating Income (Loss)	$ (41,272)	$ (38,867)
3	Current Rate of Return (L2 / L1)	-42.66%	-181.93%
4	Required Rate of Return	35.00%	30.00%
5	Required Operating Income (L4 * L1)	$ 33,861	$ 6,409
6	Operating Income Deficiency (L5 - L2)	$ 75,133	$ 45,277
7	Gross Revenue Conversion Factor	1.3100	1.2954
8	Required Revenue Increase (L7 * L6)	$ 98,423	**$ 58,652**
9	Adjusted Test Year Revenue	$ 168,250	$ 168,250
10	Proposed Annual Revenue	$ 266,673	$ 226,902
11	Required Increase in Revenue (%)	58.50%	34.86%

References:
Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-W3 and JMM-W10

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	22.8043%			
5	Subtotal (L3 - L4)	77.1957%			
6	**Revenue Conversion Factor (L1 / L5)**	1.295410			
	Calculation of Effective Tax Rate:				
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.4081%			
11	Effective Federal Income Tax Rate (L9 x L10)	14.3345%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		21.3025%		
	Calculation of Effective Property Tax Factor				
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	21.3025%			
15	One Minus Combined Income Tax Rate (L13-L14)	78.6975%			
16	Property Tax Factor (JMM-W14, L27)	1.9084%			
17	Effective Property Tax Factor (L15*L16)		1.5019%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			22.8043%	
19	Required Operating Income (Schedule JMM-W1, Line 5)	$ 6,409			
20	AdjustedTest Year Operating Income (Loss) (JMM-W10, L35)	(38,867)			
21	Required Increase in Operating Income (L19 - L20)		$ 45,277		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	$ 301			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	(11,955)			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		12,256		
25	Recommended Revenue Requirement (Schedule JMM-W1, Line 10)	$ 226,902			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	$ -			
28	Adjusted Test Year Uncollectible Expense	$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-W14, L21)	$ 10,752			
31	Property Tax on Test Year Revenue (Schedule JMM-W14, Line 17)	9,633			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		1,119		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		$ 58,652		

	Calculation of Income Tax:	Test Year		Staff Recommended	Staff W/Surcharge
34	Revenue (Schedule JMM-W1, Col. [B], Line 9 & Sch. JMM-W1, Col. [B] Line 10)	$ 168,250	$ 58,652	$ 226,902	$ 258,519
35	Operating Expenses Excluding Income Taxes	$ 219,072		$ 220,191	$ 220,795
36	Synchronized Interest (L51)	$ 5,271		$ 5,271	$ 20,689
37	Arizona Taxable Income (L34 - L35 - L36)	$ (56,093)		$ 1,440	$ 17,035
38	Arizona State Income Tax Rate	6.9680%		6.9680%	6.9680%
39	Arizona Income Tax (L37 x L38)	$ (3,909)		$ 100	$ 1,187
40	Federal Taxable Income (L37- L39)	$ (52,184)		$ 1,339	$ 15,848
41	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (7,500)		$ 201	$ 2,377
42	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ (546)		$ -	$ -
43	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -	$ -
44	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -	$ -
45	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -	$ -
46	Total Federal Income Tax	$ (8,046)		$ 201	$ 2,377
47	Combined Federal and State Income Tax (L39 + L46)	$ (11,955)		$ 301	$ 3,564

48 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 15.4081%

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 1,102,085	$ (22,301)	$ 1,079,784
2	Less: Accumulated Depreciation	909,719	(9,471)	900,248
3	Net Plant in Service	$ 192,366	$ (12,831)	$ 179,535
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 265,728	$ 24,160	$ 289,888
5	Less: Accumulated Amortization	229,063	1,471	$ 230,534
6	Net CIAC	36,665	22,689	$ 59,354
7	Advances in Aid of Construction (AIAC)	78,613	33,274	111,887
8	Customer Deposits	-	6,361	6,361
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Working Capital Allowance	19,658	(227)	19,431
11	Defered Regulatory Assets	-	-	-
12	**Original Cost Rate Base**	$ 96,746	$ (75,382)	$ 21,364

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Post Test Year Plant Adjustment Ref: Sch JMM-W5	[C] ADJ #2 Plant Not Used And Useful Ref: Sch JMM-W6	[D] ADJ #3 Customer Deposits Ref: Sch JMM-W7	[E] ADJ #4 Cash Working Capital Ref: Sch JMM-W8	[F] ADJ #5 AIAC Ref: Sch JMM-W9.1	[G] ADJ #6 CIAC Ref: Sch JMM-W9.2	[G] STAFF ADJUSTED
	PLANT IN SERVICE:									
1	301	Organization Cost	$ 1,625	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,625
2	302	Franchise Cost	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	210	-	-	-	-	-	-	210
4	304	Structures and Improvements	28,565	-	-	-	-	-	-	28,565
5	305	Collecting and Impounding Res.	-	-	-	-	-	-	-	-
6	306	Lake River and Other Intakes	-	-	-	-	-	-	-	-
7	307	Wells and Springs	179,255	-	-	-	-	-	-	179,255
8	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
9	309	Supply Mains	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	-	-	-	-	-	-	-	-
11	311	Electric Pumping Equipment	172,837	11,849	(7,561)	-	-	-	-	177,126
12	320.1	Water Treatment Plants	-	-	-	-	-	-	-	-
13	320.2	Solution Chemical Feeders	4,574	-	-	-	-	-	-	4,574
14	330	Distribution Reservoirs & Standpipe	16,011	-	-	-	-	-	-	16,011
15	330.1	Storage Tanks	122,423		(26,590)					95,833
16	330.2	Pressure Tanks	-							-
17	331	Transmission and Distribution Mains	349,433	-	-	-	-	-	-	349,433
18	333	Services	121,259	-	-	-	-			121,259
19	334	Meters	83,678	-	-	-	-			83,678
20	335	Hydrants	12,214	-	-	-	-	-	-	12,214
21	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-
22	339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-
23	340	Office Furniture and Fixtures	3,274	-	-	-	-	-	-	3,274
24	341	Transportation Equipment	-	-	-	-	-	-	-	-
25	342	Stores Equipment	-	-	-	-	-	-	-	-
26	343	Tools and Work Equipment	6,727	-	-	-	-	-	-	6,727
25	344	Laboratory Equipment	-	-	-	-	-	-	-	-
26	345	Power Operated Equipment	-	-	-	-	-	-	-	-
27	346	Communications Equipment	-	-	-	-	-	-	-	-
28	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-
29	348	Other Tangible Plant	-	-	-	-	-	-	-	-
30		Total Plant in Service - Actual	1,102,085	-	-	-	-	-	-	1,079,784
31		Post Test-Year Plant	-							-
32		Total Plant in Service	$ 1,102,085	$ 11,849	$ (34,151)	$ -	$ -	$ -	$ -	$ 1,079,784
33		Less: Accumulated Depreciation	909,719	741	(10,212)	-	-	-	-	900,248
34			-	-	-		-	-	-	-
35		Net Plant in Service	$ 192,366	$ 11,108	$ (23,939)	$ -	$ -	$ -	$ -	$ 179,535
36										
37		*LESS:*								
38		Contributions in Aid of Construction (CIAC)	$ 265,728	$ -	$ -	$ -	$ -	$ -	$ 24,160	$ 289,888
39		Less: Accumulated Amortization	229,063	-	-	-	-	-	1,471	230,534
40		Net CIAC (L39 - L40)	36,665	-	-	-	-	-	22,689	59,354
41		Advances in Aid of Construction (AIAC)	78,613	-	-	-	-	33,274	-	111,887
42		Customer Deposits	-	-	-	6,361	-	-	-	6,361
43		Deferred Income Taxes	-	-	-	-	-	-	-	-
44			-							
45										
46		*ADD:*								
47		Working Capital Allowance	19,658	-	-	-	(227)	-	-	19,431
48		Defered Regulatory Assets	-	-	-	-	-	-	-	-
49										
50		**Original Cost Rate Base**	$ 96,746	$ 11,108	$ (23,939)	$ (6,361)	$ (227)	$ (33,274)	$ (22,689)	$ 21,364
51										

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W5

RATE BASE ADJUSTMENT NO. 1 - POST TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	311	Electric Pumping Equipment	$ 172,837	$ 11,849	$ 184,686
2					
3		Accumulated Depreciation	$ 909,719	$ 741	$ 910,460

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W6

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A] Plant in Service Per Company	[B] Not Used and Useful Plant	[C] Plant in Service Per Staff (Col A + Col B)
1	311	Pumping Equipment	$ 172,837	$ (7,561)	$ 165,276
2	330.1	Storage Tanks	122,423	(26,590)	95,833
3		Total	$ 295,260	$ (34,151)	$ 261,109
4					
5		Accumulated Depreciation	$ 909,719	$ (10,212)	$ 899,507

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W7

RATE BASE ADJUSTMENT NO. 3 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Customer Deposits	$ -	$ 6,361	$ 6,361

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W8

RATE BASE ADJUSTMENT NO. 4 - CASH WORKING CAPITAL

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	$ 19,658	$ (227)	$ 19,431
2				
3	Staff's Calculation of Cash Working Capital			
4	1/24th Purchased Power	$ 1,690		
5	1/8th Operation & Maintenance Expense	17,742		
6	Total Cash Working Capital	$ 19,431		

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W9.1

RATE BASE ADJUSTMENT NO. 5 - ADVANCES IN AID OF CONSTRUCTION

LINE NO.	DESCRIPTION	[A] Service Per Company	[B] Staff Adjustment	[C] Per Staff (Col A + Col B)
1	Advances in Aid of Construction (AIAC)	$ 78,613	(6,979)	$ 71,634
2	Service Line and Meter Installation Deposits	$ -	$ 40,253	$ 40,253
		$ 78,613	33,274	$ 111,887

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W9.2

RATE BASE ADJUSTMENT NO. 6 - CONTRIBUTIONS IN AID OF CONSTRUCTION

LINE NO.	DESCRIPTION	[A] Service Per Company	[B] Staff Adjustment	[C] Per Staff (Col A + Col B)
1	Contributions in Aid of Construction (CIAC)	$ 265,728	$ 24,160	$ 289,888
2	Less: Accumulated Amortization	229,063	1,471	230,534
3	Net CIAC	$ 36,665	$ 22,689	$ 59,354

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED	[F] SURCHARGE	[G] STAFF RECOMMENDED WITH SURCHARGE
1	*REVENUES:*							
2	Metered Water Sales	$ 165,031	$ -	$ 165,031	$ 58,652	$ 223,683	$ 31,617	$ 255,300
3	Water Sales-Unmetered	-	-	-	-	-		-
4	Other Water Revenue	3,219	-	3,219	-	3,219		3,219
5	Intentionally Left Blank	-	-	-	-	-		-
6	**Total Operating Revenues**	$ 168,250	$ -	$ 168,250	$ 58,652	$ 226,902	$ 31,617	$ 258,519
7								
8	*OPERATING EXPENSES:*							
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -		$ -
10	Purchased Water	-	-	-	-	-		-
11	Purchased Power	40,551	-	40,551	-	40,551		40,551
12	Fuel for Power Production	-	-	-	-	-		-
13	Chemicals	1,811	-	1,811	-	1,811		1,811
14	Repairs and Maintenance	12,168	-	12,168	-	12,168		12,168
15	Office Supplies and Expense	9,437	-	9,437	-	9,437		9,437
16	Outside Services	92,240	-	92,240	-	92,240		92,240
17	Outside Services - Other	-	-	-	-	-		-
18	Outside Services - Legal	-	-	-	-	-		-
19	Water Testing	7,172	(1,815)	5,357	-	5,357		5,357
20	Rents	-	-	-	-	-		-
21	Transportation Expenses	6,938	-	6,938	-	6,938		6,938
22	Insurance - General Liability	3,443	-	3,443	-	3,443		3,443
23	Insurance - Health and Life	-	-	-	-	-		-
24	Regulatory Commission Expenese	-	-	-	-	-		-
25	Regulatory Commission Expense - Rate Case	10,000	-	10,000	-	10,000		10,000
26	Miscellaneous Expense	540	-	540	-	540		540
27	Bad Debt Expense	-	-	-	-	-		-
28	Depreciation Expense	28,545	(1,972)	26,573	-	26,573		26,573
29	Amortization of CIAC	-	-	-	-	-		-
30	Taxes Other than Income	-	-	-	-	-		-
31	Property Taxes	9,698	(65)	9,633	1,119	10,752	603	11,355
32	Income Taxes	(13,346)	1,391	(11,955)	12,256	301	3,263	3,564
33	Interest on Customer Deposits	325	-	382	-	382		382
34	**Total Operating Expenses**	$ 209,522	$ (2,462)	$ 207,117	$ 13,375	$ 220,493	$ 3,866	$ 224,359
35	**Operating Income (Loss)**	$ (41,272)	$ 2,462	$ (38,867)	$ 45,277	$ 6,409	$ 27,751	$ 34,160

References:
Column (A): Company Schedule C-1
Column (B): Schedule JMM-W11
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-W1, JMM-W2 and JMM-W14
Column (E): Column (C) + Column (D)
Column (F): Surcharge plus incremental property and income taxes
Column (G): Column (E) + Column (F)

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W11

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Testing Expenses ADJ #1	[C] Depreciation Expense ADJ #2	[D] Property Tax Expense ADJ #3	[E] Income Tax Expense ADJ #4	[H] Customer Deposit Interest ADJ #5	[F] STAFF ADJUSTED
			Ref: Sch JMM-W12	Ref: Sch JMM-W13	Ref: Sch JMM-W14	Ref: Sch JMM-W15	Ref: Sch JMM-W16	
1	*REVENUES:*							
2	Metered Water Sales	$ 165,031	$ -	$ -	$ -	$ -	$ -	$ 165,031
3	Water Sales-Unmetered	-	-	-	-	-	-	-
4	Other Water Revenue	3,219	-	-	-	-	-	3,219
5	Intentionally Left Blank	-	-	-	-	-		-
6	**Total Operating Revenues**	$ 168,250	$ -	$ -	$ -	$ -	$ -	$ 168,250
7								
8	*OPERATING EXPENSES:*							
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Water	-	-	-	-	-	-	-
11	Purchased Power	40,551	-	-	-	-	-	40,551
12	Fuel for Power Production	-	-	-	-	-	-	-
13	Chemicals	1,811	-	-	-	-	-	1,811
14	Repairs and Maintenance	12,168	-	-	-	-	-	12,168
15	Office Supplies and Expense	9,437	-	-	-	-	-	9,437
16	Outside Services	92,240	-	-	-	-	-	92,240
17	Outside Services - Other	-	-	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-	-	-
19	Water Testing	7,172	(1,815)	-	-	-	-	5,357
20	Rents	-	-	-	-	-	-	-
21	Transportation Expenses	6,938	-	-	-	-	-	6,938
22	Insurance - General Liability	3,443	-	-	-	-	-	3,443
23	Insurance - Health and Life	-	-	-	-	-	-	-
24	Regulatory Commission Expenese	-	-	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	10,000	-	-	-	-	-	10,000
26	Miscellaneous Expense	540	-	-	-	-	-	540
27	Bad Debt Expense	-	-	-	-	-	-	-
28	Depreciation Expense	28,545	-	(1,972)	-	-	-	26,573
29	Amortization of CIAC	-	-	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-	-	-
31	Property Taxes	9,698	-	-	(65)	-	-	9,633
32	Income Taxes	(13,346)	-	-	-	1,391	-	(11,955)
33	Interest on Customer Deposits	325	-	-	-	-	57	382
34	**Total Operating Expenses**	$ 209,522	$ (1,815)	$ (1,972)	$ (65)	$ 1,391	$ 57	$ 207,117
35	**Operating Income (Loss)**	$ (41,272)	$ 1,815	$ 1,972	$ 65	$ (1,391)	$ (57)	$ (38,867)

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W12

OPERATING ADJUSTMENT NO. 1 - WATER TESTING EXPENSE

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing	$ 7,172	$ (1,815)	$ 5,357

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT (See Note 1)	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	$ 1,625	$ 1,625	$ -	0.00%	$ -
2	302	Franchise Cost	$ -	$ -	$ -	0.00%	$ -
3	303	Land and Land Rights	$ 210	$ 210	$ -	0.00%	$ -
4	304	Structures and Improvements	$ 28,565	$ 28,565	$ -	3.33%	$ -
5	305	Collecting and Impounding Res.	$ -	$ -	$ -	2.50%	$ -
6	306	Lake River and Other Intakes	$ -	$ -	$ -	2.50%	$ -
7	307	Wells and Springs	$ 179,255	$ -	$ 179,255	3.33%	$ 5,969
8	308	Infiltration Galleries and Tunnels	$ -	$ -	$ -	6.67%	$ -
9	309	Supply Mains	$ -	$ -	$ -	2.00%	$ -
10	310	Power Generation Equipment	$ -	$ -	$ -	5.00%	$ -
11	311	Electric Pumping Equipment	$ 177,126	$ 121,259	$ 55,867	12.50%	$ 6,983
12	320	Water Treatment Equipment	$ -	$ -	$ -	3.33%	$ -
13	320	Water Treatment Plant	$ 4,574	$ -	$ 4,574	20.00%	$ 915
14	330	Distribution Reservoirs & Standpipe	$ 16,011	$ 16,011	$ -	2.22%	$ -
15	330.1	Storage Tanks	$ 95,833	$ -	$ 95,833	2.22%	$ 2,127
16	330.2	Pressure Tanks	$ -	$ -	$ -	5.00%	$ -
17	331	Transmission and Distribution Mains	$ 349,433	$ -	$ 349,433	2.00%	$ 6,989
18	333	Services	$ 121,259	$ -	$ 121,259	3.33%	$ 4,038
19	334	Meters	$ 83,678	$ 66,606	$ 17,072	8.33%	$ 1,422
20	335	Hydrants	$ 12,214	$ 9,850	$ 2,364	2.00%	$ 47
21	336	Backflow Prevention Devices	$ -	$ -	$ -	6.67%	$ -
22	339	Other Plant and Miscellaneous Equipment	$ -	$ -	$ -	6.67%	$ -
23	340	Office Furniture and Fixtures	$ 3,274	$ 3,274	$ -	6.67%	$ -
24	341	Transportation Equipment	$ -	$ -	$ -	20.00%	$ -
25	342	Stores Equipment	$ -	$ -	$ -	4.00%	$ -
26	343	Tools and Work Equipment	$ 6,727	$ 6,727	$ -	5.00%	$ -
27	344	Laboratory Equipment	$ -	$ -	$ -	10.00%	$ -
28	345	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
29	346	Communications Equipment	$ -	$ -	$ -	10.00%	$ -
30	347	Miscellaneous Equipment	$ -	$ -	$ -	10.00%	$ -
31	348	Other Tangible Plant	$ -	$ -	$ -	10.00%	$ -
32		*Total Plant*	$ 1,079,784	$ 254,127	$ 825,657		$ 28,491
33							
34		Composite Depreciation Rate:	3.03%	See Note 2			
35		CIAC:	$ 63,309	See Note 2			
36		Amortization of CIAC (Line 35 x Line 34):	$ 1,918				
37							
38		Depreciation Expense Before Amortization of CIAC:	$ 28,491				
39		Less Amortization of CIAC:	$ 1,918				
40		**Test Year Depreciation Expense - Staff:**	**$ 26,573**				
41		Depreciation Expense - Company:	$ 28,545				
42		**Staff's Total Adjustment:**	**$ (1,972)**				
43							

Note 1: For accounts 311, 334, and 335 the Company recognizes a portion of the origingal cost balance as fully depreciated. See Company Schedule C-2Wc.

Note 2: The Company in its rebuttal testimony proposes to separately track CIAC accounts.

References:
Column [A]: Schedule JMM-W4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 3 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED	[C] STAFF W/SURCHARGE
1	Staff Adjusted Test Year Revenues	$ 168,250	$ 168,250	$ 168,250
2	Weight Factor	2	2	2
3	Subtotal (Line 1 * Line 2)	336,500	$ 336,500	$ 336,500
4	Staff Recommended Revenue, Per Schedule JMM-1	168,250	$ 226,902	$ 258,519
5	Subtotal (Line 4 + Line 5)	504,750	563,402	595,019
6	Number of Years	3	3	3
7	Three Year Average (Line 5 / Line 6)	168,250	$ 187,801	$ 198,340
8	Department of Revenue Mutilplier	2	2	2
9	Revenue Base Value (Line 7 * Line 8)	336,500	$ 375,601	$ 396,679
10	Plus: 10% of CWIP -	-	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	336,500	$ 375,601	$ 396,679
13	Assessment Ratio	20.5%	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	68,983	$ 76,998	$ 81,319
15	Composite Property Tax Rate (Per Company Schedule)	13.9638%	13.9638%	13.9638%
16			$ -	
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 9,633		
18	Company Proposed Property Tax	9,698		
19				
20	Staff Test Year Adjustment (Line 17-Line 18)	$ (65)		
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 10,752	$ 11,355
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		$ 9,633	$ 10,752
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 1,119	$ 603
24				
25	Increase to Property Tax Expense		$ 1,119	
26	Increase in Revenue Requirement		58,652	
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.908386%	

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W15

OPERATING INCOME ADJUSTMENT NO. 4 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ (13,346)	$ 1,391	$ (11,955)

References:
Column (A), Company Schedule C-1
Column (B): Column [C] - Column [A]
Column (C): Schedule JMM-W2

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W16

OPERATING ADJUSTMENT NO. 5 - CUSTOMER DEPOSIT INTEREST

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Interest on Customer Deposits	$ 325	$ 57	$ 382

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W17

Line No.		Without Surcharge	Without Surcharge and with New Loan	With Surcharge and with New Loan
1	**Cash Inflows**			
2	Revene - Base Rates	$ 226,902	$ 226,902	$ 226,902
3	Revenue - Surcharge for $10,000 Cash Flow with Loan			$ 31,617
4	Total Revenue	$ 226,902	$ 226,902	$ 258,519
5				
6	**Cash Outflows**			
7	Salaries and Wages	$ -	$ -	$ -
8	Purchased Water	$ -	$ -	$ -
9	Purchased Power	$ 40,551	$ 40,551	$ 40,551
10	Fuel for Power Production	$ -	$ -	$ -
11	Chemicals	$ 1,811	$ 1,811	$ 1,811
12	Repairs and Maintenance	$ 12,168	$ 12,168	$ 12,168
13	Office Supplies and Expense	$ 9,437	$ 9,437	$ 9,437
14	Outside Services	$ 92,240	$ 92,240	$ 92,240
15	Outside Services - Other	$ -	$ -	$ -
16	Outside Services - Legal	$ -	$ -	$ -
17	Water Testing	$ 5,357	$ 5,357	$ 5,357
18	Rents	$ -	$ -	$ -
19	Transportation Expenses	$ 6,938	$ 6,938	$ 6,938
20	Insurance - General Liability	$ 3,443	$ 3,443	$ 3,443
21	Insurance - Health and Life	$ -	$ -	$ -
22	Regulatory Commission Expenese	$ -	$ -	$ -
23	Regulatory Commission Expense - Rate Case	$ 10,000	$ 10,000	$ 10,000
24	Miscellaneous Expense	$ 540	$ 540	$ 540
25	Bad Debt Expense	$ -	$ -	$ -
26	Depreciation Expense	$ 26,573	$ 26,573	$ 26,573
27	Amortization of CIAC	$ -	$ -	$ -
28	Taxes Other than Income	$ -	$ -	$ -
29	Property Taxes	$ 10,752	$ 10,752	$ 11,355
30	Income Taxes	$ 301	$ (2,925)	$ 3,564
31	Interest on Customer Deposits	$ 382	$ 382	$ 382
32	Total Expenses	$ 220,493	$ 217,267	$ 224,359
33				
34	**Operating Income**	$ 6,409	$ 9,635	$ 34,160
35				
36	Plus Depreciation Expense	$ 26,573	$ 26,573	$ 26,573
37	Less: AIAC Refunded in Test Year	$ 525	$ 525	$ 525
38	Less: WIFA Loan Payment Interest[1]	$ 6,245	$ 21,664	$ 21,664
39	Less: WIFA Loan Payment Principle[1]	$ 5,630	$ 20,338	$ 20,338
40	**Cash Flow from Operations before WIFA Reserve**	$ 20,582	$ (6,319)	$ 18,206
41				
42	WIFA Reserve (20% of Principal and Interest)	$ 2,180	$ 8,206	$ 8,206
43	**Cash Flow from Operations after WIFA Reserve**	**$ 18,402**	**$ (14,524)**	**$ 10,000**
44				
45	Operating Income	$ 6,409	$ 9,635	$ 34,160
46	Less: WIFA Loan Payment Interest	$ 6,245	$ 21,664	$ 21,664
47	**Net Income**	$ 164	$ (12,028)	$ 12,497
48				
49	Rate of Return on Rate Base	30.00%	45.10%	159.89%
50	Operating Margin	2.82%	4.25%	13.21%

[1] Updated to reflect Company's Rebuttal

		[A] Water 12/31/2010	[B] Wastewater 12/31/2010	[C] Combined 12/31/2010	[D] *Pro forma Combined Without Surcharge*	[E] *Pro forma Combined Includes Surcharge*
1	Operating Income	$6,409	$8,070	$14,479	$14,479	$42,230
2	Depreciation & Amort.	26,573	0	$26,572	$26,572	26,572
3	Income Tax Expense	301	2,189	$2,490	$2,490	5,753
4						
5	Interest Expense	6,245	0	$6,245	$21,664	21,664
6	Repayment of Principal	5,630	0	$5,630	$20,338	20,338
7						
8	**TIER**					
9	[1+3] ÷ [5]	1.07	N/M	2.72	0.78	2.21
10						
11	**DSC**					
12	[1+2+3] ● [5+6]	2.80	N/M	3.67	1.04	1.78
13						
14						

References:
Column [A]: Staff Recommended Water Divison
Column [B]: Staff Recommended Wastewater Division
Column [C]: Column [A] + Column [B]
Column [D]: Pro forma Loan with no Surcharge
Column [E]: Pro forma Loan includes Surcharge

CALCULATION OF INFRASTRUCTURE SURCHARGE AMOUNT

Infrastructure Surcharge Based on AWWA Meter Multipliers

Loan Amount		$	426,249
Surcharge - Non-Liability		$	20,987
Surcharge - Debt Service Reserve Fund (Liability)	($8,206) x 1.2954 GRCF)	$	10,630
Total Surcharge Required to $10,000 Cash Flow		$	31,617

Surcharges - Non-Liability

Total Equivalent Annual Bills				7,692
5/8"x 3/4" Meter Surcharge Amount	$ 20,987	/	7,692 =	$ 2.73
3/4" Meter Surcharge Amount	$ 20,987	/	7,692 x 1.5 =	$ 4.09
1" Meter Surcharge Amount	$ 20,987	/	7,692 x 2.5 =	$ 6.82
1 1/2" Meter Surcharge Amount	$ 20,987	/	7,692 x 5 =	$ 13.64
2" Meter Surcharge Amount	$ 20,987	/	7,692 x 8 =	$ 21.83
3." Meter Surcharge Amount	$ 20,987	/	7,692 x 16 =	$ 43.66
4" Meter Surcharge Amount	$ 20,987	/	7,692 x 25 =	$ 68.21
6" Meter Surcharge Amount	$ 20,987	/	7,692 x 50 =	$ 136.42

Meter Size	Number of Customers [1]	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	540	1	540	6,480	$ 2.73	$ 32.74	$ 17,680
3/4" Meter	5	1.5	8	90	4.09	49.11	$ 246
1" Meter	15	2.5	38	450	6.82	81.85	$ 1,228
1 1/2" Meter	8	5	40	480	13.64	163.71	$ 1,310
2" Meter	2	8	16	192	21.83	261.93	$ 524
3" Meter	-	16	-	-	43.66	523.86	$ -
4" Meter	-	25	-	-	68.21	818.53	$ -
6" Meter	-	50	-	-	136.42	1,637.07	$ -
TOTAL	570		641	7,692			$ 20,987

Surcharges - Debt Service Reserve Fund

Total Equivalent Annual Bills				7,692
5/8"x 3/4" Meter Surcharge Amount	$ 10,630	/	7,692 =	$ 1.38
3/4" Meter Surcharge Amount	$ 10,630	/	7,692 x 1.5 =	$ 2.07
1" Meter Surcharge Amount	$ 10,630	/	7,692 x 2.5 =	$ 3.45
1 1/2" Meter Surcharge Amount	$ 10,630	/	7,692 x 5 =	$ 6.91
2" Meter Surcharge Amount	$ 10,630	/	7,692 x 8 =	$ 11.06
3." Meter Surcharge Amount	$ 10,630	/	7,692 x 16 =	$ 22.11
4" Meter Surcharge Amount	$ 10,630	/	7,692 x 25 =	$ 34.55
6" Meter Surcharge Amount	$ 10,630	/	7,692 x 50 =	$ 69.10

Meter Size	Number of Customers [1]	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	540	1	540	6,480	$ 1.38	$ 16.58	$ 8,955
3/4" Meter	5	1.5	8	90	2.07	24.88	$ 124
1" Meter	15	2.5	38	450	3.45	41.46	$ 622
1 1/2" Meter	8	5	40	480	6.91	82.92	$ 663
2" Meter	2	8	16	192	11.06	132.67	$ 265
3" Meter	-	16	-	-	22.11	265.34	$ -
4" Meter	-	25	-	-	34.55	414.59	$ -
6" Meter	-	50	-	-	69.10	829.18	$ -
TOTAL	570		641	7,692			$ 10,630

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	$ 11.00	$ 16.00	$ 12.75
3/4 Inch	14.50	24.00	19.13
1 Inch	23.25	40.00	31.88
1 1/2 Inch	44.00	80.00	63.75
2 Inch	66.00	128.00	102.00
3 Inch	125.50	256.00	204.00
4 Inch	250.00	400.00	318.75
6 Inch	500.00	800.00	637.50
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	$ 1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 3,000 gallons	N/A	N/A	$ 1.5000
3,001 to 8,000 gallons	N/A	N/A	3.6000
Over 8,000 gallons	N/A	N/A	5.1500
3/4" Meter (Residential)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 3,000 gallons	N/A	N/A	1.5000
3,001 to 8,000 gallons	N/A	N/A	3.6000
Over 8,000 gallons	N/A	N/A	5.1500
5/8" x 3/4" Meter (Commerical/Irrigation)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 8,000 gallons	N/A	N/A	3.6000
Over 8,000 gallons	N/A	N/A	5.1500
3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	1.2500	N/A	N/A
3,001 to 10,000 gallons	2.2500	N/A	N/A
All gallons over 10,000	3.5000	N/A	N/A
First 3,000 gallons	N/A	1.8200	N/A
3,001 to 8,000 gallons	N/A	3.7500	N/A
Over 8,000 gallons	N/A	6.0000	N/A
First 8,000 gallons	N/A	N/A	3.6000
Over 8,000 gallons	N/A	N/A	5.1500
1" Meter (All Classes)			
First 31,000 gallons	2.2500	N/A	N/A
Over 31,000 gallons	3.5000	N/A	N/A
First 30,000 gallons	N/A	3.7500	N/A
Over 30,000 gallons	N/A	6.0000	N/A
First 15,000 gallons	N/A	N/A	3.6000
Over 15,000 gallons	N/A	N/A	5.1500
1.5" Meter (All Classes)			
First 58,000 gallons	2.2500	N/A	N/A
Over 58,000 gallons	3.5000	N/A	N/A
First 50,000 gallons	N/A	3.7500	N/A
Over 50,000 gallons	N/A	6.0000	N/A
First 30,000 gallons	N/A	N/A	3.6000
Over 30,000 gallons	N/A	N/A	5.1500

Rate Design

2" Meter (All Classes)			
First 74,000 gallons	2.2500	N/A	N/A
Over 74,000 gallons	3.5000	N/A	N/A
First 70,000 gallons	N/A	3.7500	N/A
Over 70,000 gallons	N/A	6.0000	N/A
First 50,000 gallons	N/A	N/A	3.6000
Over 50,000 gallons	N/A	N/A	5.1500
3" Meter (All Classes)			
First 100,000 gallons	2.2500	3.7500	N/A
Over 100,000 gallons	3.5000	6.0000	N/A
First 110,000 gallons	N/A	N/A	3.6000
Over 110,000 gallons	N/A	N/A	5.1500
4" Meter (All Classes)			
First 150,000 gallons	2.2500	3.7500	N/A
Over 150,000 gallons	3.5000	6.0000	N/A
First 180,000 gallons	N/A	N/A	3.6000
Over 180,000 gallons	N/A	N/A	5.1500
6" Meter (All Classes)			
First 250,000 gallons	2.2500	3.7500	N/A
Over 250,000 gallons	3.5000	6.0000	N/A
First 380,000 gallons	N/A	N/A	3.6000
Over 380,000 gallons	N/A	N/A	5.1500
Bulk Water Sales - 3"			
Excess of Minimum	4.0000	6.0000	N/A
All Usage (per 1,000 gallons)	N/A	N/A	5.1500

Other Service Charges

Establishment	$ 30.00	$ 35.00	$ 35.00
Establishment (After Hours)	$ 45.00	N/A	N/A
Reconnection (Delinquent)	$ 30.00	$ 40.00	$ 40.00
Meter Test (If Correct)	$ 45.00	$ 45.00	$ 45.00
Meter Reread (If Correct)	$ 25.00	$ 30.00	$ 30.00
NSF Check Charge	$ 20.00	$ 25.00	$ 25.00
Deposit	*	*	*
Deposit Interest (Per Annum)	*	*	*
Deferred Payment (Per Month)	1.50%	1.50%	**
Late Payment Fee (Per Month)	N/A	2.00%	1.50%
Re-establishment (within 12 months)	***	***	***
After Hours Service Charge	N/A	$ 25.00	$ 25.00

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
**** 2% of monthly minimum for a comparable sized meter connection, but no less than $10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Insallation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Insallation Charge	Total Recommended Charge
Service Size 5/8"	$ 550.00	$ 445.00	$ 155.00	$ 600.00	$ 445.00	$ 155.00	$ 600.00
3/4"	$ 550.00	$ 445.00	$ 255.00	$ 700.00	$ 445.00	$ 255.00	$ 700.00
1"	$ 650.00	$ 495.00	$ 315.00	$ 810.00	$ 495.00	$ 315.00	$ 810.00
1-1/2"	$ 875.00	$ 550.00	$ 525.00	$ 1,075.00	$ 550.00	$ 525.00	$ 1,075.00
2" Turbine	$ 1,400.00	$ 830.00	$ 1,045.00	$ 1,875.00	$ 830.00	$ 1,045.00	$ 1,875.00
2" Compound	N/A	$ 830.00	$ 1,890.00	$ 2,720.00	$ 830.00	$ 1,890.00	$ 2,720.00
3" Turbine	$ 1,900.00	$ 1,045.00	$ 1,670.00	$ 2,715.00	$ 1,045.00	$ 1,670.00	$ 2,715.00
3" Compound	N/A	$ 1,165.00	$ 2,545.00	$ 3,710.00	$ 1,165.00	$ 2,545.00	$ 3,710.00
4" Turbine	$ 3,200.00	$ 1,490.00	$ 2,670.00	$ 4,160.00	$ 1,490.00	$ 2,670.00	$ 4,160.00
4" Compound	N/A	$ 1,670.00	$ 3,645.00	$ 5,315.00	$ 1,670.00	$ 3,645.00	$ 5,315.00
6" Turbine	$ 5,800.00	$ 2,210.00	$ 5,025.00	$ 7,235.00	$ 2,210.00	$ 5,025.00	$ 7,235.00
6" Compound	N/A	$ 2,330.00	$ 6,920.00	$ 9,250.00	$ 2,300.00	$ 6,920.00	$ 9,220.00

Other Rates and Charges by Order:

In Addition to the Collection of its regular rates and charges, the Company shall collect from customers their proportionate share of any privilege, sales or use tax in accordance with R14-2-409.D.5.

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W21

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,179	$ 19.65	$ 29.63	$ 9.98	50.77%
Median Usage	3,318	15.47	22.65	$ 7.19	46.47%
Staff Recommended					
Average Usage	5,179	$ 19.65	$ 25.09	$ 5.44	27.69%
Median Usage	3,318	15.47	18.39	$ 2.93	18.94%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 11.00	$ 16.00	45.45%	$ 12.75	15.91%
1,000	12.25	17.82	45.47%	14.25	16.33%
2,000	13.50	19.64	45.48%	15.75	16.67%
3,000	14.75	21.46	45.49%	17.25	16.95%
4,000	17.00	25.21	48.29%	20.85	22.65%
5,000	19.25	28.96	50.44%	24.45	27.01%
6,000	21.50	32.71	52.14%	28.05	30.47%
7,000	23.75	36.46	53.52%	31.65	33.26%
8,000	26.00	40.21	54.65%	35.25	35.58%
9,000	28.25	46.21	63.58%	40.40	43.01%
10,000	30.50	52.21	71.18%	45.55	49.34%
11,000	34.00	58.21	71.21%	50.70	49.12%
12,000	37.50	64.21	71.23%	55.85	48.93%
13,000	41.00	70.21	71.24%	61.00	48.78%
14,000	44.50	76.21	71.26%	66.15	48.65%
15,000	48.00	82.21	71.27%	71.30	48.54%
16,000	51.50	88.21	71.28%	76.45	48.45%
17,000	55.00	94.21	71.29%	81.60	48.36%
18,000	58.50	100.21	71.30%	86.75	48.29%
19,000	62.00	106.21	71.31%	91.90	48.23%
20,000	65.50	112.21	71.31%	97.05	48.17%
25,000	83.00	142.21	71.34%	122.80	47.95%
30,000	100.50	172.21	71.35%	148.55	47.81%
35,000	118.00	202.21	71.36%	174.30	47.71%
40,000	135.50	232.21	71.37%	200.05	47.64%
45,000	153.00	262.21	71.38%	225.80	47.58%
50,000	170.50	292.21	71.38%	251.55	47.54%
75,000	258.00	442.21	71.40%	380.30	47.40%
100,000	345.50	592.21	71.41%	509.05	47.34%

Clear Springs Utility Company, Inc. - Water Division (with surcharge)
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-W22

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,179	$ 19.65	$ 29.63	$ 9.98	50.77%
Median Usage	3,318	15.47	22.65	$ 7.19	46.47%
Staff Recommended					
Average Usage	5,179	$ 19.65	$ 29.20	$ 9.55	48.60%
Median Usage	3,318	15.47	22.50	$ 7.04	45.52%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 11.00	$ 16.00	45.45%	$ 16.86	53.27%
1,000	12.25	17.82	45.47%	18.36	49.88%
2,000	13.50	19.64	45.48%	19.86	47.11%
3,000	14.75	21.46	45.49%	21.36	44.81%
4,000	17.00	25.21	48.29%	24.96	46.82%
5,000	19.25	28.96	50.44%	28.56	48.36%
6,000	21.50	32.71	52.14%	32.16	49.58%
7,000	23.75	36.46	53.52%	35.76	50.57%
8,000	26.00	40.21	54.65%	39.36	51.38%
9,000	28.25	46.21	63.58%	44.51	57.56%
10,000	30.50	52.21	71.18%	49.66	62.82%
11,000	34.00	58.21	71.21%	54.81	61.21%
12,000	37.50	64.21	71.23%	59.96	59.89%
13,000	41.00	70.21	71.24%	65.11	58.80%
14,000	44.50	76.21	71.26%	70.26	57.89%
15,000	48.00	82.21	71.27%	75.41	57.10%
16,000	51.50	88.21	71.28%	80.56	56.43%
17,000	55.00	94.21	71.29%	85.71	55.84%
18,000	58.50	100.21	71.30%	90.86	55.32%
19,000	62.00	106.21	71.31%	96.01	54.85%
20,000	65.50	112.21	71.31%	101.16	54.44%
25,000	83.00	142.21	71.34%	126.91	52.90%
30,000	100.50	172.21	71.35%	152.66	51.90%
35,000	118.00	202.21	71.36%	178.41	51.19%
40,000	135.50	232.21	71.37%	204.16	50.67%
45,000	153.00	262.21	71.38%	229.91	50.27%
50,000	170.50	292.21	71.38%	255.66	49.95%
75,000	258.00	442.21	71.40%	384.41	49.00%
100,000	345.50	592.21	71.41%	513.16	48.53%

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Testimony of Jeffrey M. Michlik

TABLE OF CONTENTS TO SCHEDULES

SCH #	TITLE
JMM-WW1	REVENUE REQUIREMENT
JMM-WW2	GROSS REVENUE CONVERSION FACTOR
JMM-WW3	RATE BASE - ORIGINAL COSTS
JMM-WW4	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
JMM-WW5	ORIGINAL COST RATE BASE ADJUSTMENT # 1 - RECLASSIFICATION OF PLANT
JMM-WW6	ORIGINAL COST RATE BASE ADJUSTMENT # 2 - PLANT NOT USED AND USEFUL
JMM-WW7	ORIGINAL COST RATE BASE ADJUSTMENT # 3 - CASH WORKING CAPITAL
JMM-WW8.1	ORIGINAL COST RATE BASE ADJUSTMENT # 4 - CUSTOMER DEPOSITS
JMM-WW8.2	ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ADVANCES IN AID OF CONSTRUCTION
JMM-WW8.3	ORIGINAL COST RATE BASE ADJUSTMENT # 6 - CONTRIBUTIONS IN AID OF CONSTRUCTION
JMM-WW9	OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED
JMM-WW10	SUMMARY OF OPERTING INCOME STATEMENT ADJUSTMENTS - TEST YEAR
JMM-WW11	OPERATING INCOME ADJUSTMENT # 1 - WASTEWATER TESTING EXPENSE
JMM-WW12	OPERATING INCOME ADJUSTMENT # 2 - DEPRECIATION EXPENSE
JMM-WW13	OPERATING INCOME ADJUSTMENT # 3 - PROPERTY TAX EXPENSE
JMM-WW14	OPERATING INCOME ADJUSTMENT # 4 - INCOME TAX EXPENSE
JMM-WW15	OPERATING INCOME ADJUSTMENT # 5 - CUSTOMER DEPOSIT INTEREST
JMM-WW16	CASH FLOW ANALYSIS
JMM-WW17	RATE DESIGN
JMM-WW18	TYPICAL BILL

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	$ (13,244)	$ (16,893)
2	Adjusted Operating Income (Loss)	$ 9,556	$ 8,070
3	Current Rate of Return (L2 / L1)	-72.15%	-47.77%
4	Required Rate of Return	**N/M**	**N/M**
5	Required Operating Income (L4 * L1)	$ 9,556	$ 8,070
6	Operating Income Deficiency (L5 - L2)	$ -	$ (0)
7	Gross Revenue Conversion Factor	1.0000	1.2892
8	Required Revenue Increase (L7 * L6)	$ -	**$ (0)**
9	Adjusted Test Year Revenue	$ 47,802	$ 47,802
10	Proposed Annual Revenue	$ 47,802	$ 47,802
11	Required Increase in Revenue (%)	0.00%	0.00%

N/M = Not Meaningful

References:
Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-WW3 and JMM-WW9

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	22.4303%			
5	Subtotal (L3 - L4)	77.5697%			
6	**Revenue Conversion Factor (L1 / L5)**	1.289162			
	Calculation of Effective Tax Rate:				
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	13.9548%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		20.9228%		
	Calculation of Effective Property Tax Factor				
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	20.9228%			
15	One Minus Combined Income Tax Rate (L13-L14)	79.0772%			
16	Property Tax Factor (JMM-WW12, L27)	1.9063%			
17	Effective Property Tax Factor (L15*L16)		1.5075%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			22.4303%	
19	Required Operating Income (Schedule JMM-WW1, Line 5)	$ 8,070			
20	AdjustedTest Year Operating Income (Loss) (JMM-WW9, L35)	8,070			
21	Required Increase in Operating Income (L19 - L20)		$ -		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	$ 2,135			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	2,135			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		(0)		
25	Recommended Revenue Requirement (Schedule JMM-WW1, Line 10)	$ 47,802			
26	Uncollectible Rate	0.0000%			
27	Uncolllectible Expense on Recommended Revenue (L25*L26)	$ -			
28	Adjusted Test Year Uncollectible Expense	$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-WW13, L21)	$ 2,734			
31	Property Tax on Test Year Revenue (Schedule JMM-WW13, Line 17)	2,734			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		(0)		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		$ (0)		

	Calculation of Income Tax:	Test Year		Staff Recommended
34	Revenue (Schedule JMM-WW1, Col. [B], Line 9 & Sch. JMM-WW1, Col. [B] Line 10)	$ 47,802	$ (0)	$ 47,802
35	Operating Expenses Excluding Income Taxes	$ 37,597		$ 37,597
36	Synchronized Interest (L51)	$ -		$ -
37	Arizona Taxable Income (L34 - L35 - L36)	$ 10,205		$ 10,205
38	Arizona State Income Tax Rate	6.9680%		6.9680%
39	Arizona Income Tax (L37 x L38)	$ 711		$ 711
40	Federal Taxable Income (L37- L39)	$ 9,494		$ 9,494
41	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 1,424		$ 1,424
42	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -		$ -
43	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -
44	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -
45	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
46	Total Federal Income Tax	$ 1,424		$ 1,424
47	Combined Federal and State Income Tax (L39 + L46)	$ 2,135		$ 2,135

48 Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40] 15.0000%

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 355,470	$ (495)	$ 354,975
2	Less: Accumulated Depreciation	328,780	(37)	328,743
3	Net Plant in Service	$ 26,690	$ (458)	$ 26,232
	LESS:			
4	Contributions in Aid of Construction (CIAC)	$ 87,976	$ 44,041	$ 132,017
5	Less: Accumulated Amortization	83,400	(307)	$ 83,093
6	Net CIAC	4,576	44,348	$ 48,924
7	Advances in Aid of Construction (AIAC)	40,658	(40,658)	-
8	Customer Deposits	-	225	225
9	Deferred Income Tax Credits	-	-	-
	ADD:			
10	Working Capital Allowance	5,300	724	6,024
11	Defered Regulatory Assets	-	-	-
12	**Original Cost Rate Base**	$ (13,244)	$ (3,649)	$ (16,893)

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Reclassification of Plant Ref: Sch JMM-WW5	[C] ADJ #2 Plant Not Used and Useful Ref: Sch JMM-WW6	[D] ADJ #3 Cash Working Capital Ref: Sch JMM-WW7	[F] ADJ #4 Customer Deposits Ref: Sch JMM-WW8.1	[G] ADJ #5 AIAC Ref: Sch JMMW-8.2	[H] ADJ #6 CIAC Ref: Sch JMMW-8.3	[I] STAFF ADJUSTED
		PLANT IN SERVICE:								
1	351	Organization Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	352	Franchise Cost	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	4,654	-	-	-	-	-	-	4,654
4	354	Structures and Improvements	9,999	-	(495)	-	-	-	-	9,504
5	355	Power Generation Equipment	51,208	(51,208)	-	-	-	-	-	-
6	360	Collection Sewers - Force	276,318	-	-	-	-	-	-	276,318
7	361	Collection Sewers - Gravity	-	-	-	-	-	-	-	-
8	362	Special Collecting Structures	-	-	-	-	-	-	-	-
9	363	Services to Customers	9,880	-	-	-	-	-	-	9,880
10	364	Flow Measuring Devices	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	-	-	-	-	-	-	-	-
12	370	Receiving Wells	-	-	-	-	-	-	-	-
13	371	Pumping Equipment	-	51,208	-	-	-	-	-	51,208
14	375	Resuse T&D	-	-	-	-	-	-	-	-
15	380	Treatment and Disposal Equipment	487							487
16	381	Plant Sewers	-							-
17	382	Outfall Sewer Lines	-	-	-	-	-	-	-	-
18	389	Other Plant and Misc. Equipment	-	-	-	-	-	-	-	-
19	390	Office Furniture and Equipment	-	-	-	-	-	-	-	-
20	391	Transportation Equipment	863	-	-	-	-	-	-	863
21	393	Tools, Shop and Garage Equipment	2,061	-	-	-	-	-	-	2,061
22	394	Laboratory Equipment	-	-	-	-	-	-	-	-
23	395	Power Operated Equipment	-	-	-	-	-	-	-	-
24	398	Other Tangible Plant	-	-	-	-	-	-	-	-
25		Total Plant in Service - Actual	355,470	-	-	-	-	-	-	354,975
23		Post Test-Year Plant	-							-
24		Total Plant in Service	$ 355,470	$ -	$ (495)	$ -	$ -	$ -	$ -	$ 354,975
25		Less: Accumulated Depreciation	328,780	-	(37)	-	-	-	-	328,743
26			-	-	-		-	-	-	-
27		Net Plant in Service	$ 26,690	$ -	$ (458)	$ -	$ -	$ -	$ -	$ 26,232
25										
26		*LESS:*								
27		Contributions in Aid of Construction (CIAC)	$ 87,976	$ -	$ -	$ -	$ -	$ -	$ 44,041	$ 132,017
28		Less: Accumulated Amortization	83,400	-	-	-	-	-	(307)	83,093
29		Net CIAC (L39 - L40)	4,576	-	-	-	-	-	44,348	48,924
27		Advances in Aid of Construction (AIAC)	40,658	-	-	-	-	(40,658)	-	-
28		Customer Deposits	-	-	-	-	225	-	-	225
29		Deferred Income Taxes	-	-	-	-	-	-	-	-
30			-							-
31										
29		*ADD:*								
30		Working Capital Allowance	5,300	-	-	724	-	-	-	6,024
31		Defered Regulatory Assets	-	-	-	-	-	-	-	-
32										
33		**Original Cost Rate Base**	$ (13,244)	$ -	$ (458)	$ 724	$ (225)	$ 40,658	$ (44,348)	$ (16,893)

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW5

RATE BASE ADJUSTMENT NO. 1 - RECLASSIFICATION OF PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	355	Power Generation Equipment	$ 51,208	$ (51,208)	$ -
2	371	Pumping Equipment	-	51,208	51,208
3		Total	$ 51,208	$ -	$ 51,208

Note: Since the existing depreciation rates adopted in the prior rate case are 5.00 percent for both Power Generation Equipment and for Pumping Equipment, there is no corresponding adjustment to accumulated depreciation.

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW6

RATE BASE ADJUSTMENT NO. 2 - PLANT NOT USED AND USEFUL

LINE NO.	ACCT NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED (Col A + Col B)
1	354	Structures and Improvements	$ 9,999	$ (495)	$ 9,504
2					
3		Accumulated Depreciation	$ 328,780	$ (37)	$ 328,743

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW7

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Cash Working Capital	$ 5,300	$ 724	$ 6,024
2				
3	Staff's Calculation of Cash Working Capital			
4	1/24th Purchased Power	$ 138		
5	1/8th Operation & Maintenance Expense	4,284		
6	Materials and Supplies Inventories	1,602		
7	Total Cash Working Capital	$ 6,024		

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW8.1

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A] Service Per Company	[B] Staff Adjustment	[C] Per Staff (Col A + Col B)
1	Customer Deposits	$ -	$ 225	$ 225

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW8.2

RATE BASE ADJUSTMENT NO. 5 - ADVANCES IN AID OF CONSTRUCTION

LINE NO.	DESCRIPTION	[A] Per Company	[B] Staff Adjustment	[C] Per Staff (Col A + Col B)
1	Advances in Aid of Construction (AIAC)	$ 40,658	(40,658)	$ -

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW8.3

RATE BASE ADJUSTMENT NO. 6 - CONTRIBUTIONS IN AID OF CONSTRUCTION

LINE NO.	DESCRIPTION	[A] Per Company	[B] Staff Adjustment	[C] Per Staff (Col A + Col B)
1	Contributions in Aid of Construction (CIAC)	$ 87,976	$ 44,041	$ 132,017
2	Less: Accumulated Amortization	83,400	(307)	83,093
3	Net CIAC	$ 4,576	$ 44,348	$ 48,924

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW9

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	*REVENUES:*					
2	Flat Rate Revenues	$ -	$ -	$ -	$ -	$ -
3	Measured Revenues	47,372	-	47,372	(0)	47,372
4	Other Wastewater Revenues	430	-	430	-	430
5	Intentionally Left Blank	-	-	-	-	-
6	**Total Operating Revenues**	$ 47,802	$ -	$ 47,802	$ (0)	$ 47,802
7						
8	*OPERATING EXPENSES:*					
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Treatment	-	-	-	-	-
11	Sludge Removal Expense	-	-	-	-	-
12	Purchased Power	3,313	-	3,313	-	3,313
13	Fuel for Power Production	-	-	-	-	-
14	Chemicals	-	-	-	-	-
15	Materials and Supplies	939	-	939	-	939
16	Office Supplies	431	-	431	-	431
17	Contractual Services - Professional	23,270	-	23,270	-	23,270
18	Contractual Services - Other	-	-	-	-	-
19	Water Testing	-	2,751	2,751	-	2,751
20	Transportation Expense	341	-	341	-	341
21	Insurance Expense	-	-	-	-	-
22	Rate Case Expense	3,500	-	3,500	-	3,500
23	Miscellaneous Expense	-	-	-	-	-
24	Depreciation Expense	1,128	(824)	304	-	304
25	Taxes Other than Income	-	-	-	-	-
26	Property Taxes	2,734	(0)	2,734	(0)	2,734
27	Income Taxes	2,529	(394)	2,135	(0)	2,135
28	Interest on Customer Deposits	61	(47)	14	-	14
29	**Total Operating Expenses**	$ 38,246	$ 1,486	$ 39,732	$ (0)	$ 39,732
30	**Operating Income (Loss)**	$ 9,556	$ (1,486)	$ 8,070	$ (0)	$ 8,070

References:
Column (A): Company Schedule C-1
Column (B): Schedule JMM-WW10
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-WW1, JMM-WW14 and JMM-WW15
Column (E): Column (C) + Column (D)

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW10

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Water Testing Expenses ADJ #1	[C] Depreciation Expense ADJ #2	[D] Property Tax Expense ADJ #3	[E] Income Tax Expense ADJ #4	[F] Customer Deposit Interest ADJ #5	[G] STAFF ADJUSTED
			Ref: Sch JMM-WW11	Ref: Sch JMM-WW12	Ref: Sch JMM-WW13	Ref: Sch JMM-WW14	Ref: Sch JMM-WW15	
1	*REVENUES:*							
2	Flat Rate Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Measured Revenues	47,372	-	-	-	-	-	47,372
4	Other Wastewater Revenues	430	-	-	-	-	-	430
5	Intentionally Left Blank	-	-	-	-	-	-	-
6	**Total Operating Revenues**	$ 47,802	$ -	$ -	$ -	$ -	$ -	$ 47,802
7								
8	*OPERATING EXPENSES:*							
9	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Purchased Wastewater Treatment	-	-	-	-	-	-	-
11	Sludge Removal Expense	-	-	-	-	-	-	-
12	Purchased Power	3,313	-	-	-	-	-	3,313
13	Fuel for Power Production	-	-	-	-	-	-	-
14	Chemicals	-	-	-	-	-	-	-
15	Materials and Supplies	939	-	-	-	-	-	939
16	Office Supplies	431	-	-	-	-	-	431
17	Contractual Services - Professional	23,270	-	-	-	-	-	23,270
18	Contractual Services - Other	-	-	-	-	-	-	-
19	Water Testing Expense	-	2,751	-	-	-		2,751
20	Transportation Expense	341	-	-	-	-		341
21	Insurance Expense	-	-	-	-	-	-	-
22	Rate Case Expense	3,500	-	-	-	-	-	3,500
23	Miscellaneous Expense	-	-	-	-	-	-	-
24	Depreciation Expense	1,128	-	(824)	-	-	-	304
25	Taxes Other than Income	-	-	-	-	-	-	-
26	Property Taxes	2,734	-	-	(0)	-		2,734
27	Income Taxes	2,529	-	-	-	(394)		2,135
28	Interest on Customer Deposits	61	-	-	-	-	(47)	14
34	**Total Operating Expenses**	$ 38,246	$ 2,751	$ (824)	$ (0)	$ (394)	$ (47)	$ 39,732
35	**Operating Income (Loss)**	$ 9,556	$ (2,751)	$ 824	$ 0	$ 394	$ 47	$ 8,070

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW11

OPERATING ADJUSTMENT NO. 1 - WASTEWATER TESTING EXPENSE

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	$ -	$ 2,751	$ 2,751

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable PLANT (See Note 1)	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	351	Organization Cost	$ -	$ -	$ -	0.00%	$ -
2	352	Franchise Cost	$ -	$ -	$ -	0.00%	$ -
3	353	Land and Land Rights	$ 4,654	$ 4,654	$ -	0.00%	$ -
4	354	Structures and Improvements	$ 9,504	$ -	$ 9,504	3.33%	$ 316
5	355	Power Generation Equipment	$ -	$ -	$ -	5.00%	$ -
6	360	Collection Sewers - Force	$ 276,318	$ 266,052	$ 10,266	2.00%	$ 205
7	361	Collection Sewers - Gravity	$ -	$ -	$ -	2.00%	$ -
8	362	Special Collecting Structures	$ -	$ -	$ -	2.00%	$ -
9	363	Services to Customers	$ 9,880	$ -	$ 9,880	2.00%	$ 198
10	364	Flow Measuring Devices	$ -	$ -	$ -	10.00%	$ -
11	365	Flow Measuring Installations	$ -	$ -	$ -	10.00%	$ -
12	370	Receiving Wells	$ -	$ -	$ -	3.33%	$ -
13	371	Pumping Equipment	$ 51,208	$ 45,916	$ 5,292	12.50%	$ 662
14	375	Reuse T&D	$ -	$ -	$ -	2.50%	$ -
15	380	Treatment and Disposal Equipment	$ 487	$ -	$ 487	5.00%	$ 24
16	381	Plant Sewers	$ -	$ -	$ -	5.00%	$ -
17	382	Outfall Sewer Lines	$ -	$ -	$ -	3.33%	$ -
18	389	Other Plant and Misc. Equipment	$ -	$ -	$ -	6.67%	$ -
19	390	Office Furniture and Equipment	$ -	$ -	$ -	6.67%	$ -
20	391	Transportation Equipment	$ 863	$ 863	$ -	20.00%	$ -
21	393	Tools, Shop and Garage Equipment	$ 2,061	$ -	$ 2,061	5.00%	$ 103
22	394	Laboratory Equipment	$ -	$ -	$ -	10.00%	$ -
23	395	Power Operated Equipment	$ -	$ -	$ -	5.00%	$ -
24	398	Other Tangible Plant	$ -	$ -	$ -	10.00%	$ -
32		Total Plant	$ 354,975	$ 317,485	$ 37,490		$ 1,508
33							
34		Composite Depreciation Rate:	2.50%	See Note 2			
35		CIAC:	$ 40,741	See Note 2			
38.6			$ 1,019				
40.6							
42.5		Composite Depreciation Rate:	2.00%	See Note 2			
44.5		CIAC:	$ 9,264	See Note 2			
46.5			$ 185				
48.4							
50.4		Total Lines 39 + 46	$ 1,204				
52.3							
54.3		Depreciation Expense Before Amortization of CIAC:	$ 1,508				
56.3		Less Amortization of CIAC:	$ 1,204				
58.2		**Test Year Depreciation Expense - Staff:**	**$ 304**				
60.2		Depreciation Expense - Company:	$ 1,128				
62.2		**Staff's Total Adjustment:**	**$ (824)**				

Note 1: For accounts 360, and 371 the Company recognizes a portion of the original cost balance as fully depreciated. See Company Schedule C-2Sb.

Note 2: The Company in its rebuttal testimony proposes to separately track CIAC accounts.

References:
Column [A]: Schedule JMM-WW4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW13

OPERATING INCOME ADJUSTMENT NO. 3 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 47,802	$ 47,802
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	95,604	$ 95,604
4	Staff Recommended Revenue, Per Schedule JMM-1	47,802	$ 47,802
5	Subtotal (Line 4 + Line 5)	143,406	143,406
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	47,802	$ 47,802
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	95,604	$ 95,604
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	95,604	$ 95,604
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	19,599	$ 19,599
15	Composite Property Tax Rate (Per Company Schedule)	13.9486%	13.9486%
16			$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 2,734	
18	Company Proposed Property Tax	2,734	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	$ (0)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 2,734
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		$ 2,734
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ (0)
24			
25	Increase to Property Tax Expense		$ (0)
26	Increase in Revenue Requirement		(0)
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		1.906309%

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW14

OPERATING INCOME ADJUSTMENT NO. 4 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	$ 2,529	$ (394)	$ 2,135

References:
Column (A), Company Schedule C-1
Column (B): Column [C] - Column [A]
Column (C): Schedule JMM-WW2

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW15

OPERATING ADJUSTMENT NO. 5 - CUSTOMER DEPOSIT INTEREST

Line No.	Description	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Interest on Customer Deposits	$ 61	$ (47)	$ 14

References:
Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW16

Line No.			
1	**Cash Inflows**		
2	Revenue	$	47,802
3			
4	**Cash Outflows**		
5	Salaries and Wages	$	-
6	Purchased Wastewater Treatment	$	-
7	Sludge Removal Expense	$	-
8	Purchased Power	$	3,313
9	Fuel for Power Production	$	-
10	Chemicals	$	-
11	Materials and Supplies	$	939
12	Office Supplies	$	431
13	Contractual Services - Professional	$	23,270
14	Contractual Services - Other	$	-
15	Water Testing	$	2,751
16	Transportation Expense	$	341
17	Insurance Expense	$	-
18	Rate Case Expense	$	3,500
19	Miscellaneous Expense	$	-
20	Depreciation Expense	$	304
21	Taxes Other than Income	$	-
22	Property Taxes	$	2,734
23	Income Taxes	$	2,135
24	Interest on Customer Deposits	$	14
25	Total Expenses	$	39,732
26			
27	**Operating Income**	$	8,070
28			
29	Plus Depreciation Expense	$	304
30	Less: AIAC Refunded in Test Year	$	83
31	Less: WIFA Loan Payment Interest	$	-
32	Less: WIFA Loan Payment Principle	$	-
33	**Cash Flow from Operations**	$	8,291

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
Residential	$ 6.50	$ 9.00	$ 9.00
Commercial	6.50	9.36	9.36
Commodity Charge - Per 1,000 Gallons			
All Usage (per 1,000 gallons applies to both Residential and Commercall)	0.8500	N/A	N/A
Residential (After 6,000 gallons of water use)	N/A	0.8500	N/A
Commercial	0.8500	0.8500	0.8500
Residential			
First 6,000 gallons	N/A	N/A	0.0000
6,001 to 20,000 gallons	N/A	N/A	1.0000
Over 20,001 gallons	N/A	N/A	0.0000
Other Service Charges			
Establishment	$ 10.00	$ 30.00	$ 30.00
Reconnection (Delinquent)	*	*	*
Deposit - Residential	**	**	**
Deposit - Commercial	**	**	**
Deposit Interest (Per Annum)	**	**	**
NSF Check	$ 15.00	$ 25.00	$ 25.00
Deferred Payment (Per Month)	N/A	1.50%	1.50%
Late Payment Penalty (Per Month)	N/A	2.00%	1.50%
After Hours Service Charge	N/A	$ 25.00	$ 25.00
Sewer Tap Charge (Non-refundable)	Cost	Cost	Cost

* Per Commission Rule A.A.C. R-14-2-603(D)
***Per Commission Rule A.C.C R14-2-603(B)*

Other Rates and Charges by Order:

In Addition to the Collection of its regular rates and charges, the Company shall collect from customers their proportionate share of any privilege, sales or use tax in accordance with R14-2-409.D.5.

Clear Springs Utility Company, Inc. - Wastewater Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Surrebuttal Schedule JMM-WW18

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

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,763	$ 10.55	$ 9.00	$ (1.55)	-14.68%
Median Usage	3,226	9.24	9.00	$ (0.24)	-2.62%
Staff Recommended					
Average Usage	4,763	$ 10.55	$ 9.00	$ (1.55)	-14.68%
Median Usage	3,226	9.24	9.00	$ (0.24)	-2.62%

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

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	$ 6.50	$ 9.00	38.46%	$ 9.00	38.46%
1,000	7.35	9.00	22.45%	9.00	22.45%
2,000	8.20	9.00	9.76%	9.00	9.76%
3,000	9.05	9.00	-0.55%	9.00	-0.55%
4,000	9.90	9.00	-9.09%	9.00	-9.09%
5,000	10.75	9.00	-16.28%	9.00	-16.28%
6,000	11.60	9.00	-22.41%	9.00	-22.41%
7,000	12.45	9.85	-20.88%	10.00	-19.68%
8,000	13.30	10.70	-19.55%	11.00	-17.29%
9,000	14.15	11.55	-18.37%	12.00	-15.19%
10,000	15.00	12.40	-17.33%	13.00	-13.33%
11,000	15.85	13.25	-16.40%	14.00	-11.67%
12,000	16.70	14.10	-15.57%	15.00	-10.18%
13,000	17.55	14.95	-14.81%	16.00	-8.83%
14,000	18.40	15.80	-14.13%	17.00	-7.61%
15,000	19.25	16.65	-13.51%	18.00	-6.49%
16,000	20.10	17.50	-12.94%	19.00	-5.47%
17,000	20.95	18.35	-12.41%	20.00	-4.53%
18,000	21.80	19.20	-11.93%	21.00	-3.67%
19,000	22.65	20.05	-11.48%	22.00	-2.87%
20,000	23.50	20.90	-11.06%	23.00	-2.13%
25,000	27.75	25.15	-9.37%	23.00	-17.12%
30,000	32.00	29.40	-8.13%	23.00	-28.13%
35,000	36.25	33.65	-7.17%	23.00	-36.55%
40,000	40.50	37.90	-6.42%	23.00	-43.21%
45,000	44.75	42.15	-5.81%	23.00	-48.60%
50,000	49.00	46.40	-5.31%	23.00	-53.06%
75,000	70.25	67.65	-3.70%	23.00	-67.26%
100,000	91.50	88.90	-2.84%	23.00	-74.86%

EXHIBIT
5-5
ADMITTED

RATE CASE AND AUDIT MANUAL

Prepared by:

NARUC Staff Subcommittee
on Accounting and Finance

Summer 2003

Customer Deposits

Customer deposits are shown as a liability on the utility's balance sheet and represent a source of non-investor supplied capital. Customer deposits are generally treated one of three ways.

The first method does not reduce rate base by the customer deposits balance and classifies any interest accrued or paid on those deposits as a below-the-line (or non-operating) expense. This method allows the utility to earn a return on a rate base that has not been reduced by the amount of customer deposits, and then allows it to use that return to pay the interest that is required to be returned to customers with the return of that deposit. One consideration in using this method is whether the return allowed on rate base is higher than the return that the utility is required to pay on its customer deposits. If so, the utility may be allowed to earn more than is necessary, and return that difference to shareholders.

The second method reduces rate base by the customer deposits balance, and classifies any interest accrued or paid on those deposits as an above-the-line (or operating) expense that is included in the revenue requirement computation. The interest that the utility must pay is generally deemed to be a legitimate expense that must be recovered in one form or another.

The third method includes the liability for customer deposits in the utility's capital structure at a zero cost, reducing the overall rate of return. If interest is paid on the customers' deposits, the utility can recover that interest expenses as an above-the line (or operating) expense.

When examining this item, the auditor may want to become familiar with the utility's deposit policies, to make sure that the amount of deposits it holds is consistent with any rules of the particular jurisdiction on the matter. One wants to make sure that the proper amount is being held, not only for the sake of customers who paid the deposits, but also to assure that too much interest expense is not being included in rates to be paid by the general body of ratepayers. One may want to look not only at the policy of how much is collected from any individual customer as a deposit, but whether deposit policies are consistent with minimizing uncollectibles. One may also wish to review policies of when deposits are returned to customers.

Prepayments

The auditor should examine the nature of the prepayments as well as the amounts of each type of prepayment. In looking at these items, one should look to see that they relate to the provision of utility service, and are the type of expense that is normally lumpy in nature, and therefore, paid periodically and then amortized over some number of months. An example of a commonly included prepayment is insurance. Watch the allocation of insurance as it often covers not only the regulated utility, but also affiliates and deregulated activities. Since the prepayment balance will vary during a period, the auditor may wish to consider using an average balance in order to reach a more normalized level for inclusion in rate base.

EXHIBIT
S-6
ADMITTED

Clear Springs Utility Company, Inc. - Water Division
Docket Nos. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

REVENUES

	Company Rebuttal	Staff Surrebuttal	Difference
Base Rates	$ 252,582	$ 226,902	$ 25,680
Surcharge - Non-Liability	42,648	20,987	21,661
Surcharge - Liability	-	10,630	(10,630)
Total	$ 295,230	$ 258,519	$ 36,711

ORIGINAL NEW APPLICATION

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Clear Springs Utility Co., Inc.

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AZ CORP COMMISSION
DOCKET CONTROL

EXHIBIT
A-1
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission
DOCKETED
NOV - 3 2011
DOCKETED BY

APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES	Docket No. WS-01689A-11-0402 **RATE APPLICATION**

Clear Springs Utility Co., Inc. ("Company" or "Applicant"), hereby applies for an increase in its water and sewer rates.

SUPPORTING DOCUMENTATION

Pursuant to A.A.R. Rule 14-2-103, the Company submits the following documentation in support of the proposed increase in rates and charges:

- Direct Testimony of Sonn S. Rowell (*see* Exhibit 1);
- Required Schedules, Statements, and Documentation (*see* Exhibit 2);
- Water Use and Wastewater Flow Data Sheets (*see* Exhibit 3);

- Plant Descriptions (*see* Exhibit 4);
- ADEQ Compliance Status Report (*see* Exhibit 5);
- Monitoring Assistance Program Sampling Fee Invoice (*see* Exhibit 6); and
- Surcharge Schedule (*see* Exhibit 7).

RESPECTFULLY SUBMITTED this 3rd day of November, 2011.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies of the foregoing
filed this 3rd day of November, 2011, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Donnelly Herbert

EXHIBIT 1

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
GARY PIERCE, CHAIRMAN
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APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES	**DIRECT TESTIMONY OF SONN S. ROWELL IN SUPPORT OF RATE APPLICATION**

Q. Please state your name and current employment position:

A. My name is Sonn S. Rowell, and I am a Certified Public Accountant and managing member of Desert Mountain Analytical Services, PLLC ("DMAS").

Q. Describe your educational and professional background:

A. I have a Bachelor of Science Degree in Accounting from Arizona State University, as well as my CPA certification from the Arizona State Board of Accountancy. I have worked for many years in the practice of public accounting, and have held part-time teaching positions at Mesa Community College. After employment with the Utilities Division of the Arizona Corporation Commission for four years, I started DMAS and now specialize in regulatory accounting and consulting.

Q. By whom are you employed and in what capacity?

A. I have been retained to perform a financial analysis of their books and records of Clear Springs Utility Co., Inc. ("Company") in order to prepare rate and finance applications for submittal to the Arizona Corporation Commission.

Q. What is the purpose of your testimony?

A. Generally, the purpose of my testimony is to present my analysis and recommendations concerning the development of the Company's gross revenue requirement, taking into account adjusted rate base, adjusted operating income, working capital requirements, the current rate of return for the historic twelve month period, required operating income, the proposed rate of return, and other relevant factors. I will also sponsor certain exhibits in support of the rate and finance applications.

Q. What is the basis for your recommendation?

A. I analyzed the Company's records to determine its adjusted revenues and expenses during the test year ending December 31, 2010. Next, I calculated the proposed revenue requirement in order to ensure the Company can earn sufficient revenue to provide adequate and reliable water and sewer service. Based upon my analysis, I have prepared the schedules in accordance with applicable rules, which are enclosed with the testimony. I adopt these schedules as part of my testimony.

Q. Please explain the format of the application.

A. The application for the Company contains information for both the water division ("CSW") and the sewer division ("CSS"), provided separately and combined as required. The Index of Schedules lists the complete set of schedules provided, and schedules are

differentiated by a W or an S, based on whether they are related to the water division or the sewer division.

Q. Can you provide some background information on this Company since its last rate case?

A. The last rate case for the water division utilized a test year of 2004, and resulted in Decision 68442, which authorized the current rates CSW charges. The sewer division had its current rates set based upon a test year of 1998, which authorized the current rates in Decision 62583. The sewer division did not receive a change in rates from Decision 68442 related to CSW, but CSS did receive authorization for a hook up fee tariff.

Q. Please summarize the Company's request.

A. CSU is seeking an increase in rates of 45.56%. Schedule A-1 details how this increase is allocated between CSW and CSS, and well as residential and commercial customers.

Q. It appears as though an increase is not being proposed for the sewer division?

A. An increase in the revenue requirement is not proposed for the sewer division. Although the rates have been in effect since June of 2000, CSS believes it can continue to operate at that revenue level, and begin to make the necessary improvements to the system. This is discussed more in depth later in this testimony.

Q. Referring to Schedule B-2, it appears as though several adjustments were made to the rate base of CSW. Please explain.

A. The adjustments made to CSW's rate base are fully detailed on Schedule B-2a, and include reclassifications from and to repairs and maintenance expense, AIAC to

CIAC conversions, CIAC amortization adjustments, and accumulated depreciation adjustments. The rate base for CSS did not require any adjustments.

Q. Would you like to elaborate on the $17,050 decrease to AIAC labeled "Transfer to Capital Account" reflected on Schedule B-2a?

A. The $17,050 was invested by the owners and therefore should be considered capital rather than AIAC.

Q. Turning to Schedule C-1W, can you explain some of the adjustments to the test year made by the Company for this application?

A. All adjustments to CSW division are detailed on Schedule C-2W, and further supported by Schedules C-2Wa through C-2WF.

Adjustment A first reduces Metered Water revenue for a known customer leak that occurred on the customer side of the meter during the test year. The company has normalized this customer's usage for CSW as follows:

	Original	Normalized	Decrease
Usage	179,490	7,065[1]	172,425
Bill Amount	$623.72	$23.90	$599.82

The other part of Adjustment A removed non-recurring revenue related to a TA grant ($10,900), and reclassification of $1,160 that is not revenue.

Adjustment B that reclassifies amounts to and from repairs and maintenance expense and plant is detailed on Schedule C-2Wa.

[1] Adjusted usage = 7640 gallons (November 2010) + 6490 (January 2011) divided by 2.

Adjustment C is detailed on Schedule C-2Wb, and normalizes the amount of outside services expense incurred during the test year. Due to the financial hardship being experienced by CSU, SUM modified its rate for CSW during May of 2010 and ceased collecting any management fees from CSS.

Rate case expense of $30,000 for CSW is amortized over 3 years, resulting in $10,000 per year as reflected by Adjustment D.

Adjustment E decreases miscellaneous expense by $1,388 for sales taxes paid for a prior period.

Schedule C-2Wc details proposed depreciation expense and Adjustment F.

Current and proposed property tax expense for CSW reflected by Adjustments G and J are calculated on Schedule C-W2d

Test year income tax expense Adjustment H is detailed on Schedule C-2We.

Metered water revenue is increased by $98,423 as calculated on Schedule A-1, and reflected by Adjustment I.

Adjustment K increases income tax expense at proposed rates by $21,412 as calculated on Schedule C-2Wf.

Q. Moving on to Schedule C-1S, please explain what this is.

A. C-1S is the separate test year income statement for CSS. Much like C-1W was a separate income statement for CSW, and was supported by C-2W and C-2Wa through C-2Wf, the C-1S is supported by C-2S and C-2Sa through C-2d. It should be noted that Schedule C-1T then summarizes Schedules C-1W and C-1S.

Q. Please explain the adjustments made by the Company to CSS as reflected on Schedule C-1S.

A. Adjustment A is the companion adjustment to this same adjustment made to CSW for the customer leak during the test year. By applying the normalized monthly usage of 7,065 to the current tariff for CSS, the bill is reduced by $146.56, from $159.07 to $12.51.

Q. The Company has adjusted the revenue on Schedules C-1W and C-1S for this water leak, have the bill count schedules been adjusted as well?

A. Yes. Schedule H-5W, Page 1 of 11 is the actual bill count for CSW test year, and is needed to tie to test year metered water revenue. Schedule H-5W, Page 2 of 11 contains the adjusted bill count data used for proposed rates. Regarding CSS, Schedule H-5S, Page 1 of 3 is the actual bill count for CSS test year, and is needed to tie to test year measured revenue. Schedule H-5S, Page 2 of 3 contains the adjusted bill count data used for proposed rates.

Q. Continue with Adjustment B on Schedule C-1S.

A. Adjustment B is detailed on Schedule C-2Sa, and normalizes the amount of outside services expense incurred during the test year. Due to the financial hardship being experienced by CSU, SUM modified its rate for CSW during May of 2010 and ceased collecting any management fees from CSS.

Rate case expense of $10,500 for CSS is amortized over 3 years, resulting in $3,500 per year as reflected by Adjustment C.

Schedule C-2Sb details proposed depreciation expense and Adjustment D.

Current year property tax expense for CSS is reflected by Adjustment E and calculated on Schedule C-2Sc.

Test year income tax expense Adjustment F is detailed on Schedule C-2Sd.

Q. Is the Company requesting an increase for CSS?

A. No. CSS is not requesting an increase in the revenue requirement for the sewer division, but does propose a change to the rate design.

Q. Please explain the current sewer tariff, and what changes CSU is proposing.

A. Currently, the sewer division charges a monthly minimum of $6.50, and a commodity rate of $.85 per thousand gallons of water used, and this applies to both residential and commercial customers. CSU is proposing to increase the monthly minimum to $9.00 for residential customers and $9.36 for commercial customers. The Company also proposes to include the first 6,000 of water usage in the monthly minimum for the sewer division for the residential customers.

Q. What is the Company's reasoning for this rate structure?

A. CSW division customers have very low usage, with the average and median for the largest group of residential customers being 4,720 and 3,226 gallons per month, based on the adjusted bill count. By increasing the monthly minimum for the largest group of customers, the Company will have a more dependable revenue stream, and customers will have a more predictable monthly bill that is not tied to water use at the lower levels.

Q. What are the rate impacts to the average and median residential customers in the sewer division?

A. Sewer customers with average water use of 4,720 gallons will experience a decrease of $1.51 monthly, from $10.51 to $9.00. The median user of 3,226 gallons, will see little change, with a decrease of $0.24, from $9.24 to $9.00.

Q. What are the rate impacts to the average and median residential customers in the water division?

A. Water customers with average water use of 5,150 gallons will experience an increase of $9.91, from $19.59 per month to $29.50. The median user of 3,318 gallons will experience an increase of $7.16, from $15.46 to $22.63 per month.

Q. Why are the average and median usage amounts for the water and sewer divisions different?

A. Not all customers of the water division are customers of the sewer division.

Q. Please summarize the revenue requirements for the water and sewer divisions, and the customer impacts.

A. Per Schedule A-1, the Company is requesting an increase in the revenue requirement for the water division of $98,423, which will result in a 12.70% operating margin, or a 35% rate of return on a rate base of $96,746. This is a 57.9% increase for the residential water users, and a 58.5% increase for the total water division.

An increase is not being requested for the sewer division, but the rate re-structuring will result in a decrease for the residential users of 2.55%, and an increase for the commercial customers of 20.49%. This is a 19.99% operating margin on a division with a negative rate base of $13,244.

When looking at the Company as a whole, the proposed increase to the revenue requirement is 45.56%. This results in a 13.81% operating margin, or a 35% rate of return on rate base of $83,502.

Q. Why are calculations for both rate of return and operating margin included on Schedule A-1?

A. Setting the revenue requirement based on a rate of return is standard ratemaking practice, but a 35% rate of return is not customarily accepted by Staff. The Company presents it revenue requirement calculated both by the rate of return on rate base method, as well as by operating margin, to highlight all of the methods employed to arrive at an operating income that will give the company financial stability and cash flow to address system problems that go along with an aging system.

Q. It appears as though the sewer division has been doing well if an increase in the revenue is not needed after more than 10 years of the current rates. Can you explain why the ACC should not decrease the rates for the sewer division?

A. As is apparent based on the amount of the increase for the water division, the sewer division revenue has been subsidizing the operations of the water division. The proposed increase and rate shuffling will allow the water division to recover the costs necessary to operate, and the sewer division can begin to direct its income towards system improvements.

Q. Why is this important?

A. The water division is requesting a loan from WIFA to make system improvements, however, WIFA does not loan to sewer companies, so it is unclear where the funding for

the improvement and replacement costs will come from other than rates. The sewer division is in dire need of a mechanism to save money so it can be prepared to improve and/or replace aging infrastructure with more modern technology.

Q. Please further explain the loan the Company is requesting from WIFA.

A. A loan in the amount of $511,000 is being requested for the purposes set forth in the accompanying finance application.

Q. How does the Company propose this loan be paid for?

A. The Company proposes a surcharge that will cover the total amount of the monthly payment required by WIFA, including interest, WIFA fees, principal, and any other reserve payments as required by WIFA, and out of the control of the Company. The proposed surcharge is set forth in the rate application at Exhibit 7.

Q. Why is it important that the ACC allow recover of items outside the normal principal and interest normally associated with a loan?

A. Because the cash flow associated with the loan payment exceeds the calculated payment on an amortization schedule. Suppose, for example, the WIFA monthly payment was $1,200, consisting of $1,000 in principal and interest and $200 in required reserve. If the ACC were to allow recovery of only $1,000 to cover the interest, principal and fees, then the Company would have a cash shortage of $200 per month.

EXHIBIT 2

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

INDEX OF SCHEDULES

SCHEDULE	TITLE
A-1	Computation of Increase in Gross Revenue Requirements
A-2	Summary Results of Operations
A-4	Construction Expenditures and Gross Utility Plant In Service
B-1	Summary of Original Cost and RCND
B-2	Original Cost Rate Base Proforma Adjustments
B-2a	Rate Base Proforma Adjustments - Detailed
B-5	Computation of Working Capital
C-1T	Adjusted Test Year Income Statement - Total Company
C-1W	Adjusted Test Year Income Statement - Water
C-2W	Income Statement Proforma Adjustments - Water
C-2Wa	Adjustment to Repairs and Maintenance Expense - Water
C-2Wb	Adjustment to Outside Services Expense - Water
C-2Wc	Proposed Depreciation Expense - Water
C-2Wd	Property Tax Calculation - Present and Proposed - Water
C-2We	Test Year Income Tax Expense Calculation - Water
C-2Wf	Proposed Income Tax Expense Calculation - Water
C-1S	Adjusted Test Year Income Statement - Sewer
C-2S	Income Statement Proforma Adjustments - Sewer
C-2Sa	Adjustment to Outside Services Expense - Sewer
C-2Sb	Proposed Depreciation Expense - Sewer
C-2Sc	Property Tax Calculation - Present and Proposed - Sewer
C-2Sd	Test Year Income Tax Expense Calculation - Sewer
C-3	Computation of Gross Revenue Conversion Factor
D-1	Summary Cost of Capital
E-1	Comparative Balance Sheet
E-2	Comparative Income Statements
E-5T	Detail of Utility Plant - Total Company
E-5W	Detail of Utility Plant - Water
E-5S	Detail of Utility Plant - Sewer
E-6W	Comparative Departmental Operating Income Statements - Water
E-6S	Comparative Departmental Operating Income Statements - Sewer
E-7	Operating Statistics
E-8	Taxes Charged to Operations
E-9	Notes to Financial Statements
F-1	Projected Income Statements - Present and Proposed Rates
F-3	Projected Construction Requirements (A&B - 3 years, C&D - 1 year)
F-4	Assumptions Used in Developing Projections
H-1	Summary of Revenues by Customer Class - Present and Proposed Rates
H-3W	Changes In Representative Rate Schedules - Water
H-3S	Changes In Representative Rate Schedules - Sewer
H-4W	Typical Bill Analysis - Water 5/8 x 3/4-inch Meter, Page 1
H-4W	Typical Bill Analysis - Water 3/4-inch Meter, Page 2
H-4W	Typical Bill Analysis - Water 1-inch Meter, Page 3
H-4W	Typical Bill Analysis - Water 1 1/2-inch Meter, Page 4
H-4W	Typical Bill Analysis - Water 2-inch Meter, Page 5
H-4W	Typical Bill Analysis - Water-Bulk Sales, Page 6
H-4S	Typical Bill Analysis - Sewer, Page 1
H-5W	Bill Count - Water, 5/8 x 3/4-inch Residential, Page 1
H-5W	Bill Count - Water, 5/8 x 3/4-inch Residential - ADJUSTED, Page 2
H-5W	Bill Count - Water, 5/8 x 3/4-inch Commercial, Page 3
H-5W	Bill Count - Water, 3/4-inch Residential, Page 4
H-5W	Bill Count - Water, 3/4-inch Commercial, Page 5
H-5W	Bill Count - Water, 1-inch Residential, Page 6
H-5W	Bill Count - Water, 1-inch Commercial, Page 7
H-5W	Bill Count - Water, 1 1/2-inch Residential, Page 8
H-5W	Bill Count - Water, 1 1/2-inch Commercial, Page 9
H-5W	Bill Count - Water, 2-inch Commercial, Page 10
H-5W	Bill Count - Water, Bulk Sales, Page 11
H-5S	Bill Count - Sewer, Residential, Page 1
H-5S	Bill Count - Sewer, Residential - ADJUSTED, Page 2
H-5S	Bill Count - Sewer, Commercial, Page 3

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule A-1
Title: Computation of Increase in Gross Revenue Requirements

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Special Reqmt [ ]

Explanation:
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

	Water Original Cost	Sewer Original Cost	Total Company Original Cost	RCND
Rate of Return on Rate Base Method:				
1. Adjusted Rate Base	$ 96,746	$ (13,244)	$ 83,502 (a)	(a)
2. Adjusted Operating Income/(Loss)	$ (41,272)	$ 9,556	$ (31,715) (b)	(b)
3. Current Rate of Return	-42.66%	Not meaningful	-37.98%	
4. Required Rate of Return	35.00%	Not meaningful	35.00%	
5. Required Operating Income	$ 33,861	$ 9,556	$ 43,417	
6. Operating Income Deficiency (5 - 2)	$ 75,133	$ -	$ 75,133	
7. Gross Revenue Conversion Factor	1.310	1.000	1.310 (c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	**$ 98,423**	**$ -**	**$ 98,423**	
Operating Margin Method:				
9. Proposed Revenue	$ 266,673	$ 47,802	$ 314,475	
10. Required Operating Margin	12.70%	19.99%	13.81%	
11. Required Operating Income (9 x 10)	$ 33,861	$ 9,556	$ 43,417	
12. Operating Income Deficiency (11 - 2)	$ 75,133	$ -	$ 75,133	
13. Gross Revenue Conversion Factor	1.310	1.000	1.310 (c)	(c)
14. Increase in Gross Revenue Requirements (12 x 13)	**$ 98,423**	**$ -**	**$ 98,423**	

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase
Water				
Residential	$ 137,318	$ 216,825	$ 79,507	57.90%
Commercial	26,254	44,463	18,209	69.36%
Bulk Water	1,459	2,166	707	48.46%
Other	3,219	3,219	-	0.00%
Total Water	$ 168,250	$ 266,673	$ 98,423	58.50%
Sewer				
Residential	$ 42,130	$ 41,056	$ (1,074)	-2.55%
Commercial	5,242	6,316	1,074	20.49%
Other	430	430	-	0.00%
Total Sewer	$ 47,802	$ 47,802	$ -	0.00%
Total Company	**$ 216,052**	**$ 314,475**	**$ 98,423**	**45.56%** (d)

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:
(a) B-1 (c) C-3
(b) C-1 (d) H-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule A-2
Title: Summary Results of Operations

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

	Prior Years		Test Year		Projected Year	
	Year End 31-Dec-08	Year End 31-Dec-09	Actual Rates	Adjusted Rates	Present Rates	Proposed Rates
Description	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	$ 217,766	$ 224,725	$ 228,859	$ 216,052	$ 216,052	$ 314,475
2. Revenue Deductions & Operating Expenses	(228,749)	(229,459)	(213,250)	(247,767)	(247,767)	(271,058)
3. Operating Income	$ (10,983)	$ (4,734)	$ 15,609	$ (31,715)	$ (31,715)	$ 43,417
4. Other Income and Deductions	3,667	1,853	561	561	561	561
5. Interest Expense	(7,598)	(6,475)	(3,376)	(3,376)	(3,376)	(3,376)
6. Net Income	**$ (14,914)**	**$ (9,356)**	**$ 12,794**	**$ (34,530)**	**$ (34,530)**	**$ 40,602**
7. Earned Per Average Common Share*	$ (4.97)	$ (3.12)	$ 4.26	$ (11.51)		
8. Dividends Per Common Share*	-	-	-	-		
9. Payout Ratio*	0.00%	0.00%	0.00%	0.00%		
10. Return on Average Invested Capital	-3.90%	-2.75%	4.96%	-13.37%	-13.37%	15.73%
11. Return on Year End Capital	-3.90%	-3.13%	5.87%	-15.85%	-15.85%	18.63%
12. Return on Average Common Equity	-9.85%	-9.33%	150.82%	-407.05%	-407.05%	478.63%
13. Return on Year End Common Equity	-9.85%	-19.01%	-39.68%	Double Negative		-125.93%
14. Times Bond Interest Earned - Before Inc Tax	-144.55%	-73.11%	473.79%	-1212.87%	-1212.87%	1012.62%
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes	-144.55%	-73.11%	462.35%	-939.43%	-939.43%	1286.06%

Supporting Schedules:
(a) E-2
(b) C-1
(c) F-1

*Optional for projected year

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule A-4**
Docket No. WS-01689A **Title: Construction Expenditures and**
Test Year Ended December 31, 2010 **Gross Utility Plant in Service**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2008 Water	$ 33,685	$ 33,685	$ 1,038,408
2. Prior Year 1 - 2008 Sewer	1,000	1,000	350,945
3. Prior Year 1 - 2008 Total	$ 34,685	$ 34,685	$ 1,389,353
4. Prior Year 2 - 2009 Water	$ 25,496	$ 25,496	$ 1,063,904
5. Prior Year 2 - 2009 Sewer	1,075	1,075	352,020
6. Prior Year 2 - 2009 Total	$ 26,571	$ 26,571	$ 1,415,924
7. Test Year - 2010 Water	$ 38,181	$ 38,181	$ 1,102,085
8. Test Year - 2010 Sewer	3,450	3,450	355,470
9. Test Year - 2010 Total	$ 41,631	$ 41,631	$ 1,457,555
10. Projected Year 1 - Water	$ 511,000	511,000	1,613,085
11. Projected Year 1 - Sewer	-	-	355,470
12. Projected Year 1 - Total	$ 511,000	$ 511,000	$ 1,968,555
13. Projected *			
14. Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) F-3
(b) E-5T, E-5W, E-5S

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule B-1
Title: Summary of Original Cost and RCND

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing elements of adjusted original cost and RCND rate bases.

	Water Original Cost Rate Base*	Sewer Original Cost Rate Base*	Total Company Original Cost Rate Base*		RCND Rate Base*	
1. Gross Utility Plant in Service	$ 1,102,085	$ 355,470	$ 1,457,555			
2. Less: Accumulated Depreciation	(909,719)	(328,780)	(1,238,499)			
3. Net Utility Plant in Service	$ 192,366	$ 26,690	$ 219,056	(a)		(b)
Less:						
4. Advances in Aid of Construction (AIAC)	$ (78,613)	$ (40,658)	$ (119,271)	(c)		(c)
5. Contributions in Aid of Construction (CIAC)	(265,728)	(87,976)	(353,704)	(c)		(c)
Add:						
6. Amortization of CIAC	$ 229,063	$ 83,400	$ 312,463	(c)		(c)
7. Allowance for Working Capital	19,658	5,300	24,958	(d)		(d)
8. Total Rate Base	**$ 96,746**	**$ (13,244)**	**$ 83,502**	(e)		(e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) B-2 (d) B-5
(b) B-3
(c) E-1

Recap Schedules:
(e) A-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule B-2
Title: Original Cost Rate Base
Proforma Adjustments

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing proforma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

		Actual at End Of Test Year (a)	Pro forma Adjustment	Ref	Adjusted at End Of Test Year (b)
	Water Division				
1	Gross Utility Plant in Service	$ 1,097,326	$ 4,760	1	$ 1,102,085
2	Less: Accumulated Depreciation	(810,041)	(99,678)	2	(909,719)
3	Net Utility Plant in Service	$ 287,285	$ (94,918)		$ 192,366
	Less:				
4	Advances in Aid of Construction (AIAC)	$ (121,648)	$ 43,035	3	$ (78,613)
5	Contributions in Aid of Construction (CIAC)	(239,743)	(25,985)	4	(265,728)
	Add:				
6	Amortization of CIAC	$ 229,556	$ (493)	5	$ 229,063
7	Allowance for Working Capital	19,658			19,658
8	**Total Water Division Rate Base**	**$ 175,108**	**$ (78,362)**		**$ 96,746**
	Sewer Division				
9	Gross Utility Plant in Service	$ 355,470			$ 355,470
10	Less: Accumulated Depreciation	(328,780)			(328,780)
11	Net Utility Plant in Service	$ 26,690	$ -		$ 26,690
	Less:				
12	Advances in Aid of Construction (AIAC)	$ (40,658)			$ (40,658)
13	Contributions in Aid of Construction (CIAC)	(87,976)			(87,976)
	Add:				
14	Amortization of CIAC	$ 83,400			$ 83,400
15	Allowance for Working Capital	5,300			5,300
16	**Total Sewer Division Rate Base**	**$ (13,244)**	**$ -**		**$ (13,244)**
	Total Company				
17	Gross Utility Plant in Service	$ 1,452,796	$ 4,760		$ 1,457,555
18	Less: Accumulated Depreciation	(1,138,821)	(99,678)		(1,238,499)
19	Net Utility Plant in Service	$ 313,975	$ (94,918)		$ 219,056
	Less:				
20	Advances in Aid of Construction (AIAC)	$ (162,306)	$ 43,035		$ (119,271)
21	Contributions in Aid of Construction (CIAC)	(327,719)	(25,985)		(353,704)
	Add:				
22	Amortization of CIAC	$ 312,956	$ (493)		$ 312,463
23	Allowance for Working Capital	24,958	-		24,958
24	**Total Company Rate Base**	**$ 161,864**	**$ (78,362)**		**$ 83,502**

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule B-2a
Title: Rate Base Proforma Adjustments - Detailed

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule detailing proforma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Water Division

Adjustment #		Invoice Amount	Account Total
1	Account 307		
	1/25/10 - Pumps, Inc. invoice moved from account 620	$ 342	$ 342
	Account 311		
	1/2/2010 - Jim's Electric invoice moved to account 620	$ (75)	
	7/9/2010 - Jim's Electric invoice moved to account 620	(170)	(245)
	Account 333		
	3/5/10 Dana Kepner invoice moved from account 620	$ 208	208
	Account 334		
	1/22/10 Dana Kepner invoice moved from account 620	$ 258	
	5/31/10 Dana Kepner invoice moved from account 620	250	
	7/21/10 HD Supply invoice moved from account 620	302	
	8/23/10 Dana Kepner invoice moved from account 620	655	
	9/23/10 Dana Kepner invoice moved from account 620	327	
	12/13/10 Dana Kepner invoice moved from account 620	300	2,092
	Account 335		
	6/4/10 Dana Kepner invoice moved from account 620	$ 1,764	
	6/6/10 Garcia and Sons invoice moved from account 620	600	2,364
	Gross Utillity Plant Adjustment Amount		**$ 4,760**
2	Accumulated Depreciation was calculated using the ending balances and rates from the last rate case for each division, and additions by year in order to arrive at the current test year end amount.		
3	Advances in Aid of Construction (AIAC):		
	Transfer to CIAC	$ 25,985	
	Transfer to Capital Account	17,050	
	Total Decrease to AIAC		**$ 43,035**
4	Contributions in Aid of Construction (CIAC)		
	Transfer expired AIAC	$ (25,985)	
	Total Increase to CIAC		**$ (25,985)**
5	Amortization of CIAC		
	Adjustment based on changes to CIAC	$ (493)	
	Total Decrease to Amortization of CIAC		**$ (493)**

Sewer Division No Adjustments to Test Year End Rate Base

Supporting Schedules:

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule B-5**
Docket No. WS-01689A **Title: Computation of Working Capital**
Test Year Ended December 31, 2010

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing computation of working capital allowance.

		Amount		
	Water Division			
	Cash working capital			
1	1/24th Purchased Power	$ 1,690		
2	1/24th Purchased Water	-		
3	1/8th Operation & Maintenance Expense	17,969		
4	Materials and Supplies Inventories	-		(a)
5	Prepayments	-		(a)
6	**Total Working Capital Allowance - Water**		**$ 19,658**	(b)
	Sewer Division			
	Cash working capital			
7	1/24th Purchased Power	$ 138		
8	1/24th Purchased Treatment	-		
9	1/8th Operation & Maintenance Expense	3,560		
10	Materials and Supplies Inventories	1,602		(a)
11	Prepayments			(a)
12	**Total Working Capital Allowance - Sewer**		**$ 5,300**	(b)
13	**Working Capital Allowance - Total Company**		**$ 24,958**	

NOTES:
1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-1T
Title: Adjusted Test Year Income Statement

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
461	Metered Water Revenue	$ 165,631	W-A	(600)	$ 165,031	W-I	$ 98,423	$ 263,454
474	Other Water Revenue	15,279	W-A	(12,060)	3,219			3,219
521	Flat Rate Revenues	-			-			-
522	Measured Revenues	47,519	S-A	(147)	47,372		-	47,372
536	Other Wastewater Revenues	430			430			430
	Total Operating Revenue	$ 228,859		$ (12,807)	$ 216,052		$ 98,423	$ 314,475
	Operating Expenses:							
601	Salaries & Wages	$ -			$ -			$ -
610	Purchased Water	-			-			-
615	Purchased Power	40,551			40,551			40,551
618	Chemicals	1,811			1,811			1,811
620	Repairs & Maintenance	16,928	W-B	(4,760)	12,168			12,168
621	Office Supplies and Expense	9,437			9,437			9,437
630	Outside Services	75,410	W-C	16,830	92,240			92,240
635	Water Testing	7,172			7,172			7,172
641	Rental Expense	-			-			-
650	Transportation Expense	6,938			6,938			6,938
657	Insurance - General Liability	3,443			3,443			3,443
659	Insurance - Health and Life	-			-			-
666	Rate Case Expense	-	W-D	10,000	10,000			10,000
675	Miscellaneous Expense	1,928	W-E	(1,388)	540			540
701	Salaries & Wages	-		-	-			-
710	Purchased Wastewater Treatment	-		-	-			-
711	Sludge Removal Expense	-		-	-			-
715	Purchased Power	3,313		-	3,313			3,313
716	Fuel for Power Production	-		-	-			-
718	Chemicals	-		-	-			-
720	Materials and Supplies	939		-	939			939
721	Office Supplies	431		-	431			431
731	Contractual Services - Professional	8,550	S-B	14,720	23,270			23,270
736	Contractual Services - Other	-		-	-			-
740	Rents	-		-	-			-
750	Transportation Expense	341		-	341			341
755	Insurance Expense	-		-	-			-
766	Rate Case Expense	-	S-C	3,500	3,500			3,500
775	Miscellaneous Expense	-		-	-			-
403	Depreciation & Amortization	14,842	W-F S-D	14,831	29,673			29,673
408	Taxes Other Than Income	-		-	-			-
408.11	Property Taxes	20,780	W-G S-E	(8,348)	12,432	W-J	1,878	14,311
409	Income Taxes	50	W-H S-F	(10,867)	(10,817)	W-K	21,412	10,595
427.4	Interest on Customer Deposits	386		-	386			386
	Total Operating Expenses	$ 213,250		$ 34,517	$ 247,767		$ 23,291	$ 271,058
	OPERATING INCOME/(LOSS)	$ 15,609		$ (47,324)	$ (31,715)	(c)	$ 75,133	$ 43,417
	Other Income/(Expense):							
419	Interest Income	$ 561			$ 561			$ 561
421	Non-Utility Income	-			-			-
426	Miscellaneous Non-Utility Expenses	-			-			-
427.3	Interest Expense	(3,376)			(3,376)			(3,376)
	Total Other Income/(Expense)	$ (2,815)		$ -	$ (2,815)		$ -	$ (2,815)
	NET INCOME/(LOSS)	$ 12,794		$ (47,324)	$ (34,530)		$ 75,133	$ 40,602

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-1W, C-1S

Schedules:
(c) A-1

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-1W
Title: Adjusted Test Year Income Statement

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
461	Metered Water Revenue	$ 165,631	A	$ (600)	$ 165,031	I	$ 98,423	$ 263,454
474	Other Water Revenue	15,279	A	(12,060)	3,219			3,219
	Total Operating Revenue	$ 180,910		$ (12,660)	$ 168,250		$ 98,423	$ 266,673
	Operating Expenses:							
601	Salaries & Wages	$ -			$ -			$ -
610	Purchased Water	-			-			-
615	Purchased Power	40,551			40,551			40,551
618	Chemicals	1,811			1,811			1,811
620	Repairs & Maintenance	16,928	B	(4,760)	12,168			12,168
621	Office Supplies and Expense	9,437			9,437			9,437
630	Outside Services	75,410	C	16,830	92,240			92,240
635	Water Testing	7,172			7,172			7,172
641	Rental Expense	-			-			-
650	Transportation Expense	6,938			6,938			6,938
657	Insurance - General Liability	3,443			3,443			3,443
659	Insurance - Health and Life	-			-			-
666	Rate Case Expense	-	D	10,000	10,000			10,000
675	Miscellaneous Expense	1,928	E	(1,388)	540			540
403	Depreciation & Amortization	12,957	F	15,588	28,545			28,545
408	Taxes Other Than Income	-			-			-
408.11	Property Taxes	16,235	G	(6,537)	9,698	J	1,878	11,577
409	Income Taxes	50	H	(13,396)	(13,346)	K	21,412	8,066
427.4	Interest on Customer Deposits	325			325			325
	Total Operating Expenses	$ 193,185		$ 16,337	$ 209,522		$ 23,291	$ 232,812
	OPERATING INCOME/(LOSS)	$ (12,275)		$ (28,997)	$ (41,272)	(c)	$ 75,133	$ 33,861
	Other Income/(Expense):							
419	Interest Income	$ 446			$ 446			$ 446
421	Non-Utility Income	-			-			-
426	Miscellaneous Non-Utility Expenses	-			-			-
427.3	Interest Expense	(3,376)			(3,376)			(3,376)
	Total Other Income/(Expense)	$ (2,930)		$ -	$ (2,930)		$ -	$ (2,930)
	NET INCOME/(LOSS)	$ (15,205)		$ (28,997)	$ (44,202)		$ 75,133	$ 30,931

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2W

Recap Schedules:
(c) C-1T

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2W
Title: Income Statement Proforma Adjustments

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement.

Description	A	B	C	D	E	F	G	H	I	J	K	Total (a) Adjustments
Revenues:												
Metered Water Revenue	$ (600)								$ 98,423			$ 97,823
Other Revenue	(12,060)											(12,060)
Expenses:												
Repairs and Maintenance		$ (4,760)										(4,760)
Outside Services			$ 16,830									16,830
Rate Case Expense				$ 10,000								10,000
Miscellaneous Expense					$ (1,388)							(1,388)
Depreciation & Amortization						$ 15,588						15,588
Property Taxes							$ (6,537)			$ 1,878		(4,658)
Income Taxes								$ (13,396)			$ 21,412	8,016

Adjustment Descriptions:
A - Adjust revenue/bill count for customer leak ($600), remove revenue related to TA Grant that is non-recurring ($10,900), and reclassify amount ($1,160) that is not revenue.
B - Reclassify expenditures between repairs and maintenance and asset accounts as reflected on Schedule C-2Wa.
C - Adjust Outside Services expense per Schedule C-2Wb.
D - Increase rate case expense to recover estimated costs of $30,000 for this rate case, amortized over 3 years, ($30,000/3).
E - Remove sales taxes paid for a prior period.
F - Increase depreciation expense based upon proposed depreciation rates per schedule C-2Wc.
G - Adjust property taxes at current rates per calculation on Schedule C-2Wd.
H - Adjust income taxes at current rates per calculation on Schedule C-2We.
I - Increase metered water revenue per calculation on Schedule A-1.
J - Increase property taxes for proposed rates per calculation on Schedule C-2Wd.
K - Increase income taxes for proposed rates per calculation on Schedule C-2Wf.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:
C-2Wa through C-2Wf

Recap Schedules:
(a) C-1W

s Utility Company, Inc. - Water Division
'S-01689A
led December 31, 2010

Schedule C-2Wa
Title: Income Statement Proforma Adjustments

ıIL OF REPAIRS AND MAINTENANCE EXPENSE ADJUSTMENT

Vendor	Description	Amount
Dana Kepner	Moved to Account 334	$ (258)
Pumps, Inc.	Moved to Account 307	(342)
Dana Kepner	Moved to Account 333	(208)
Dana Kepner	Moved to Account 334	(250)
Dana Kepner	Moved to Account 335	(1,764)
HD Supply Waterworks, LTD	Moved to Account 334	(302)
Dana Kepner	Moved to Account 334	(655)
Dana Kepner	Moved to Account 334	(327)
Dana Kepner	Moved to Account 334	(300)
Garcia and Sons LLC	Moved to Account 335	(600)
Jim's Electric INC	Moved from Account 311	75
Jim's Electric INC	Moved from Account 311	170
	Total Adjustment B	**$ (4,760)**

Clear Springs Utility Company, Inc. - Water Division | Schedule C-2Wb
Docket No. WS-01689A | Title: Income Statement Proforma
Test Year Ended December 31, 2010 | Adjustments

DETAIL OF OUTSIDE SERVICES EXPENSE ADJUSTMENT

Date	Invoice #	Contract Amount	Billed Amount	Difference
02-Feb-10	3476	$ 7,193	$ 7,193	$ -
10-Mar-10	3510	7,193	7,193	-
15-Mar-10	3542	7,305	7,305	-
15-Apr-10	3638	7,224	7,224	-
10-May-10	3708	7,265	5,157	2,108
14-Jun-10	3740	7,295	5,184	2,111
08-Jul-10	3793	7,224	5,121	2,103
09-Aug-10	3832	7,224	5,121	2,103
09-Sep-10	3883	7,203	5,103	2,100
11-Oct-10	3935	7,152	5,058	2,094
07-Nov-10	3986	7,254	5,148	2,106
09-Dec-10	4036	7,234	5,130	2,104
	Totals	$ 86,767	$ 69,938	
			Total Adjustment C	**$ 16,830**

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2Wc
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED DEPRECIATION EXPENSE CALCULATION

Account Number	Description	Plant @ End of Test Year 31-Dec-10	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
301	Intangibles	$ 1,625	0.00%		$ -
303	Land & Land Rights	210	0.00%		-
304	Structures & Improvements	28,565	3.33%	1	-
307	Wells & Springs	179,255	3.33%		5,969
311	Pumping Equipment	172,837	12.50%	2	6,447
320	Water Treatment Equipment	-			-
320.1	Water Treatment Plants	-	3.33%		-
320.2	Solution Chemical Feeders	4,574	20.00%		915
330	Distribution Reservoirs & Standpipes	16,011	2.22%		-
330.1	Storage Tanks	122,423	2.22%		2,718
330.2	Pressure Tanks.	-	5.00%		-
331	Transmission & Distribution Mains	349,433	2.00%		6,989
333	Services	121,259	3.33%		4,038
334	Meters & Meter Installations	83,678	8.33%	3	1,422
335	Hydrants	12,214	2.00%	4	47
339	Other Plant and Misc Equipment	-	6.67%		-
340	Office Furniture & Equipment	3,274	6.67%	5	-
340.1	Computers and Software	-	20.00%		-
341	Transportation Equipment	-	20.00%		-
343	Tools, Shop, and Garage Equipment	6,727	5.00%	6	-
345	Power Operated Equipment	-	5.00%		-
348	Other Tangible Plant	-	0.00%		-
	Totals	**$ 1,102,085**			**$ 28,545**
			Test Year Depreciation Expense		12,957
			Total Adjustment E		**$ 15,588**

1 The total amount in Structures and Improvements is fully depreciated.
2 $121,259 of the total amount in account 311 - Pumping Equipment, is fully depreciated.
3 $78,938 of the total amount in account 334 - Meters & Meter Installations, is fully depreciated.
4 $9,850 of the total amount in account 335 - Hydrants, is fully depreciated.

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Wd
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED PROPERTY TAX EXPENSE CALCULATION

		Test Year as Adjusted		Company at Proposed Rates
Adjusted 2010 Test Year Revenue	$	168,250	$	168,250
Weight Factor		2		2
Subtotal	$	336,500	$	336,500
Company Recommended Revenue		168,250		266,673
Subtotal	$	504,750	$	603,173
Number of Years		3		3
Three Year Revenue Average	$	168,250	$	201,058
AZ Department of Revenue Multiplier		2		2
Revenue Base Value	$	336,500	$	402,115
Plus 10% of CWIP		2,300		2,300
Less: Net Book Value of Licensed Vehicles		-		-
Full Cash Value	**$**	**338,800**	**$**	**404,415**
Assessment Ratio		20.50%		20.50%
Assessment Value	**$**	**69,454**	**$**	**82,905**
Composite Property Tax Rate *		13.9638%		13.9638%

Adjusted Test Year Property Tax Expense	$	9,698
Actual Test Year Property Tax Expense		16,235
Total Adjustment G	**$**	**(6,537)**

Projected Property Tax Expense	$	11,577
Adjusted Test Year Property Tax Expense		9,698
Total Adjustment J	**$**	**1,878**

** Property tax composite rate calculation:*

Assessed Value per 2010 Property Tax Notices	$	75,050
Property Tax due per test year Notice		10,480
Composite Property Tax Rate		13.9638%

For Gross Revenue Conversion Factor:

Change in Property Tax Expense	$	1,878
Change in Revenue Requirement		98,423
Change in Property Tax per Dollar Increase in Revenue		1.9084%

Clear Springs Utility Company, Inc. - Water Division | **Schedule C-2We**
Docket No. WS-01689A | **Title: Income Statement Proforma**
Test Year Ended December 31, 2010 | **Adjustments**

CALCULATION OF TEST YEAR INCOME TAX EXPENSE ADJUSTMENT

STATE INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	(54,618)		
Less:				
Estimated Interest Expense		(3,376)		
Arizona Taxable Income	$	(57,994)		
Arizona Income Tax Rate		6.9680%		
Arizona Income Tax Expense			$	(4,041)

FEDERAL INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	(54,618)		
Less:				
Arizona Income Tax	$	(4,041)		
Estimated Interest Expense		(3,376)		
Federal Taxable Income	$	(62,035)		
Federal Income Tax Rate		15.0000%		
Federal Income Tax Expense			$	(9,305)
Adjusted Test Year Income Tax Expense			$	(13,346)
Test Year Income Tax Expense				50
Total Adjustment H to Income Taxes			**$**	**(13,396)**

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2Wf
Title: Income Statement Proforma Adjustments

CALCULATION OF PROPOSED INCOME TAX EXPENSE ADJUSTMENT

Revenue	$ 266,673		
Operating Expenses Excluding Income Tax	(224,746)		
Estimated Interest Expense	(3,376)		
Arizona Taxable Income		$ 38,551	
Arizona Income Tax Rate		6.9680%	
Arizona Income Tax Expense			$ 2,686
Federal Taxable Income		$ 35,865	
Federal Tax on 1st Income Range ($1 - $50,000) @ 15%		$ 5,380	
Federal Tax on 2nd Income Range ($50,001 - $75,000) @ 25%			
Federal Tax on 3rd Income Range ($75,001 - $100,000) @ 34%			
Federal Tax on 4th Income Range ($100,001 - $335,000) @ 39%			
Federal Tax on 5th Income Range ($335,001 - $10M) @ 34%		-	
Total Federal Income Tax Expense			5,380
Combined Federal and State Income Tax Expense			$ 8,066
Adjusted Test Year Income Tax Expense			(13,346)
Adjustment K to Proposed Income Tax Expense			**$ 21,412**

Required Operating Income	$ 33,861		
Adjusted Test Year Operating Income/(Loss)	(41,272)		
Proposed Increase In Operating Income		$ 75,133	
Income Taxes On Proposed Revenue	$ 8,066		
Income Taxes On Test Year Revenue	(13,346)		
Proposed Revenue Increase For Income Taxes		$ 21,412	
Property Taxes On Proposed Revenue	$ 11,577		
Property Taxes On Test Year Revenue	9,698	$ 1,878	
Proposed Revenue Increase For Property Taxes			
Total Proposed Increase In Revenue			**$ 98,423**

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-1S
Title: Adjusted Test Year Income Statement

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
521	Flat Rate Revenues				$ -			$ -
522	Measured Revenues	47,519	A	(147)	47,372		-	47,372
536	Other Wastewater Revenues	430			430			430
	Total Operating Revenue	$ 47,949		$ (147)	$ 47,802		$ -	$ 47,802
	Operating Expenses:							
701	Salaries & Wages	$ -			$ -			$ -
710	Purchased Wastewater Treatment				-			-
711	Sludge Removal Expense				-			-
715	Purchased Power	3,313			3,313			3,313
716	Fuel for Power Production				-			-
718	Chemicals				-			-
720	Materials and Supplies	939			939			939
721	Office Supplies	431			431			431
731	Contractual Services - Professional	8,550	B	14,720	23,270			23,270
736	Contractual Services - Other				-			-
740	Rents				-			-
750	Transportation Expense	341			341			341
755	Insurance Expense				-			-
766	Rate Case Expense	-	C	3,500	3,500			3,500
775	Miscellaneous Expense				-			-
403	Depreciation & Amortization	1,885	D	(757)	1,128			1,128
408	Taxes Other Than Income				-			-
408.11	Property Taxes	4,545	E	(1,811)	2,734			2,734
409	Income Taxes	-	F	2,529	2,529			2,529
427.4	Interest on Customer Deposits	61			61			61
	Total Operating Expenses	$ 20,065		$ 18,181	$ 38,246		$ -	$ 38,246
	OPERATING INCOME/(LOSS)	$ 27,884		$ (18,328)	$ 9,556	(c)	$ -	$ 9,556
	Other Income/(Expense):							
419	Interest Income	$ 115			$ 115			$ 115
421	Non-Utility Income				-			-
426	Miscellaneous Non-Utility Expenses				-			-
427.3	Interest Expense				-			-
	Total Other Income/(Expense)	$ 115		$ -	$ 115		$ -	$ 115
	NET INCOME/(LOSS)	$ 27,999		$ (18,328)	$ 9,671		$ -	$ 9,671

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2

Recap Schedules:
(c) A-1

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2S
Title: Income Statement Proforma Adjustments

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement.

Description	A	B	C	D	E	F	Total (a) Adjustments
Revenues:							
Measured Revenues	$ (147)						$ (147)
							-
Expenses:							
Outside Services		$ 14,720					14,720
Rate Case Expense			$ 3,500				3,500
Depreciation & Amortization				$ (757)			(757)
Property Taxes					$ (1,811)		(1,811)
Income Taxes						$ 2,529	2,529

Adjustment Descriptions:
A - Adjust revenue and bill count for customer leak.
B - Adjust Outside Services expense per Schedule C-2Sa.
C - Increase rate case expense to recover estimated costs of $10,500 for this rate case, amortized over 3 years, ($10,500/3).
D - Adjust depreciation expense based upon proposed depreciation rates per schedule C-2Sb.
E - Adjust property taxes at current rates per calculation on Schedule C-2Sc.
F - Adjust income taxes at current rates per calculation on Schedule C-2Sd.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:
C-2Sa through C-2Sd

Recap Schedules:
(a) C-1S

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2Sa
Title: Income Statement Proforma Adjustments

DETAIL OF OUTSIDE SERVICES EXPENSE ADJUSTMENT

Date	Invoice #	Cust/Mo	Rate	Contract Amount	Billed Amount	Difference
02/02/2010	3478	363	$ 5.00	$ 1,815	$ 1,815	$ -
02/22/2010	3511	366	5.00	1,830	1,830	-
03/15/2010	3545	368	5.00	1,840	1,840	-
04/15/2010	3640	369	5.00	1,845	1,845	-
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	Totals			$ 22,050	$ 7,330	
					Total Adjustment B	$ 14,720

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule C-2Sb
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED DEPRECIATION EXPENSE CALCULATION

Account Number	Description	Plant @ End of Test Year 31-Dec-10	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
351	Organization	$ -			$ -
353	Land & Land Rights	4,654	0.00%		-
354	Structures & Improvements	9,999	3.33%		333
355	Power Generation Equipment	51,058	5.00%	1	265
360	Collection Sewers - Force	273,018	2.00%	2	205
361	Collection Sewers - Gravity	-			-
362	Special Collecting Structures	-			-
363	Services to Customers	9,880	2.00%		198
364	Flow Measuring Devices	-			-
365	Flow Measuring Installations	-			-
370	Receiving Wells	-			-
380	Treatment and Disposal Equipment	487	5.00%		24
381	Plant Sewers	-			-
382	Outfall Sewer Lines	-			-
389	Other Plant & Misc Equipment	-			-
390	Office Furniture & Equipment	-			-
390.1	Computers and Software	-			-
391	Transportation Equipment	863	20.00%	3	-
393	Tools, Shop, and Garage Equipment	2,061	5.00%		103
394	Laboratory Equipment	-			-
395	Power Operated Equipment	-			-
398	Other Tangible Plant	-			-
	Totals	**$ 352,020**			**$ 1,128**
			Test Year Depreciation Expense		1,885
			Total Adjustment D		**$ (757)**

1 The total amount in Structures and Improvements is fully depreciated.
2 $121,259 of the total amount in account 311 - Pumping Equipment, is fully depreciated.
3 $78,938 of the total amount in account 334 - Meters & Meter Installations, is fully depreciated.
4 $9,850 of the total amount in account 335 - Hydrants, is fully depreciated.

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Sc
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED PROPERTY TAX EXPENSE CALCULATION

		Test Year as Adjusted		Company at Proposed Rates
Adjusted 2010 Test Year Revenue	$	47,802	$	47,802
Weight Factor		2		2
Subtotal	$	95,604	$	95,604
Company Recommended Revenue		47,802		47,802
Subtotal	$	143,406	$	143,406
Number of Years		3		3
Three Year Revenue Average	$	47,802	$	47,802
AZ Department of Revenue Multiplier		2		2
Revenue Base Value	$	95,604	$	95,604
Plus 10% of CWIP		-		-
Less: Net Book Value of Licensed Vehicles		-		-
Full Cash Value	**$**	**95,604**	**$**	**95,604**
Assessment Ratio		20.50%		20.50%
Assessment Value	**$**	**19,599**	**$**	**19,599**
Revised Composite Property Tax Rate *		13.9486%		13.9486%

Adjusted Test Year Property Tax Expense	$	2,734
Actual Test Year Property Tax Expense		4,545
Total Adjustment E	**$**	**(1,811)**

Projected Property Tax Expense	$	2,734
Adjusted Test Year Property Tax Expense		2,734
No Adjustment	**$**	**-**

* *Property tax composite rate calculation:*

Assessed Value per 2010 Property Tax Notices	$	20,790
Property Tax due per test year Notice		2,900
Composite Property Tax Rate		13.9486%

Clear Springs Utility Company, Inc. - Sewer Division | **Schedule C-2Sd**
Docket No. WS-01689A | **Title: Income Statement Proforma**
Test Year Ended December 31, 2010 | **Adjustments**

CALCULATION OF TEST YEAR INCOME TAX EXPENSE ADJUSTMENT

STATE INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	12,085		
Less:				
Estimated Interest Expense		-		
Arizona Taxable Income	$	12,085		
Arizona Income Tax Rate		6.9680%		
Arizona Income Tax Expense			$	842

FEDERAL INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	12,085		
Less:				
Arizona Income Tax	$	(842)		
Estimated Interest Expense		-		
Federal Taxable Income	$	11,243		
Federal Income Tax Rate		15.0000%		
Federal Income Tax Expense			$	1,686
Adjusted Test Year Income Tax Expense			$	2,529
Test Year Income Tax Expense				-
Total Adjustment F to Income Taxes			**$**	**2,529**

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule C-3**
Docket No. WS-01689A **Title: Computation of Gross Revenue**
Test Year Ended December 31, 2010 **Conversion Factor**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing incremental taxes on gross revenues and the development of a gross revenue conversion factor.

Description	**Calculation**
Water Division	
Revenue	1.000
Combined Federal And State Tax Rate	(0.218)
Property Tax Rate	(0.019)
Subtotal (Operating Income %)	0.763
Gross Revenue Conversion Factor = 1/Operating Income %	**1.310**
Sewer Division	
Revenue	1.000
Combined Federal And State Tax Rate	
Property Tax Rate	
Subtotal (Operating Income %)	1.000
Gross Revenue Conversion Factor = 1/Operating Income %	**1.000**
Total Company	
Revenue	1.000
Combined Federal And State Tax Rate	(0.218)
Property Tax Rate	(0.019)
Subtotal (Operating Income %)	0.763
Gross Revenue Conversion Factor = 1/Operating Income %	**1.310**

CALCULATION OF COMBINED FEDERAL AND STATE TAX RATE:

Operating Income Before Taxes (Arizona Taxable Income)	100.0000%
Arizona State Income Tax Rate	6.9680%
Federal Taxable Income	93.0320%
Federal Income Tax Rate	15.0000%
Effective Federal Income Tax Rate	13.9548%
Combined Federal And State Income Tax Rates	21.7553%

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:
A-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule D-1
Title: Summary Cost of Capital

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing elements of capital structure and the related cost.

	End of Test Year				End of Projected Year			
Invested Capital	**Amount**	**%**	**Cost Rate (e)**	**Composite Cost %**	**Amount**	**%**	**Cost Rate (e)**	**Composite Cost %**
Long-Term Debt (a)	$ 54,576	25.05%	6.75%	1.69%	$ 54,576	25.05%	6.75%	1.69%
	35,059	16.09%	6.38%	1.03%	35,059	16.09%	6.38%	1.03%
Preferred Stock (b)	-				-			
Common Equity (c)	(32,242)	-14.80%	35.00%	-5.18%	(32,242)	-14.80%	35.00%	-5.18%
Short-Term Debt (a)	-				-			
Deferrals (d)	160,512	73.66%	10.00%	7.37%	160,512	73.66%	10.00%	7.37%
Totals	$ 217,905	100.00%		4.90%	$ 217,905	100.00%		4.90%

Supporting Schedules:
(a) D-2
(b) D-3
(c) D-4
(d) E-1

Recap Schedules:
(e) A-3

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule E-1**
Docket No. WS-01689A **Title: Comparative Balance Sheet**
Test Year Ended December 31, 2010

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

		Test Year At 31-Dec-10	Prior Year 31-Dec-09	Prior Year 31-Dec-08
	ASSETS			
	Property, Plant & Equipment: (a)			
101	Utility Plant In Service	$ 1,457,555	$ 1,415,925	$ 1,389,354
103	Property Held for Future Use		-	-
105	Construction Work in Process	23,000	-	-
108	Accumulated Depreciation	(1,238,499)	(1,104,827)	(1,089,605)
	Total Property Plant & Equipment	$ 242,056	$ 311,098	$ 299,749
	Current Assts:			
131	Cash	$ 30,036	$ 26,724	$ 33,804
135	Temporary Cash Investments	16,386	16,271	107,790
141	Customer Accounts Receivable	12,821	17,424	15,265
146	Notes/Receivables from Associated Companies	88,161	58,201	50,201
151	Plant Material and Supplies	1,602	1,602	1,602
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	Total Current Assets	$ 149,006	$ 120,222	$ 208,662
	TOTAL ASSETS	**$ 391,062**	**$ 431,320**	**$ 508,411**
	LIABILITIES and CAPITAL			
	Capitalization: (b)			
201	Common Stock Issued	$ 1,000	$ 1,000	$ 1,000
211	Paid in Capital in Excess of Par Value	2,637,759	2,637,759	2,637,759
215	Retained Earnings	(2,671,001)	(2,589,551)	(2,487,405)
218	Proprietary Capital	-	-	-
	Total Capital	$ (32,242)	$ 49,208	$ 151,354
	Current Liabilities:			
231	Accounts Payable	$ 27,358	$ 26,465	$ 10,237
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies	98,161	58,201	51,937
235	Customer Deposits	46,541	47,312	62,713
236	Accrued Taxes	1,097	852	867
241	Miscellaneous Current and Accrued Liabilities			
	Total Current Liabilities	$ 173,157	$ 132,830	$ 125,754
224	Long-Term Debt (Over 12 Months)	$ 89,635	$ 94,500	$ 99,054
	Deferred Credits:			
252	Advances In Aid Of Construction	$ 119,271	$ 139,242	$ 115,892
271	Contributions In Aid Of Construction	353,704	327,719	327,719
272	Less: Amortization of Contributions	(312,463)	(312,179)	(311,362)
281	Accumulated Deferred Income Tax			
	Total Deferred Credits	$ 160,512	$ 154,782	$ 132,249
	Total Liabilities	$ 423,304	$ 382,112	$ 357,057
	TOTAL LIABILITIES and CAPITAL	**$ 391,062**	**$ 431,320**	**$ 508,411**

Supporting Schedules:
(a) E-5T

Recap Schedules:
(b) A-3

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule E-2**
Docket No. WS-01689A **Title: Comparative Income Statements**
Test Year Ended December 31, 2010

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

		Test Year Ended 31-Dec-10	Prior Year Ended 31-Dec-09	Prior Year Ended 31-Dec-08
	Revenues: (a)			
461	Metered Water Revenue	$ 165,631	$ 175,260	$ 168,060
474	Other Water Revenue	15,279	(26)	887
521	Flat Rate Revenues	-		
522	Measured Revenues	47,519	49,371	48,809
536	Other Wastewater Revenues	430	120	10
	Total Revenues	$ 228,859	$ 224,725	$ 217,766
	Operating Expenses (a)			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water			
615	Purchased Power	40,551	31,973	27,219
618	Chemicals	1,811	2,154	2,655
620	Repairs and Maintenance	16,928	5,399	9,473
621	Office Supplies and Expense	9,437	5,989	5,086
630	Outside Services	75,410	100,619	85,035
635	Water Testing	7,172	1,350	3,054
641	Rents	-		
650	Transportation Expense	6,938	12,361	6,561
657	Insurance - General liability	3,443	3,433	3,404
659	Insurance - Health and Life	-		
666	Regulatory Commission Expense - Rate Case	-		
675	Miscellaneous Expense	1,928		
701	Salaries & Wages	-		
710	Purchased Wastewater Treatment	-		
711	Sludge Removal Expense	-		
715	Purchased Power	3,313	3,048	3,739
716	Fuel for Power Production	-		
718	Chemicals	-		
720	Materials and Supplies	939		
721	Office Supplies	431		
731	Contractual Services - Professional	8,550	29,884	38,390
736	Contractual Services - Other	-	1,446	4,903
740	Rents	-		
750	Transportation Expense	341	2,486	2,263
755	Insurance Expense	-		
766	Rate Case Expense	-		
775	Miscellaneous Expense	-	100	581
403	Depreciation & Amortization	14,842	14,405	14,598
408	Taxes Other Than Income	-		
408.11	Property Taxes	20,780	14,812	21,788
409	Income Tax	50		
427.4	Interest on Customer Deposits	386		
	Total Operating Expenses	$ 213,250	$ 229,459	$ 228,749
	OPERATING INCOME/(LOSS)	$ 15,609	$ (4,734)	$ (10,983)
	Other Income/(Expense)			
419	Interest and Dividend Income	$ 561	$ 1,283	$ 3,418
421	Non-Utility Income	-	570	249
426	Miscellaneous Non-Utility Expense	-		
427.3	Interest Expense	(3,376)	(6,475)	(7,598)
	Total Other Income/(Expense)	$ (2,815)	$ (4,622)	$ (3,931)
	NET INCOME/(LOSS)	$ 12,794	$ (9,356)	$ (14,914)

Supporting Schedules:
(a) E-6W, E-6S

Recap Schedules:
A-2

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule E-5T**
Docket No. WS-01689A **Title: Detail of Utility Plant**
Test Year Ended December 31, 2010

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Total Company

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
301	Organization	$ 1,625	$ -	$ 1,625
303	Land & Land Rights	210	-	210
304	Structures & Improvements	28,565	-	28,565
307	Wells & Springs	178,914	341	179,255
311	Pumping Equipment	168,711	4,126	172,837
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	-	-	-
320.2	Solution Chemical Feeders	4,574	-	4,574
330	Distribution Reservoirs & Standpipes	16,011	-	16,011
330.1	Storage Tanks	122,423	-	122,423
330.2	Pressure Tanks.	-	-	-
331	Transmission &Distribution Mains	334,533	14,900	349,433
333	Services	108,828	12,431	121,259
334	Meters & Meter Installations	79,659	4,019	83,678
335	Hydrants	9,850	2,364	12,214
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	3,274	-	3,274
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools, Shop, and Garage Equipment	6,727	-	6,727
345	Power Operated Equipment	-	-	-
348	Other Tangible Plant	-	-	-
351	Organization	-	-	-
353	Land & Land Rights	4,654	-	4,654
354	Structures & Improvements	9,999	-	9,999
355	Power Generation Equipment	51,058	150	51,208
360	Collection Sewers - Force	273,018	3,300	276,318
361	Collection Sewers - Gravity	-	-	-
362	Special Collecting Structures	-	-	-
363	Services to Customers	9,880	-	9,880
364	Flow Measuring Devices	-	-	-
365	Flow Measuring Installations	-	-	-
370	Receiving Wells	-	-	-
380	Treatment and Disposal Equipment	487	-	487
381	Plant Sewers	-	-	-
382	Outfall Sewer Lines	-	-	-
389	Other Plant & Misc Equipment	-	-	-
390	Office Furniture & Equipment	-	-	-
390.1	Computers and Software	-	-	-
391	Transportation Equipment	863	-	863
393	Tools, Shop, and Garage Equipment	2,061	-	2,061
394	Laboratory Equipment	-	-	-
395	Power Operated Equipment	-	-	-
398	Other Tangible Plant	-	-	-
	Total Plant In Service	**$ 1,415,924**	**$ 41,631**	**$ 1,457,555**
108	Accumulated Depreciation	(1,208,951)	(29,547)	(1,238,499)
	Net Plant In Service	$ 206,973	$ 12,084	$ 219,056
103	Property Held for Future Use	$ -	$ -	$ -
105	Construction Work in Process	-	23,000	23,000
	Total Net Plant	**$ 229,973**	**$ 35,084**	**$ 242,056**

Supporting Schedules:
E-5W, E-5S

Recap Schedules:
E-1 A-4

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-5W
Title: Detail of Utility Plant

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Water Division

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
301	Organization	$ 1,625		$ 1,625
303	Land & Land Rights	210		210
304	Structures & Improvements	28,565		28,565
307	Wells & Springs	178,914	341	179,255
311	Pumping Equipment	168,711	4,126	172,837
320	Water Treatment Equipment	-		-
320.1	Water Treatment Plants	-		-
320.2	Solution Chemical Feeders	4,574		4,574
330	Distribution Reservoirs & Standpipes	16,011		16,011
330.1	Storage Tanks	122,423		122,423
330.2	Pressure Tanks.	-		-
331	Transmission &Distribution Mains	334,533	14,900	349,433
333	Services	108,828	12,431	121,259
334	Meters & Meter Installations	79,659	4,019	83,678
335	Hydrants	9,850	2,364	12,214
339	Other Plant and Misc Equipment			-
340	Office Furniture & Equipment	3,274		3,274
340.1	Computers and Software			-
341	Transportation Equipment			-
343	Tools, Shop, and Garage Equipment	6,727		6,727
345	Power Operated Equipment			-
348	Other Tangible Plant			-
	Total Water Plant In Service	**$ 1,063,904**	**$ 38,181**	**$ 1,102,085**
108	Accumulated Depreciation	(881,984)	(27,734)	(909,719)
	Net Plant In Service	$ 181,920	$ 10,447	$ 192,366
103	Property Held for Future Use	$ -	$ -	$ -
105	Construction Work in Process	-	23,000	23,000
	Total Net Plant	**$ 204,920**	**$ 33,447**	**$ 215,366**

Supporting Schedules:

Recap Schedules:
E-5T, A-4

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-5S
Title: Detail of Utility Plant

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Sewer Division

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
351	Organization	$ -		$ -
353	Land & Land Rights	4,654		4,654
354	Structures & Improvements	9,999		9,999
355	Power Generation Equipment	51,058	150	51,208
360	Collection Sewers - Force	273,018	3,300	276,318
361	Collection Sewers - Gravity			-
362	Special Collecting Structures			-
363	Services to Customers	9,880		9,880
364	Flow Measuring Devices			-
365	Flow Measuring Installations			-
370	Receiving Wells			-
380	Treatment and Disposal Equipment	487		487
381	Plant Sewers			-
382	Outfall Sewer Lines			-
389	Other Plant & Misc Equipment			-
390	Office Furniture & Equipment			-
390.1	Computers and Software			-
391	Transportation Equipment	863		863
393	Tools, Shop, and Garage Equipment	2,061		2,061
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	Total Sewer Plant In Service	**$ 352,020**	**$ 3,450**	**$ 355,470**
108	Accumulated Depreciation	(326,967)	(1,813)	(328,780)
	Net Plant In Service	$ 25,053	$ 1,637	$ 26,690
103	Property Held for Future Use	$ -		$ -
105	Construction Work in Process	-		-
	Total Net Plant	**$ 25,053**	**$ 1,637**	**$ 26,690**

Supporting Schedules:

Recap Schedules:
E-5T A-4

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-6W
Title: Comparative Departmental Operating Income Statements

Required for:

All Utilities	☐
Class A	☐
Class B	☐
Class C	☐
Class D	☐
Specl Reqmt	X

Explanation:
Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

	Water Division	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
	Operating Revenues:			
461	Metered Water Revenue	$ 165,631	$ 175,260	$ 168,060
474	Other Water Revenue	15,279	(26)	887
	Total Operating Revenue	$ 180,910	$ 175,234	$ 168,947
	Operating Expenses:			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water	-	-	-
615	Purchased Power	40,551	15,664	27,219
618	Chemicals	1,811	2,154	2,655
620	Repairs & Maintenance	16,928	5,399	9,473
621	Office Supplies and Expense	9,437	22,298	5,086
630	Outside Services	75,410	100,619	85,035
635	Water Testing	7,172	1,350	3,054
641	Rental Expense	-		
650	Transportation Expense	6,938	12,361	6,561
657	Insurance - General Liability	3,443	3,433	3,404
659	Insurance - Health and Life	-		
666	Rate Case Expense	-		
675	Miscellaneous Expense	1,928		
403	Depreciation & Amortization	12,957	12,600	12,788
408	Taxes Other Than Income	-		
408.11	Property Taxes	16,235	11,431	18,294
409	Income Taxes	50		
427.4	Interest on Customer Deposits	325		
	Total Operating Expenses	$ 193,185	$ 187,309	$ 173,569
	OPERATING INCOME/(LOSS)	**$ (12,275)**	**$ (12,075)**	**$ (4,622)**

* Including allocation of general and administrative expenses.

Supporting Schedules: Recap Schedules:
E-2

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-6S
Title: Comparative Departmental Operating Income Statements

Required for:

All Utilities	
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	X

Explanation:
Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

	Sewer Division	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
	Operating Revenues:			
521	Flat Rate Revenues	$ -	$ -	$ -
522	Measured Revenues	47,519	49,371	48,809
536	Other Wastewater Revenues	430	120	10
	Total Operating Revenue	$ 47,949	$ 49,491	$ 48,819
	Operating Expenses:			
701	Salaries & Wages	$ -	$ -	$ -
710	Purchased Wastewater Treatment	-		
711	Sludge Removal Expense	-		
715	Purchased Power	3,313	3,048	3,739
716	Fuel for Power Production	-		
718	Chemicals	-		
720	Materials and Supplies	939		
721	Office Supplies	431		
731	Contractual Services - Professional	8,550	29,884	38,390
736	Contractual Services - Other	-	1,446	4,903
740	Rents	-		
750	Transportation Expense	341	2,486	2,263
755	Insurance Expense	-		
766	Rate Case Expense	-		
775	Miscellaneous Expense	-	100	581
403	Depreciation & Amortization	1,885	1,805	1,810
408	Taxes Other Than Income	-		
408.11	Property Taxes	4,545	3,381	3,494
409	Income Taxes	-		
427.4	Interest on Customer Deposits	61		
	Total Operating Expenses	$ 20,065	$ 42,150	$ 55,180
	OPERATING INCOME/(LOSS)	**$ 27,884**	**$ 7,341**	**$ (6,361)**

* Including allocation of general and administrative expenses.

Supporting Schedules:

Recap Schedules:
E-2

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-7
Title: Operating Statistics

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing key operating statistics in comparative format, for the test year and the 2 fiscal years ended prior to the test year.

Water Statistics:	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
Gallons Sold - By Class of Service:			
Residential	32,220,420	33,710,783	34,519,908
Commercial	6,326,580	6,619,217	6,778,092
Average Number of Customers - By Class of Service:			
Residential	511	521	540
Commercial	54	55	58
Average Annual Gallons Per Residential Customer	63,095	64,753	63,867
Average Annual Revenue Per Residential Customer	$ 269.01	$ 369.67	$ 266.30
Pumping Cost Per 1,000 Gallons	$ 1.0520	$ 0.7928	$ 0.6591

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-8
Title: Taxes Charged to Operations

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.

Description	Test Year Ended 31-Dec-10	Prior Year Ended 31-Dec-09	Prior Year Ended 31-Dec-08
Water Division			
Federal Taxes:			
Income	$ -	$ -	$ -
Payroll	-	-	-
Total Federal Taxes	$ -	$ -	$ -
State Taxes:			
Income	$ 50	$ 50	$ 50
Payroll	-	-	-
Total State Taxes	$ 50	$ 50	$ 50
Local Taxes:			
Property	$ 16,235	$ 11,431	$ 18,294
Total Water Division Taxes	**$ 16,285**	**$ 11,481**	**$ 18,344**
Sewer Division			
Federal Taxes:			
Income			
Payroll			
Total Federal Taxes	$ -	$ -	$ -
State Taxes:			
Income			
Payroll			
Total State Taxes	$ -	$ -	$ -
Local Taxes:			
Property	$ 4,545	$ 3,381	$ 3,494
Total Sewer Division Taxes	**$ 4,545**	**$ 3,381**	**$ 3,494**
Total Company			
Federal Taxes	$ -	$ -	$ -
State Taxes	50	50	50
Property Taxes	20,780	14,812	21,788
Total Company Taxes	**$ 20,830**	**$ 14,862**	**$ 21,838**

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules: Recap Schedules:

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule E-9
Title: Notes to Financial Statements

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Disclosure of important facts pertaining to the understanding of the financial statements.

Disclosures should include, but not be limited to the following:

1 Accounting Method.
The books of the entity are kept as accrual based, and also follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.
For years up to and including the test year 2010, the depreciation rates used were authorized in Decision 68443 for all water plant asset categories. Proposed depreciation rates are depicted on Schedules C-2Wb (water division). For the sewer division, depreciation rates were authorized in Decision 62583 at 5% for all sewer plant assets categories. Proposed depreciation rates are depicted on Schedule C-2Sa (sewer division).

3 Income tax treatment - normalization or flow through.
C-Corporation.

4 Interest rate used to charge interest during construction, if applicable.
Not Applicable.

Supporting Schedules: Recap Schedules:

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule F-1**
Docket No. WS-01689A **Title: Projected Income Statements -**
Test Year Ended December 31, 2010 **Present and Proposed Rates**

Required for:		
	All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Explanation:
Schedule showing an income statement for the projected year, compared with actual test year results, at present and proposed rates.

		Actual Test Year Ended (a) 31-Dec-10	Projected Year At Present Rates Year Ended (b) 31-Dec-11	Projected Year At Proposed Rates Year Ended (b) 31-Dec-11
	Operating Revenues:			
461	Metered Water Revenue	$ 165,631	$ 165,031	$ 263,454
474	Other Water Revenue	15,279	3,219	3,219
521	Flat Rate Revenues	-	-	-
522	Measured Revenues	47,519	47,372	47,372
536	Other Wastewater Revenues	430	430	430
	Total Operating Revenue	$ 228,859	$ 216,052	$ 314,475
	Operating Expenses:			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water	-	-	-
615	Purchased Power	40,551	40,551	40,551
618	Chemicals	1,811	1,811	1,811
620	Repairs & Maintenance	16,928	12,168	12,168
621	Office Supplies and Expense	9,437	9,437	9,437
630	Outside Services	75,410	92,240	92,240
635	Water Testing	7,172	7,172	7,172
641	Rental Expense	-	-	-
650	Transportation Expense	6,938	6,938	6,938
657	Insurance - General Liability	3,443	3,443	3,443
659	Insurance - Health and Life	-	-	-
666	Rate Case Expense	-	10,000	10,000
675	Miscellaneous Expense	1,928	540	540
701	Salaries & Wages	-	-	-
710	Purchased Wastewater Treatment	-	-	-
711	Sludge Removal Expense	-	-	-
715	Purchased Power	3,313	3,313	3,313
716	Fuel for Power Production	-	-	-
718	Chemicals	-	-	-
720	Materials and Supplies	939	939	939
721	Office Supplies	431	431	431
731	Contractual Services - Professional	8,550	23,270	23,270
736	Contractual Services - Other	-	-	-
740	Rents	-	-	-
750	Transportation Expense	341	341	341
755	Insurance Expense	-	-	-
766	Rate Case Expense	-	3,500	3,500
775	Miscellaneous Expense	-	-	-
403	Depreciation & Amortization	14,842	29,673	29,673
408	Property Taxes	20,780	12,432	14,311
408.11	Taxes Other Than Income	-	-	-
409	Income Taxes	50	(10,817)	10,595
427.4	Interest on Customer Deposits	386	386	386
	Total Operating Expenses	$ 213,250	$ 247,767	$ 271,058
	OPERATING INCOME/(LOSS)	$ 15,609	$ (31,715)	$ 43,417
	Other Income/(Expense):			
419	Interest Income	$ 561	$ 561	$ 561
421	Non-Utility Income	-	-	-
426	Miscellaneous Non-Utility Expenses	-	-	-
427	Interest Expense	(3,376)	(3,376)	(3,376)
	Total Other Income/(Expense)	$ (2,815)	$ (2,815)	$ (2,815)
	NET INCOME/(LOSS)	$ 12,794	$ (34,530)	$ 40,602
	Earnings per share of average Common Stock Outstanding	$ 4.26	$ (11.51)	$ 13.53
	% Return on Common Equity	-39.681%	Double Negative	-125.930%

Supporting Schedules: (a) E-2 Recap Schedules: (b) A-2

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Schedule F-3**
Docket No. WS-01689A **Title: Projected Construction**
Test Year Ended December 31, 2010 **Requirements**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Property Classification	Actual Test Year Ended 12/31/2010	End of Projected Year 1
Water Division		
Production Plant	$ 356,666	$ 204,400
Transmission Plant	500,081	306,600
Other Plant	245,338	
Total Water Plant	**$ 1,102,085**	**$ 511,000**
Sewer Division		
Production Plant	$ 51,695	$ -
Transmission Plant	286,198	-
Other Plant	17,577	-
Total Sewer Plant	**$ 355,470**	**$ -**
Total Company		
Production Plant	$ 408,361	$ 204,400
Transmission Plant	786,279	306,600
Other Plant	262,915	-
Total Company Plant	**$ 1,457,555**	**$ 511,000**

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
(a) F-2 & A-4

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule F-4
Title: Assumptions Used in Developing Projection

Required for:		
	All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Explanation:
Documentation of important assumptions used in preparing forecasts and projections

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth
The company has experienced no new growth in the past few years.

2 Growth in consumption and customer demand
The company does not anticipate an increase in customer consumption and demand due to the proposed tiered rate structure.

3 Changes in expenses
The company believes the test year 2010, with the limited proforma adjustments proposed in this application to include all the utility's operating expenses, accurately depict the revenue level necessary for the utility going forward.

4 Construction requirements including production reserves and changes in plant capacity

See accompanying Finance Application.

5 Capital structure changes

See accompanying Finance Application.

6 Financing costs, interest rates

See accompanying Finance Application.

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-1
Title: Summary of Revenues by Customer Classification - Present and Proposed Rates

Explanation:
Schedule comparing revenues by customer classification for the Test Year, at present and proposed rates.

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Customer Classification	Revenues in the Test Year (a) Present Rates	Revenues in the Test Year (a) Proposed Rates	Proposed Increase (b) Amount	Proposed Increase (b) %
Water Division				
Residential				
5/8 by 3/4-inch	$ 129,804	$ 203,652	$ 73,848	56.89%
3/4-inch	1,210	$ 2,277	1,067	88.18%
1-inch	3,317	$ 5,649	2,332	70.30%
1 1/2-inch	2,987	5,247	2,260	75.66%
Total Residential Water	$ 137,318	$ 216,825	$ 79,507	57.90%
Commercial				
5/8 by 3/4-inch	$ 10,142	$ 16,139	5,997	59.13%
3/4-inch	486	$ 893	407	83.74%
1-inch	5,931	$ 10,195	4,264	71.89%
1 1/2-inch	4,487	7,939	3,452	76.93%
2-inch	5,208	9,297	4,089	78.51%
Total Commercial Water	$ 26,254	$ 44,463	$ 18,209	69.36%
Bulk Water Sales	1,459	$ 2,166	707	48.46%
Total Metered Water Revenue	$ 165,031	$ 263,454	98,423	59.64%
Other Revenue	3,219	3,219	-	0.00%
Total Water Revenue	**$ 168,250**	**$ 266,673**	**$ 98,423**	**58.50%**
Sewer Division				
Residential	$ 42,130	$ 41,056	$ (1,074)	-2.55%
Commercial	5,242	6,316	1,074	20.49%
Total Measured Sewer	$ 47,372	$ 47,372	$ -	0.00%
Other Revenue	430	430	-	0.00%
Total Sewer Revenue	**$ 47,802**	**$ 47,802**	**$ -**	0.00%
Total Company Revenue	**$ 216,052**	**$ 314,475**	**$ 98,423**	45.56%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-3W
Title: Changes in Representative Rate Schedules - Page 1 of 2

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

(Rates apply to both residential and commercial usage)

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE:			
5/8" x 3/4" Meter	$ 11.00	$ 16.00	45%
3/4" Meter	14.50	24.00	66%
1" Meter	23.25	40.00	72%
1-1/2" Meter	44.00	80.00	82%
2" Meter	66.00	128.00	94%
3" Meter	125.50	256.00	104%
4" Meter	250.00	400.00	60%
6" Meter	500.00	800.00	60%
Gallons included in minimum	-	-	0.00%

Description	Present Rate	Proposed Rate
COMMODITY CHARGES - *Per 1,000 Gallons*		
5/8 x 3/4 - inch meters		
1 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Galbns	2.25	
Over 10,000 Gallons	3.50	
1 - 3,000 Gallons		$ 1.82
3,001 to 8,000 Gallons		3.75
Over 8,000 Gallons		6.00
3/4 - inch meters		
1 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Galbns	2.25	
Over 10,000 Gallons	3.50	
1 to 8,000 Gallons		$ 3.75
Over 8,000 Gallons		6.00
One - inch meters		
1 to 31,000 Gallons	$ 2.25	
Over 31,000 Gallons	3.50	
1 to 30,000 Gallons		$ 3.75
Over 30,000 Gallons		6.00
One and one half - inch meters		
1 to 58,000 Gallons	$ 2.25	
Over 58,000 Gallons	3.50	
1 to 50,000 Gallons		$ 3.75
Over 50,000 Gallons		6.00
Two - inch meters		
1 to 74,000 Gallons	$ 2.25	
Over 74,000 Gallons	3.50	
1 to 70,000 Gallons		$ 3.75
Over 70,000 Gallons		6.00

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-3W
Title: Changes in Representative Rate Schedules (continued) - Page 2 of 2

Description	Present Rate	Proposed Rate
Three - inch meters		
1 to 100,000 Gallons	N/A	$ 3.75
Over 100,000 Gallons	N/A	6.00
Four - inch meters		
1 to 150,000 Gallons	N/A	$ 3.75
Over 150,000 Gallons	N/A	6.00
Six - inch meters		
1 to 250,000 Gallons	N/A	$ 3.75
Over 250,000 Gallons	N/A	6.00
Bulk Water Sales - 3" Meter		
All Gallons	$ 4.00	$ 6.00

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	$ 30.00	$ 30.00	0.00%
Establishment (After Hours)	45.00	N/A	
Reconnection (Delinquent)	30.00	40.00	33.33%
Meter Test (If Correct)	45.00	45.00	0.00%
Deposit	*	*	
Deposit Interest	*	*	
Reestablishment (Within 12 Months)	**	**	
NSF Check	$ 20.00	$ 25.00	25.00%
Deferred Payment	1.50%	1.50%	0.00%
Meter Reread (If Correct)	$ 25.00	$ 30.00	20.00%
Late Payment Penalty	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	

SERVICE LINE AND METER INSTALLATION CHARGES

Refundable Pursuant to A.A.C. R14-2-405

Description	Present Rate	Proposed Rates: Service Line	Proposed Rates: Meter Charge	Proposed Rates: Total Charge	% change
5/8" x 3/4" Meter	$ 550.00	$ 445.00	$ 155.00	$ 600.00	9%
3/4" Meter	550.00	445.00	255.00	700.00	27%
1" Meter	650.00	495.00	315.00	810.00	25%
1-1/2" Meter	875.00	550.00	525.00	1,075.00	23%
2" Meter - Turbine	1,400.00	830.00	1,045.00	1,875.00	34%
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	
3" Meter - Turbine	1,900.00	1,045.00	1,670.00	2,715.00	43%
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	
4" Meter - Turbine	3,200.00	1,490.00	2,670.00	4,160.00	30%
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	
6" Meter - Turbine	5,800.00	2,210.00	5,025.00	7,235.00	25%
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	

* Per Commission Rule R14-2-403(B).
** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-3S
Title: Changes in Representative Rate Schedules - Page 1 of 1

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGES			
Monthly Minimum - Residential	$ 6.50	$ 9.00	38.46%
Monthly Minimum - Commercial	6.50	9.36	44.00%
COMMODITY CHARGES (Per 1,000 Gallons of Water usage)			
Residential - all gallons used	$ 0.85		
Residential - first 6,000 gallons of water use only		$ 0.85	
Commercial - all gallons used	$ 0.85	0.85	
SERVICE CHARGES			
Establishment	$ 10.00	$ 30.00	200.00%
Reconnection (Delinquent)	*	*	
Deposit - Residential	**	**	
Deposit - Commercial	***	***	
Deposit Interest	****	****	
NSF Check	$ 15.00	$ 25.00	66.67%
Deferred Payment	N/A	1.50%	
Late Payment Penalty	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	
Sewer Tap Charge	Cost	Cost	
(Non-refundable pursuant to A.A.C. R14-2-605)			

* Six times monthly minimum
** Two times estimated average monthly bill
*** Two and one half times estimated maximum monthly bill
**** Per Commission Rule

Supporting Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-4W
Title: Typical Bill Analysis

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

5/8" x 3/4" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 11.00	$ 16.00	45.45%
1,000	12.25	17.81	45.39%
2,000	13.50	19.62	45.33%
3,000	14.75	21.43	45.29%
4,000	17.00	25.18	48.12%
5,000	19.25	28.93	50.29%
6,000	21.50	32.68	52.00%
7,000	23.75	36.43	53.39%
8,000	26.00	40.18	54.54%
9,000	28.25	46.18	63.47%
10,000	30.50	52.18	71.08%
15,000	48.00	82.18	71.21%
20,000	65.50	112.18	71.27%
25,000	83.00	142.18	71.30%
50,000	170.50	292.18	71.37%
75,000	258.00	442.18	71.39%
100,000	345.50	592.18	71.40%
125,000	433.00	742.18	71.40%
150,000	520.50	892.18	71.41%
175,000	608.00	1,042.18	71.41%
200,000	695.50	1,192.18	71.41%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

3/4" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 14.50	$ 24.00	65.52%
1,000	15.75	27.75	76.19%
2,000	17.00	31.50	85.29%
3,000	18.25	35.25	93.15%
4,000	20.50	39.00	90.24%
5,000	22.75	42.75	87.91%
6,000	25.00	46.50	86.00%
7,000	27.25	50.25	84.40%
8,000	29.50	54.00	83.05%
9,000	31.75	60.00	88.98%
10,000	34.00	66.00	94.12%
15,000	51.50	96.00	86.41%
20,000	69.00	126.00	82.61%
25,000	86.50	156.00	80.35%
50,000	174.00	306.00	75.86%
75,000	261.50	456.00	74.38%
100,000	349.00	606.00	73.64%
125,000	436.50	756.00	73.20%
150,000	524.00	906.00	72.90%
175,000	611.50	1,056.00	72.69%
200,000	699.00	1,206.00	72.53%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

1" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 23.25	$ 40.00	72.04%
1,000	25.50	43.75	71.57%
2,000	27.75	47.50	71.17%
3,000	30.00	51.25	70.83%
4,000	32.25	55.00	70.54%
5,000	34.50	58.75	70.29%
6,000	36.75	62.50	70.07%
7,000	39.00	66.25	69.87%
8,000	41.25	70.00	69.70%
9,000	43.50	73.75	69.54%
10,000	45.75	77.50	69.40%
15,000	57.00	96.25	68.86%
20,000	68.25	115.00	68.50%
25,000	79.50	133.75	68.24%
50,000	159.50	272.50	70.85%
75,000	247.00	422.50	71.05%
100,000	334.50	572.50	71.15%
125,000	422.00	722.50	71.21%
150,000	509.50	872.50	71.25%
175,000	597.00	1,022.50	71.27%
200,000	684.50	1,172.50	71.29%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

1 1/2" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 44.00	$ 80.00	81.82%
1,000	46.25	83.75	81.08%
2,000	48.50	87.50	80.41%
3,000	50.75	91.25	79.80%
4,000	53.00	95.00	79.25%
5,000	55.25	98.75	78.73%
6,000	57.50	102.50	78.26%
7,000	59.75	106.25	77.82%
8,000	62.00	110.00	77.42%
9,000	64.25	113.75	77.04%
10,000	66.50	117.50	76.69%
15,000	77.75	136.25	75.24%
20,000	89.00	155.00	74.16%
25,000	100.25	173.75	73.32%
50,000	156.50	267.50	70.93%
75,000	234.00	417.50	78.42%
100,000	321.50	567.50	76.52%
125,000	409.00	717.50	75.43%
150,000	496.50	867.50	74.72%
175,000	584.00	1,017.50	74.23%
200,000	671.50	1,167.50	73.86%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

2 Inch Meter (Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 66.00	$ 128.00	93.94%
1,000	68.25	131.75	93.04%
2,000	70.50	135.50	92.20%
3,000	72.75	139.25	91.41%
4,000	75.00	143.00	90.67%
5,000	77.25	146.75	89.97%
6,000	79.50	150.50	89.31%
7,000	81.75	154.25	88.69%
8,000	84.00	158.00	88.10%
9,000	86.25	161.75	87.54%
10,000	88.50	165.50	87.01%
15,000	99.75	184.25	84.71%
20,000	111.00	203.00	82.88%
25,000	122.25	221.75	81.39%
50,000	178.50	315.50	76.75%
75,000	236.00	420.50	78.18%
100,000	323.50	570.50	76.35%
125,000	411.00	720.50	75.30%
150,000	498.50	870.50	74.62%
175,000	586.00	1,020.50	74.15%
200,000	673.50	1,170.50	73.79%

Supporting Schedules:

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Bulk Water Sales

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ -	$ -	0.00%
1,000	4.00	6.00	50.00%
2,000	8.00	12.00	50.00%
3,000	12.00	18.00	50.00%
4,000	16.00	24.00	50.00%
5,000	20.00	30.00	50.00%
6,000	24.00	36.00	50.00%
7,000	28.00	42.00	50.00%
8,000	32.00	48.00	50.00%
9,000	36.00	54.00	50.00%
10,000	40.00	60.00	50.00%
15,000	60.00	90.00	50.00%
20,000	80.00	120.00	50.00%
25,000	100.00	150.00	50.00%
50,000	200.00	300.00	50.00%
75,000	300.00	450.00	50.00%
100,000	400.00	600.00	50.00%
125,000	500.00	750.00	50.00%
150,000	600.00	900.00	50.00%
175,000	700.00	1,050.00	50.00%
200,000	800.00	1,200.00	50.00%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division | **Schedule H-4S**
Docket No. WS-01689A | **Title: Typical Bill Analysis**
Test Year Ended December 31, 2010 | **Page 1 of 2**

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Residential Sewer Service

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 6.50	$ 9.00	38.46%
1,000	7.35	9.00	22.45%
2,000	8.20	9.00	9.76%
3,000	9.05	9.00	-0.55%
4,000	9.90	9.00	-9.09%
5,000	10.75	9.00	-16.28%
6,000	11.60	9.00	-22.41%
7,000	12.45	9.85	-20.88%
8,000	13.30	10.70	-19.55%
9,000	14.15	11.55	-18.37%
10,000	15.00	12.40	-17.33%
15,000	19.25	16.65	-13.51%
20,000	23.50	20.90	-11.06%
25,000	27.75	25.15	-9.37%
50,000	49.00	46.40	-5.31%
75,000	70.25	67.65	-3.70%
100,000	91.50	88.90	-2.84%
125,000	112.75	110.15	-2.31%
150,000	134.00	131.40	-1.94%
175,000	155.25	152.65	-1.67%
200,000	176.50	173.90	-1.47%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division **Schedule H-4S**
Docket No. WS-01689A **Title: Typical Bill Analysis**
Test Year Ended December 31, 2010 **Page 2 of 2**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Commercial Sewer Service

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 6.50	$ 9.36	44.00%
1,000	7.35	10.21	38.91%
2,000	8.20	11.06	34.88%
3,000	9.05	11.91	31.60%
4,000	9.90	12.76	28.89%
5,000	10.75	13.61	26.60%
6,000	11.60	14.46	24.66%
7,000	12.45	15.31	22.97%
8,000	13.30	16.16	21.50%
9,000	14.15	17.01	20.21%
10,000	15.00	17.86	19.07%
15,000	19.25	22.11	14.86%
20,000	23.50	26.36	12.17%
25,000	27.75	30.61	10.31%
50,000	49.00	51.86	5.84%
75,000	70.25	73.11	4.07%
100,000	91.50	94.36	3.13%
125,000	112.75	115.61	2.54%
150,000	134.00	136.86	2.13%
175,000	155.25	158.11	1.84%
200,000	176.50	179.36	1.62%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	484	-	484	8.11%	-	0.00%
1,000	804	402,000	1,288	21.59%	402,000	1.30%
2,000	724	1,086,000	2,012	33.72%	1,488,000	4.82%
3,000	769	1,922,500	2,781	46.61%	3,410,500	11.04%
4,000	636	2,226,000	3,417	57.27%	5,636,500	18.24%
5,000	522	2,349,000	3,939	66.02%	7,985,500	25.85%
6,000	388	2,134,000	4,327	72.53%	10,119,500	32.75%
7,000	296	1,924,000	4,623	77.49%	12,043,500	38.98%
8,000	232	1,740,000	4,855	81.38%	13,783,500	44.61%
9,000	191	1,623,500	5,046	84.58%	15,407,000	49.87%
10,000	143	1,358,500	5,189	86.98%	16,765,500	54.27%
10,001 to 12,000	219	2,409,000	5,408	90.65%	19,174,500	62.06%
12,001 to 14,000	116	1,508,000	5,524	92.59%	20,682,500	66.94%
14,001 to 16,000	99	1,485,000	5,623	94.25%	22,167,500	71.75%
16,001 to 18,000	94	1,598,000	5,717	95.83%	23,765,500	76.92%
18,001 to 20,000	44	836,000	5,761	96.56%	24,601,500	79.63%
20,001 to 25,000	98	2,205,000	5,859	98.21%	26,806,500	86.77%
25,001 to 30,000	42	1,155,000	5,901	98.91%	27,961,500	90.50%
30,001 to 35,000	23	747,500	5,924	99.30%	28,709,000	92.92%
35,001 to 40,000	18	675,000	5,942	99.60%	29,384,000	95.11%
40,001 to 50,000	12	540,000	5,954	99.80%	29,924,000	96.86%
50,001 to 60,000	4	220,000	5,958	99.87%	30,144,000	97.57%
60,001 to 70,000	4	260,000	5,962	99.93%	30,404,000	98.41%
70,001 to 80,000	2	150,000	5,964	99.97%	30,554,000	98.89%
80,001 to 90,000		-	5,964	99.97%	30,554,000	98.89%
90,001 to 100,000		-	5,964	99.97%	30,554,000	98.89%
161,950	1	161,950	5,965	99.98%	30,715,950	99.42%
179,490	1	179,490	5,966	100.00%	30,895,440	100.00%
	5,966	30,895,440				

Average Number of Customers	497
Average Consumption	5,179
Median Consumption	3,318

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Residential (ADJUSTED)

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	484	-	484	8.11%	-	0.00%
1,000	804	402,000	1,288	21.59%	402,000	1.31%
2,000	724	1,086,000	2,012	33.72%	1,488,000	4.84%
3,000	769	1,922,500	2,781	46.61%	3,410,500	11.10%
4,000	636	2,226,000	3,417	57.27%	5,636,500	18.35%
5,000	522	2,349,000	3,939	66.02%	7,985,500	25.99%
6,000	388	2,134,000	4,327	72.53%	10,119,500	32.94%
7,000	296	1,924,000	4,623	77.49%	12,043,500	39.20%
8,000	233	1,747,500	4,856	81.39%	13,791,000	44.89%
9,000	191	1,623,500	5,047	84.60%	15,414,500	50.17%
10,000	143	1,358,500	5,190	86.99%	16,773,000	54.59%
10,001 to 12,000	219	2,409,000	5,409	90.66%	19,182,000	62.43%
12,001 to 14,000	116	1,508,000	5,525	92.61%	20,690,000	67.34%
14,001 to 16,000	99	1,485,000	5,624	94.27%	22,175,000	72.18%
16,001 to 18,000	94	1,598,000	5,718	95.84%	23,773,000	77.38%
18,001 to 20,000	44	836,000	5,762	96.58%	24,609,000	80.10%
20,001 to 25,000	98	2,205,000	5,860	98.22%	26,814,000	87.28%
25,001 to 30,000	42	1,155,000	5,902	98.93%	27,969,000	91.03%
30,001 to 35,000	23	747,500	5,925	99.31%	28,716,500	93.47%
35,001 to 40,000	18	675,000	5,943	99.61%	29,391,500	95.66%
40,001 to 50,000	12	540,000	5,955	99.82%	29,931,500	97.42%
50,001 to 60,000	4	220,000	5,959	99.88%	30,151,500	98.14%
60,001 to 70,000	4	260,000	5,963	99.95%	30,411,500	98.98%
70,001 to 80,000	2	150,000	5,965	99.98%	30,561,500	99.47%
80,001 to 90,000		-	5,965	99.98%	30,561,500	99.47%
90,001 to 100,000		-	5,965	99.98%	30,561,500	99.47%
161,950	1	161,950	5,966	100.00%	30,723,450	100.00%
	5,966	30,723,450				

Average Number of Customers	497
Average Consumption	5,150
Median Consumption	3,318

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	45	-	45	9.96%	-	0.00%
1,000	118	59,000	163	36.06%	59,000	2.56%
2,000	70	105,000	233	51.55%	164,000	7.12%
3,000	34	85,000	267	59.07%	249,000	10.82%
4,000	28	98,000	295	65.27%	347,000	15.07%
5,000	16	72,000	311	68.81%	419,000	18.20%
6,000	11	60,500	322	71.24%	479,500	20.83%
7,000	16	104,000	338	74.78%	583,500	25.35%
8,000	16	120,000	354	78.32%	703,500	30.56%
9,000	18	153,000	372	82.30%	856,500	37.21%
10,000	13	123,500	385	85.18%	980,000	42.57%
10,001 to 12,000	14	154,000	399	88.27%	1,134,000	49.26%
12,001 to 14,000	10	130,000	409	90.49%	1,264,000	54.91%
14,001 to 16,000	10	150,000	419	92.70%	1,414,000	61.42%
16,001 to 18,000	7	119,000	426	94.25%	1,533,000	66.59%
18,001 to 20,000	9	171,000	435	96.24%	1,704,000	74.02%
20,001 to 25,000	7	157,500	442	97.79%	1,861,500	80.86%
25,001 to 30,000	3	82,500	445	98.45%	1,944,000	84.45%
30,001 to 35,000	3	97,500	448	99.12%	2,041,500	88.68%
35,001 to 40,000	2	75,000	450	99.56%	2,116,500	91.94%
40,001 to 50,000	0	-	450	99.56%	2,116,500	91.94%
50,001 to 60,000	0	-	450	99.56%	2,116,500	91.94%
60,001 to 70,000	0	-	450	99.56%	2,116,500	91.94%
70,001 to 80,000	0	-	450	99.56%	2,116,500	91.94%
80,001 to 90,000	1	85,000	451	99.78%	2,201,500	95.63%
90,001 to 100,000		-	451	99.78%	2,201,500	95.63%
100,560	1	100,560	452	100.00%	2,302,060	100.00%
		-	452	100.00%	2,302,060	100.00%
	452	2,302,060				

Average Number of Customers	38
Average Consumption	5,093
Median Consumption	1,900

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3/4 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	1	-	1	2.78%	-	0.00%
1,000	3	1,500	4	11.11%	1,500	0.52%
2,000	4	6,000	8	22.22%	7,500	2.58%
3,000	9	22,500	17	47.22%	30,000	10.31%
4,000	5	17,500	22	61.11%	47,500	16.32%
5,000	2	9,000	24	66.67%	56,500	19.42%
6,000	1	5,500	25	69.44%	62,000	21.31%
7,000	1	6,500	26	72.22%	68,500	23.54%
8,000	1	7,500	27	75.00%	76,000	26.12%
9,000		-	27	75.00%	76,000	26.12%
10,000		-	27	75.00%	76,000	26.12%
10,001 to 12,000	1	11,000	28	77.78%	87,000	29.90%
12,001 to 14,000		-	28	77.78%	87,000	29.90%
14,001 to 16,000		-	28	77.78%	87,000	29.90%
16,001 to 18,000	2	34,000	30	83.33%	121,000	41.58%
18,001 to 20,000		-	30	83.33%	121,000	41.58%
20,001 to 25,000	2	45,000	32	88.89%	166,000	57.04%
25,001 to 30,000	2	55,000	34	94.44%	221,000	75.95%
30,001 to 35,000	1	32,500	35	97.22%	253,500	87.11%
35,001 to 40,000	1	37,500	36	100.00%	291,000	100.00%
40,001 to 50,000		-	36	100.00%	291,000	100.00%
50,001 to 60,000		-	36	100.00%	291,000	100.00%
60,001 to 70,000		-	36	100.00%	291,000	100.00%
70,001 to 80,000		-	36	100.00%	291,000	100.00%
80,001 to 90,000		-	36	100.00%	291,000	100.00%
90,001 to 100,000		-	36	100.00%	291,000	100.00%
	36	291,000				

Average Number of Customers	3
Average Consumption	8,083
Median Consumption	3,200

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3/4 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	-	-	-	0.00%	-	0.00%
1,000	9	4,500	9	37.50%	4,500	5.52%
2,000	2	3,000	11	45.83%	7,500	9.20%
3,000	2	5,000	13	54.17%	12,500	15.34%
4,000	3	10,500	16	66.67%	23,000	28.22%
5,000	-	-	16	66.67%	23,000	28.22%
6,000	2	11,000	18	75.00%	34,000	41.72%
7,000	3	19,500	21	87.50%	53,500	65.64%
8,000	2	15,000	23	95.83%	68,500	84.05%
9,000		-	23	95.83%	68,500	84.05%
10,000		-	23	95.83%	68,500	84.05%
10,001 to 12,000		-	23	95.83%	68,500	84.05%
12,001 to 14,000	1	13,000	24	100.00%	81,500	100.00%
14,001 to 16,000		-	24	100.00%	81,500	100.00%
16,001 to 18,000		-	24	100.00%	81,500	100.00%
18,001 to 20,000		-	24	100.00%	81,500	100.00%
20,001 to 25,000		-	24	100.00%	81,500	100.00%
25,001 to 30,000		-	24	100.00%	81,500	100.00%
30,001 to 35,000		-	24	100.00%	81,500	100.00%
35,001 to 40,000		-	24	100.00%	81,500	100.00%
40,001 to 50,000		-	24	100.00%	81,500	100.00%
50,001 to 60,000		-	24	100.00%	81,500	100.00%
60,001 to 70,000		-	24	100.00%	81,500	100.00%
70,001 to 80,000		-	24	100.00%	81,500	100.00%
80,001 to 90,000		-	24	100.00%	81,500	100.00%
90,001 to 100,000		-	24	100.00%	81,500	100.00%
	24	81,500				

Average Number of Customers	2
Average Consumption	3,396
Median Consumption	2,500

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	13	-	13	14.13%	-	0.00%
1,000	1	500	14	15.22%	500	0.10%
2,000	13	19,500	27	29.35%	20,000	3.83%
3,000	11	27,500	38	41.30%	47,500	9.10%
4,000	4	14,000	42	45.65%	61,500	11.78%
5,000	11	49,500	53	57.61%	111,000	21.26%
6,000	10	55,000	63	68.48%	166,000	31.80%
7,000	2	13,000	65	70.65%	179,000	34.29%
8,000	7	52,500	72	78.26%	231,500	44.35%
9,000	7	59,500	79	85.87%	291,000	55.75%
10,000	2	19,000	81	88.04%	310,000	59.39%
10,001 to 12,000	3	33,000	84	91.30%	343,000	65.71%
12,001 to 14,000		-	84	91.30%	343,000	65.71%
14,001 to 16,000	2	30,000	86	93.48%	373,000	71.46%
16,001 to 18,000	2	34,000	88	95.65%	407,000	77.97%
18,001 to 20,000		-	88	95.65%	407,000	77.97%
20,001 to 25,000	1	22,500	89	96.74%	429,500	82.28%
25,001 to 30,000	1	27,500	90	97.83%	457,000	87.55%
30,001 to 35,000	2	65,000	92	100.00%	522,000	100.00%
35,001 to 40,000		-	92	100.00%	522,000	100.00%
40,001 to 50,000		-	92	100.00%	522,000	100.00%
50,001 to 60,000		-	92	100.00%	522,000	100.00%
60,001 to 70,000		-	92	100.00%	522,000	100.00%
70,001 to 80,000		-	92	100.00%	522,000	100.00%
80,001 to 90,000		-	92	100.00%	522,000	100.00%
90,001 to 100,000		-	92	100.00%	522,000	100.00%
	92	522,000				

Average Number of Customers	8
Average Consumption	5,674
Median Consumption	4,364

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	11	-	11	14.29%	-	0.00%
1,000	17	8,500	28	36.36%	8,500	0.56%
2,000	3	4,500	31	40.26%	13,000	0.86%
3,000	1	2,500	32	41.56%	15,500	1.02%
4,000	3	10,500	35	45.45%	26,000	1.71%
5,000	1	4,500	36	46.75%	30,500	2.01%
6,000	2	11,000	38	49.35%	41,500	2.73%
7,000	3	19,500	41	53.25%	61,000	4.02%
8,000	2	15,000	43	55.84%	76,000	5.00%
9,000	1	8,500	44	57.14%	84,500	5.56%
10,000	1	9,500	45	58.44%	94,000	6.19%
10,001 to 12,000		-	45	58.44%	94,000	6.19%
12,001 to 14,000	3	39,000	48	62.34%	133,000	8.76%
14,001 to 16,000	2	30,000	50	64.94%	163,000	10.73%
16,001 to 18,000	4	68,000	54	70.13%	231,000	15.21%
18,001 to 20,000	1	19,000	55	71.43%	250,000	16.46%
20,001 to 25,000	3	67,500	58	75.32%	317,500	20.91%
25,001 to 30,000		-	58	75.32%	317,500	20.91%
30,001 to 35,000	4	130,000	62	80.52%	447,500	29.47%
35,001 to 40,000	2	75,000	64	83.12%	522,500	34.40%
40,001 to 50,000	4	180,000	68	88.31%	702,500	46.26%
50,001 to 60,000	2	110,000	70	90.91%	812,500	53.50%
60,001 to 70,000		-	70	90.91%	812,500	53.50%
70,001 to 80,000	2	150,000	72	93.51%	962,500	63.38%
80,001 to 90,000	1	85,000	73	94.81%	1,047,500	68.97%
90,001 to 100,000		-	73	94.81%	1,047,500	68.97%
105,340	1	105,340	74	96.10%	1,152,840	75.91%
115,790	1	115,790	75	97.40%	1,268,630	83.53%
115,850	1	115,850	76	98.70%	1,384,480	91.16%
134,230	1	134,230	77	100.00%	1,518,710	100.00%
	77	1,518,710				

Average Number of Customers	6
Average Consumption	19,724
Median Consumption	6,167

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 1/2 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000		-	-	0.00%	-	0.00%
3,000		-	-	0.00%	-	0.00%
4,000		-	-	0.00%	-	0.00%
5,000		-	-	0.00%	-	0.00%
6,000	2	11,000	2	5.88%	11,000	1.63%
7,000		-	2	5.88%	11,000	1.63%
8,000	2	15,000	4	11.76%	26,000	3.86%
9,000	2	17,000	6	17.65%	43,000	6.38%
10,000	3	28,500	9	26.47%	71,500	10.61%
10,001 to 12,000	5	55,000	14	41.18%	126,500	18.77%
12,001 to 14,000	1	13,000	15	44.12%	139,500	20.70%
14,001 to 16,000	3	45,000	18	52.94%	184,500	27.37%
16,001 to 18,000	2	34,000	20	58.82%	218,500	32.42%
18,001 to 20,000	2	38,000	22	64.71%	256,500	38.06%
20,001 to 25,000		-	22	64.71%	256,500	38.06%
25,001 to 30,000	4	110,000	26	76.47%	366,500	54.38%
30,001 to 35,000	3	97,500	29	85.29%	464,000	68.84%
35,001 to 40,000	2	75,000	31	91.18%	539,000	79.97%
40,001 to 50,000	3	135,000	34	100.00%	674,000	100.00%
50,001 to 60,000		-	34	100.00%	674,000	100.00%
60,001 to 70,000		-	34	100.00%	674,000	100.00%
70,001 to 80,000		-	34	100.00%	674,000	100.00%
80,001 to 90,000		-	34	100.00%	674,000	100.00%
90,001 to 100,000		-	34	100.00%	674,000	100.00%
	34	674,000				

Average Number of Customers	3
Average Consumption	19,824
Median Consumption	14,667

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 1/2 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	13	-	13	21.67%	-	0.00%
1,000	5	2,500	18	30.00%	2,500	0.36%
2,000	8	12,000	26	43.33%	14,500	2.08%
3,000	3	7,500	29	48.33%	22,000	3.16%
4,000	3	10,500	32	53.33%	32,500	4.67%
5,000	6	27,000	38	63.33%	59,500	8.55%
6,000	3	16,500	41	68.33%	76,000	10.93%
7,000	3	19,500	44	73.33%	95,500	13.73%
8,000	3	22,500	47	78.33%	118,000	16.96%
9,000	1	8,500	48	80.00%	126,500	18.19%
10,000	2	19,000	50	83.33%	145,500	20.92%
10,001 to 12,000	2	22,000	52	86.67%	167,500	24.08%
12,001 to 14,000		-	52	86.67%	167,500	24.08%
14,001 to 16,000	1	15,000	53	88.33%	182,500	26.24%
16,001 to 18,000		-	53	88.33%	182,500	26.24%
18,001 to 20,000		-	53	88.33%	182,500	26.24%
20,001 to 25,000	1	22,500	54	90.00%	205,000	29.47%
25,001 to 30,000	1	27,500	55	91.67%	232,500	33.42%
30,001 to 35,000	1	32,500	56	93.33%	265,000	38.10%
35,001 to 40,000		-	56	93.33%	265,000	38.10%
40,001 to 50,000	1	45,000	57	95.00%	310,000	44.57%
50,001 to 60,000		-	57	95.00%	310,000	44.57%
60,001 to 70,000	1	65,000	58	96.67%	375,000	53.91%
70,001 to 80,000		-	58	96.67%	375,000	53.91%
80,001 to 90,000	1	85,000	59	98.33%	460,000	66.13%
90,001 to 100,000		-	59	98.33%	460,000	66.13%
235,600	1	235,600	60	100.00%	695,600	100.00%
	60	695,600				

Average Number of Customers	5
Average Consumption	11,593
Median Consumption	3,333

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

2 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000		-	-	0.00%	-	0.00%
3,000		-	-	0.00%	-	0.00%
4,000		-	-	0.00%	-	0.00%
5,000		-	-	0.00%	-	0.00%
6,000		-	-	0.00%	-	0.00%
7,000	1	6,500	1	4.17%	6,500	0.47%
8,000	1	7,500	2	8.33%	14,000	1.01%
9,000	1	8,500	3	12.50%	22,500	1.62%
10,000	2	19,000	5	20.83%	41,500	2.98%
10,001 to 12,000	1	11,000	6	25.00%	52,500	3.77%
12,001 to 14,000		-	6	25.00%	52,500	3.77%
14,001 to 16,000	2	30,000	8	33.33%	82,500	5.93%
16,001 to 18,000	3	51,000	11	45.83%	133,500	9.59%
18,001 to 20,000		-	11	45.83%	133,500	9.59%
20,001 to 25,000	1	22,500	12	50.00%	156,000	11.21%
25,001 to 30,000		-	12	50.00%	156,000	11.21%
30,001 to 35,000		-	12	50.00%	156,000	11.21%
35,001 to 40,000		-	12	50.00%	156,000	11.21%
40,001 to 50,000		-	12	50.00%	156,000	11.21%
50,001 to 60,000	3	165,000	15	62.50%	321,000	23.06%
60,001 to 70,000	1	65,000	16	66.67%	386,000	27.73%
70,001 to 80,000		-	16	66.67%	386,000	27.73%
80,001 to 90,000	1	85,000	17	70.83%	471,000	33.83%
90,001 to 100,000	1	95,000	18	75.00%	566,000	40.66%
122,500	1	122,500	19	79.17%	688,500	49.45%
126,800	1	126,800	20	83.33%	815,300	58.56%
127,100	1	127,100	21	87.50%	942,400	67.69%
130,300	1	130,300	22	91.67%	1,072,700	77.05%
137,400	1	137,400	23	95.83%	1,210,100	86.92%
182,100	1	182,100	24	100.00%	1,392,200	100.00%
	24	1,392,200				

Average Number of Customers	2
Average Consumption	58,008
Median Consumption	50,000

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Standpipe Water Sales

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000	1	1,500	1	6.67%	1,500	0.42%
3,000	3	7,500	4	26.67%	9,000	2.49%
4,000		-	4	26.67%	9,000	2.49%
5,000	1	4,500	5	33.33%	13,500	3.74%
6,000		-	5	33.33%	13,500	3.74%
7,000		-	5	33.33%	13,500	3.74%
8,000		-	5	33.33%	13,500	3.74%
9,000	1	8,500	6	40.00%	22,000	6.09%
10,000		-	6	40.00%	22,000	6.09%
10,001 to 12,000	1	11,000	7	46.67%	33,000	9.14%
12,001 to 14,000	1	13,000	8	53.33%	46,000	12.74%
14,001 to 16,000	1	15,000	9	60.00%	61,000	16.90%
16,001 to 18,000		-	9	60.00%	61,000	16.90%
18,001 to 20,000		-	9	60.00%	61,000	16.90%
20,001 to 25,000	1	22,500	10	66.67%	83,500	23.13%
25,001 to 30,000		-	10	66.67%	83,500	23.13%
30,001 to 35,000		-	10	66.67%	83,500	23.13%
35,001 to 40,000	1	37,500	11	73.33%	121,000	33.52%
40,001 to 50,000	2	90,000	13	86.67%	211,000	58.45%
50,001 to 60,000	1	55,000	14	93.33%	266,000	73.68%
60,001 to 70,000		-	14	93.33%	266,000	73.68%
70,001 to 80,000		-	14	93.33%	266,000	73.68%
80,001 to 90,000		-	14	93.33%	266,000	73.68%
90,001 to 100,000	1	95,000	15	100.00%	361,000	100.00%
	15	361,000				

Average Number of Customers	1
Average Consumption	24,067
Median Consumption	12,500

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5S
Title: Bill Count

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	323	-	323	8.04%	-	0.00%
1,000	555	277,500	878	21.85%	277,500	1.45%
2,000	479	718,500	1,357	33.76%	996,000	5.20%
3,000	549	1,372,500	1,906	47.42%	2,368,500	12.37%
4,000	457	1,599,500	2,363	58.80%	3,968,000	20.73%
5,000	364	1,638,000	2,727	67.85%	5,606,000	29.29%
6,000	269	1,479,500	2,996	74.55%	7,085,500	37.01%
7,000	200	1,300,000	3,196	79.52%	8,385,500	43.81%
8,000	155	1,162,500	3,351	83.38%	9,548,000	49.88%
9,000	136	1,156,000	3,487	86.76%	10,704,000	55.92%
10,000	136	1,292,000	3,623	90.15%	11,996,000	62.67%
10,001 to 12,000	96	1,056,000	3,719	92.54%	13,052,000	68.18%
12,001 to 14,000	54	702,000	3,773	93.88%	13,754,000	71.85%
14,001 to 16,000	51	765,000	3,824	95.15%	14,519,000	75.85%
16,001 to 18,000	59	1,003,000	3,883	96.62%	15,522,000	81.09%
18,001 to 20,000	39	741,000	3,922	97.59%	16,263,000	84.96%
20,001 to 25,000	45	1,012,500	3,967	98.71%	17,275,500	90.25%
25,001 to 30,000	22	605,000	3,989	99.25%	17,880,500	93.41%
30,001 to 35,000	16	520,000	4,005	99.65%	18,400,500	96.12%
35,001 to 40,000	7	262,500	4,012	99.83%	18,663,000	97.50%
40,001 to 50,000	4	180,000	4,016	99.93%	18,843,000	98.44%
50,001 to 60,000	1	55,000	4,017	99.95%	18,898,000	98.72%
60,001 to 70,000	1	65,000	4,018	99.98%	18,963,000	99.06%
70,001 to 80,000	-	-	4,018	99.98%	18,963,000	99.06%
80,001 to 90,000	-	-	4,018	99.98%	18,963,000	99.06%
90,001 to 100,000	-	-	4,018	99.98%	18,963,000	99.06%
179,490	1	179,490	4,019	100.00%	19,142,490	100.00%
	4,019	19,142,490				

Average Number of Customers	335
Average Consumption	4,763
Median Consumption	3,226

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5S
Title: Bill Count

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Residential (ADJUSTED)

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	323	-	323	8.04%	-	0.00%
1,000	555	277,500	878	21.85%	277,500	1.46%
2,000	479	718,500	1,357	33.76%	996,000	5.25%
3,000	549	1,372,500	1,906	47.42%	2,368,500	12.49%
4,000	457	1,599,500	2,363	58.80%	3,968,000	20.92%
5,000	364	1,638,000	2,727	67.85%	5,606,000	29.55%
6,000	269	1,479,500	2,996	74.55%	7,085,500	37.35%
7,000	200	1,300,000	3,196	79.52%	8,385,500	44.20%
8,000	156	1,170,000	3,352	83.40%	9,555,500	50.37%
9,000	136	1,156,000	3,488	86.79%	10,711,500	56.46%
10,000	136	1,292,000	3,624	90.17%	12,003,500	63.27%
10,001 to 12,000	96	1,056,000	3,720	92.56%	13,059,500	68.84%
12,001 to 14,000	54	702,000	3,774	93.90%	13,761,500	72.54%
14,001 to 16,000	51	765,000	3,825	95.17%	14,526,500	76.57%
16,001 to 18,000	59	1,003,000	3,884	96.64%	15,529,500	81.86%
18,001 to 20,000	39	741,000	3,923	97.61%	16,270,500	85.77%
20,001 to 25,000	45	1,012,500	3,968	98.73%	17,283,000	91.10%
25,001 to 30,000	22	605,000	3,990	99.28%	17,888,000	94.29%
30,001 to 35,000	16	520,000	4,006	99.68%	18,408,000	97.03%
35,001 to 40,000	7	262,500	4,013	99.85%	18,670,500	98.42%
40,001 to 50,000	4	180,000	4,017	99.95%	18,850,500	99.37%
50,001 to 60,000	1	55,000	4,018	99.98%	18,905,500	99.66%
60,001 to 70,000	1	65,000	4,019	100.00%	18,970,500	100.00%
70,001 to 80,000	-	-	4,019	100.00%	18,970,500	100.00%
80,001 to 90,000	-	-	4,019	100.00%	18,970,500	100.00%
90,001 to 100,000	-	-	4,019	100.00%	18,970,500	100.00%
	4,019	18,970,500				

Average Number of Customers	335
Average Consumption	4,720
Median Consumption	3,226

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A
Test Year Ended December 31, 2010

Schedule H-5S
Title: Bill Count

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	28	-	28	7.25%	-	0.00%
1,000	75	37,500	103	26.68%	37,500	1.18%
2,000	50	75,000	153	39.64%	112,500	3.53%
3,000	29	72,500	182	47.15%	185,000	5.81%
4,000	30	105,000	212	54.92%	290,000	9.11%
5,000	12	54,000	224	58.03%	344,000	10.81%
6,000	12	66,000	236	61.14%	410,000	12.88%
7,000	26	169,000	262	67.88%	579,000	18.19%
8,000	18	135,000	280	72.54%	714,000	22.43%
9,000	14	119,000	294	76.17%	833,000	26.17%
10,000	13	123,500	307	79.53%	956,500	30.05%
10,001 to 12,000	12	132,000	319	82.64%	1,088,500	34.20%
12,001 to 14,000	11	143,000	330	85.49%	1,231,500	38.69%
14,001 to 16,000	11	165,000	341	88.34%	1,396,500	43.87%
16,001 to 18,000	7	119,000	348	90.16%	1,515,500	47.61%
18,001 to 20,000	6	114,000	354	91.71%	1,629,500	51.19%
20,001 to 25,000	9	202,500	363	94.04%	1,832,000	57.56%
25,001 to 30,000	1	27,500	364	94.30%	1,859,500	58.42%
30,001 to 35,000	4	130,000	368	95.34%	1,989,500	62.51%
35,001 to 40,000	5	187,500	373	96.63%	2,177,000	68.40%
40,001 to 50,000	4	180,000	377	97.67%	2,357,000	74.05%
50,001 to 60,000	1	55,000	378	97.93%	2,412,000	75.78%
60,001 to 70,000	1	65,000	379	98.19%	2,477,000	77.82%
70,001 to 80,000	2	150,000	381	98.70%	2,627,000	82.53%
80,001 to 90,000	1	85,000	382	98.96%	2,712,000	85.20%
90,001 to 100,000	-	-	382	98.96%	2,712,000	85.20%
105,340	1	105,340	383	99.22%	2,817,340	88.51%
115,580	1	115,580	384	99.48%	2,932,920	92.14%
115,790	1	115,790	385	99.74%	3,048,710	95.78%
134,230	1	134,230	386	100.00%	3,182,940	100.00%
	386	3,182,940				

Average Number of Customers	32
Average Consumption	8,246
Median Consumption	3,367

Supporting Schedules:

Recap Schedules:

EXHIBIT 3

WATER USE DATA SHEET

NAME OF COMPANY	Clear Springs Utility Co., Inc - Water Division
ADEQ Public Water System Number:	02-008

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January	480	1,984	3,919
2. February	484	2,172	4,395
3. March	484	1,954	3,527
4. April	491	2,891	4,049
5. May	493	3,266	4,741
6. June	496	4,944	7,761
7. July	497	4,171	6,632
8. August	501	3,047	6,151
9. September	503	3,211	5,835
10. October	512	2,981	5,969
11. November	519	2,611	4,923
12. December	527	2,174	4,085
TOTAL	N/A	35,406	* 61,987

Is the water utility located in an ADWR Active Management Area ("AMA")?

[ ] YES [X] NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

[ ] YES [X] NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

* *Gallons pumped cannot equal or be less than the gallons sold.*

WATER USE DATA SHEET

NAME OF COMPANY	Clear Springs Utility Co., Inc - Water Division
ADEQ Public Water System Number:	02-048

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January	5	12	17
2. February	5	17	23
3. March	5	16	22
4. April	5	26	30
5. May	5	37	40
6. June	6	90	89
7. July	6	63	68
8. August	6	44	50
9. September	6	37	39
10. October	6	39	43
11. November	6	31	34
12. December	6	21	25
TOTAL	N/A	433	* 480

Is the water utility located in an ADWR Active Management Area ("AMA")?

[ ] YES [X] NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

[ ] YES [X] NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** Gallons pumped cannot equal or be less than the gallons sold.*

WATER USE DATA SHEET

NAME OF COMPANY	Clear Springs Utility Co., Inc - Water Division
ADEQ Public Water System Number:	02-049

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January	17	56	45
2. February	17	63	61
3. March	17	53	56
4. April	19	110	108
5. May	19	151	149
6. June	19	237	232
7. July	19	209	210
8. August	19	140	147
9. September	19	153	143
10. October	19	120	117
11. November	19	78	79
12. December	19	70	80
TOTAL	N/A	1,440	* 1,427

Is the water utility located in an ADWR Active Management Area ("AMA")?

[ ] YES [X] NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

[ ] YES [X] NO

If Yes, please provide the GPCD amount: N/A

***Note:** If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

** Gallons pumped cannot equal or be less than the gallons sold.*

WATER USE DATA SHEET

NAME OF COMPANY	Clear Springs Utility Co., Inc - Water Division
ADEQ Public Water System Number:	02-050

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January	7	18	18
2. February	7	17	18
3. March	7	16	17
4. April	7	25	25
5. May	7	26	27
6. June	7	52	51
7. July	7	38	38
8. August	7	34	35
9. September	7	38	36
10. October	7	16	15
11. November	7	13	16
12. December	7	13	13
TOTAL	N/A	306	* 309

Is the water utility located in an ADWR Active Management Area ("AMA")?

[ ] YES [X] NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

[ ] YES [X] NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** Gallons pumped cannot equal or be less than the gallons sold.*

WATER USE DATA SHEET

NAME OF COMPANY	Clear Springs Utility Co., Inc - Water Division
ADEQ Public Water System Number:	02-051

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January	10	64	65
2. February	10	51	57
3. March	10	39	42
4. April	10	73	78
5. May	10	90	96
6. June	10	182	188
7. July	10	111	113
8. August	10	53	65
9. September	10	91	94
10. October	10	88	92
11. November	10	71	76
12. December	10	49	54
TOTAL	N/A	962	* 1,020

Is the water utility located in an ADWR Active Management Area ("AMA")?

[ ] YES [X] NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

[ ] YES [X] NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

• Gallons pumped cannot equal or be less than the gallons sold.

Company Name: Clear Springs Utility Company, Inc. - Sewer Division

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
January 2010	369	1,164,920	181,900
February 2010	368	1,071,960	178,632
March 2010	368	1,404,380	169,264
April 2010	369	1,221,616	136,820
May 2010	368	1,310,796	174,028
June 2010	366	2,081,716	199,508
July 2010	367	1,948,204	214,620
August 2010	363	2,131,340	411,486
September 2010	362	2,065,864	300,164
October 2010	369	1,288,380	332,412
November 2010	368	1,028,000	223,456
December 2010	372	863,236	186,848

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Evaporation Ponds
Wastewater Inventory Number (All wastewater systems are assigned an inventory number)	113509
Groundwater Permit Number	100824
ADEQ Aquifer Protection Permit Number	P100824
ADEQ Reuse Permit Number	
EPA NPDES Permit Number	

STATISTICAL INFORMATION

Total number of customers 372

Total number of gallons treated 17,580,412 gallons

EXHIBIT 4

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Town System - ADEQ PWS #02-008

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603877	30	180	800	16	4	1964
55-502128	120	300	700	16	6	1982

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS	
Horsepower	Quantity
20.0	2

FIRE HYDRANTS	
Quantity Standard	Quantity Other
73	

STORAGE TANKS	
Capacity	Quantity
100,000 gal	1

PRESSURE TANKS	
Capacity	Quantity
5,000 gal	2
3,000 gal	1

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Town System - ADEQ PWS #02-008

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2	Galvanized	200
3	PVC	360
4	PVC	3,339
5		
6	PVC	3,040
8	PVC	180
10	AC	6,985
12	AC	200
2	PVC	1,036
3	AC	10,698
4	AC	3,020
6	AC	29,495
8	AC	5,650

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	540
3/4	5
1	17
1 1/2	7
2	3
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

Two chlorinators

STRUCTURES:

1313 Treasure Road building

OTHER:

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #3 - ADEQ PWS #02-048

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603879	5	25	442	6	2	1966

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS	
Horsepower	Quantity

FIRE HYDRANTS	
Quantity Standard	Quantity Other

STORAGE TANKS	
Capacity	Quantity

PRESSURE TANKS	
Capacity	Quantity
85 gal	1

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #3 - ADEQ PWS #02-048

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	1,500
5		
6		
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	6
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #6 - ADEQ PWS #02-049

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-588414	7.5	40	505	8	2	2001

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS	
Horsepower	Quantity
5.0	1

FIRE HYDRANTS	
Quantity Standard	Quantity Other

STORAGE TANKS	
Capacity	Quantity
12,500 gal	1

PRESSURE TANKS	
Capacity	Quantity
1,200 gal	1

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #6 - ADEQ PWS #02-049

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	240
5		
6	AC	4,700
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	19
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

Chlorinator

STRUCTURES:

OTHER:

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #7 - ADEQ PWS #02-050

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603880	3	18	560	6	2	1969

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS	
Horsepower	Quantity
3.0	1

FIRE HYDRANTS	
Quantity Standard	Quantity Other

STORAGE TANKS	
Capacity	Quantity
1,000 gal	1

PRESSURE TANKS	
Capacity	Quantity
85 gal bladder tank	1

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #7 - ADEQ PWS #02-050

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	AC	1,800
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	9
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #9 - ADEQ PWS #02-051

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-603882	5	25	675	8/6	2	1970

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS	
Horsepower	Quantity
5.0	1

FIRE HYDRANTS	
Quantity Standard	Quantity Other

STORAGE TANKS	
Capacity	Quantity
12,500 gal	1

PRESSURE TANKS	
Capacity	Quantity
1,000 gal	1

Company Name: Clear Springs Utility Co., Inc. - Water Division	Test Year Ended: 31-Dec-10

System: Well #9 - ADEQ PWS #02-051

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	AC	4,200
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	10
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

Company Name: Clear Springs Utility Company, Inc. - Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Aerobic Lagoon Anaerobic Lagoon
DESIGN CAPACITY OF PLANT (Gallons Per Day)	300,000 GPD

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
SW corner Ford/Allen	2	7.5	500	2000
Back-up pump 220V 3 phase	1	5	200	
Stand by 110 Volt pump	1	5	160	

FORCE MAINS

Size	Material	Length (Feet)
4-inch		
6-inch		
8-inch	AC	1200

MANHOLES

Type	Quantity
Standard	160
Drop	

CLEANOUTS

Quantity
11

Company Name: Clear Springs Utility Company, Inc. - Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION - CONTINUED

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4		
6	AC	1,225
8	AC	24,200
10		
12	AC	3,000
15		
18		
21		
6	PVC	3,730
8	Clay	56,000

SERVICES

Size (in inches)	Material	Quantity
4	AC	386
6		
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE ITILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
STRUCTURES (Buildings, Fences, Etc.)	Fences around sewer ponds
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	Stand-by generator pump for backup power

EXHIBIT 5

TRANSMISSION VERIFICATION REPORT

TIME : 09/22/2011 11:53
NAME : DESERT MTN ANALYTICL
FAX : 4809615484
TEL : 4809615484
SER.# : H9J441619

DATE,TIME	09/22 11:52
FAX NO./NAME	6027714505
DURATION	00:00:58
PAGE(S)	04
RESULT	OK
MODE	STANDARD ECM

CSU - Water
ADEQ Compliance Status reports
faxed to ADEQ

ARIZONA CORPORATION COMMISSION STATUS REPORT

TO:
Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
1110 West Washington Street
Phoenix, AZ 85007
Phone: 602-771-4624
Fax: 602-771-4505

FROM:

Water Company:	*Clear Springs Utility Company Inc. - Water Division*
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172
Fax:	520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the company at the address listed above within 30 days.

Compliance Status Report

PWS Name: Clear Springs Utility Company Inc. - Water Division

PWS ID# 02-048

Compliance Status: [ ] No Major Definitions [ ] Major Deficiencies

Comments:

Date of last inspection / sanitary survey:

Major Operation and Maintenance Deficiencies cited during inspection

[ ] None
[ ] unable to maintain 20 psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction

Administrative Orders:

Is ADEQ administrative order in effect? [ ] Yes [ ] No

Is US EPA administrative order in effect? [ ] Yes [ ] No

Comments:

System Information:

Number of Points of Entry _____ Population Served _____ Connections Served _____

Initial Monitoring Year _____ MAP Year _____

DWCE Evaluation completed by: _____

Phone: _____ **Date:** _____

Based on data submitted by the water system. ADEQ has determined that this system is currently delivering water that (meets/does not meet) water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for the system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

ARIZONA CORPORATION COMMISSION STATUS REPORT

TO:
Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
1110 West Washington Street
Phoenix, AZ 85007
Phone: 602-771-4624
Fax: 602-771-4505

FROM:

Water Company:	Clear Springs Utility Company Inc. - Water Division
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172
Fax:	520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the company at the address listed above within 30 days.

Compliance Status Report

PWS Name: Clear Springs Utility Company Inc. - Water Division

PWS ID# 02-049

Compliance Status: [ ] No Major Definitions [ ] Major Deficiencies

Comments:

Date of last inspection / sanitary survey:

Major Operation and Maintenance Deficiencies cited during inspection

[ ] None
[ ] unable to maintain 20 psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction

Administrative Orders:

Is ADEQ administrative order in effect? [ ] Yes [ ] No

Is US EPA administrative order in effect? [ ] Yes [ ] No

Comments:

System Information:

Number of Points of Entry _____ Population Served _____ Connections Served _____

Initial Monitoring Year _____ MAP Year _____

DWCE Evaluation completed by: _____

Phone: _____ **Date:** _____

Based on data submitted by the water system, ADEQ has determined that this system is currently delivering water that (meets/does not meet) water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for the system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

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Arizona Department of Environmental Quality
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1110 West Washington Street
Phoenix, AZ 85007
Phone: 602-771-4624
Fax: 602-771-4505

FROM:

Water Company:	Clear Springs Utility Company Inc. - Water Division
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172
Fax:	520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the company at the address listed above within 30 days.

Compliance Status Report

PWS Name: Clear Springs Utility Company Inc. - Water Division

PWS ID# 02-050

Compliance Status: [ ] No Major Definitions [ ] Major Deficiencies

Comments:

Date of last inspection / sanitary survey:

Major Operation and Maintenance Deficiencies cited during inspection

[ ] None
[ ] unable to maintain 20 psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction

Administrative Orders:

Is ADEQ administrative order in effect? [ ] Yes [ ] No

Is US EPA administrative order in effect? [ ] Yes [ ] No

Comments:

System Information:

Number of Points of Entry _____ Population Served _____ Connections Served _____

Initial Monitoring Year _____ MAP Year _____

DWCE Evaluation completed by: _____

Phone: _____ **Date:** _____

Based on data submitted by the water system, ADEQ has determined that this system is currently delivering water that (meets/does not meet) water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for the system in the *future. This compliance status report does not reflect the status of any other water system owned by this* utility company.

ARIZONA CORPORATION COMMISSION STATUS REPORT

TO:
Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
1110 West Washington Street
Phoenix, AZ 85007
Phone: 602-771-4624
Fax: 602-771-4505

FROM:

Water Company:	Clear Springs Utility Company Inc. - Water Division
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172
Fax:	520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the company at the address listed above within 30 days.

Compliance Status Report

PWS Name: Clear Springs Utility Company Inc. - Water Division

PWS ID# 02-051

Compliance Status: [ ] No Major Definitions [ ] Major Deficiencies

Comments:

Date of last inspection / sanitary survey:

Major Operation and Maintenance Deficiencies cited during inspection

[ ] None
[ ] unable to maintain 20 psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction

Administrative Orders:

Is ADEQ administrative order in effect? [ ] Yes [ ] No

Is US EPA administrative order in effect? [ ] Yes [ ] No

Comments:

System Information:

Number of Points of Entry _____ Population Served _____ Connections Served _____

Initial Monitoring Year _____ MAP Year _____

DWCE Evaluation completed by: _____

Phone: _____ **Date:** _____

Based on data submitted by the water system, ADEQ has determined that this system is currently delivering water that (meets/does not meet) water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for the system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

TRANSMISSION VERIFICATION REPORT

TIME : 09/23/2011 11:08
NAME : DESERT MTN ANALYTICL
FAX : 4809615484
TEL : 4809615484
SER.# : H9J441619

DATE,TIME	09/23 11:08
FAX NO./NAME	6027714505
DURATION	00:00:17
PAGE(S)	01
RESULT	OK
MODE	STANDARD ECM

CSU - Water
ADEQ Compliance Status Reports
faxed to ADEQ
Part II

ARIZONA CORPORATION COMMISSION STATUS REPORT

TO:
Arizona Department of Environmental Quality
Drinking Water Compliance Enforcement Unit
1110 West Washington Street
Phoenix, AZ 85007
Phone: 602-771-4624
Fax: 602-771-4505

FROM:

Water Company:	Clear Springs Utility Company Inc. - Water Division
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172
Fax:	520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the company at the address listed above within 30 days.

Compliance Status Report

PWS Name: Clear Springs Utility Company Inc. - Water Division

PWS ID# 02-008

Compliance Status: [ ] No Major Definitions [ ] Major Deficiencies

Comments:

Date of last inspection / sanitary survey:

Major Operation and Maintenance Deficiencies cited during inspection

[ ] None
[ ] unable to maintain 20 psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval of construction

Administrative Orders:

Is ADEQ administrative order in effect? [ ] Yes [ ] No

Is US EPA administrative order in effect? [ ] Yes [ ] No

Comments:

System Information:

Number of Points of Entry _____ Population Served _____ Connections Served _____

Initial Monitoring Year _____ MAP Year _____

DWCE Evaluation completed by: _____

Phone: _____ **Date:** _____

Based on data submitted by the water system, ADEQ has determined that this system is currently delivering water that (meets/does not meet) water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for the system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

TRANSMISSION VERIFICATION REPORT

TIME : 09/23/2011 11:32
NAME : DESERT MTN ANALYTICL
FAX : 4809615484
TEL : 4809615484
SER.# : H9J441619

DATE,TIME	09/23 11:32
FAX NO./NAME	6027714505
DURATION	00:00:19
PAGE(S)	01
RESULT	OK
MODE	STANDARD ECM

CSV - Sewer

Faxed to ADEQ

ARIZONA CORPORATION COMMISSION STATUS REQUEST

TO: **DATE:** 9/23/2011

Arizona Department of Environmental Quality
Don Shroyer, Wastewater Data Section
Phone: 602-771-4513
Fax: 602-771-4505

FROM:

Wastewater Company:	Clear Springs Utility Company Inc. - Sewer Division
ADEQ System/Inventory Number:	113509
Mailing Address:	PO Box 85160
City, State, Zip Code:	Tucson, AZ 85745
Phone Number:	520.623.5172 Fax: 520.792.0377

Please return completed request to ACC Utilities Engineering (FAX 602-542-2129) and to the Company at the address listed above within 30 days.

Please check current compliance status of this wastewater company:

_____ **Total**

_____ **Substantial**

_____ **Non**

1 Does system have a certified operator? Yes _____ No _____

2 Does system have any physical/plant deficiencies? Yes _____ No _____
If yes, please detail below (use additional sheets if necessary).

3 Does system have any O & M deficiencies? Yes _____ No _____
If yes, please detail below (use additional sheets if necessary).

4 Does system have any NPDES monitoring deficiencies? Yes _____ No _____
If yes, please detail below (use additional sheets if necessary).

5 Is ADEQ compliance and/or enforcement action pending? Yes _____ No _____

_____ _____
Name of ADEQ contact person Phone number

EXHIBIT 6

CLEAR SPRINGS UTILITY CO., INC.
WATER DIVISION
P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172

WELLS FARGO BANK, N.A.
TUCSON, AZ 85712
91-527/1211

3224

10/20/2010

PAY TO THE ORDER OF State of Arizona $ **298.83

Two Hundred Ninety-Eight and 83/100********** DOLLARS

AZ Dept of Environmental Quailty
PO Box 18228
Phoenix AZ 85005-8228

VOID AFTER 90 DAYS

MEMO

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

⑈003224⑈ ⑆[redacted]⑆[redacted]⑈

↓ **This entire bottom portion must be returned to ADEQ.** ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 67367

LEWIS, E H PO BOX 85160 TUCSON AZ 85754	Clear Springs well #4 02049 - Lewis, E H	Owner Id #: 15709 **MAP** Billing for Calendar Year: 2011 Due Date: 11/19/2010

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)		$ 250.00
Fee per Connection in 2011	19 connections X $ 2.57	$ 48.83
Total Sampling Fee		$ 298.83
Plus Paid Interest Charges and/or Other Adjustments		$ 0.00
Plus Unpaid Interest Charges as of 10/05/2010		$ 0.00
Minus Payments Received and/or Other Adjustments		$ 0.00
Amount Due		$ 298.83
Amount received by ADEQ (Make check payable to State of Arizona)		$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to State of Arizona
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

C53 10/05/2010 WM300Go

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

CLEAR SPRINGS UTILITY CO., INC.
WATER DIVISION
P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172

WELLS FARGO BANK, N.A.
TUCSON, AZ 85712
91-527/1211

3226

10/20/2010

PAY TO THE ORDER OF State of Arizona $ **1,727.75

One Thousand Seven Hundred Twenty-Seven and 75/100********** DOLLARS

AZ Dept of Environmental Quailty
PO Box 18228
Phoenix AZ 85005-8228

VOID AFTER 90 DAYS

MEMO

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

⑈003226⑈ ⑆[redacted]⑆[redacted]⑈

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 67366

LEWIS, E H PO BOX 85160	Clear Springs - Town	Owner Id #: 15709 **MAP**
		Billing for Calendar Year: 2011
TUCSON AZ 85754	02008 - Lewis, E H	Due Date: **11/19/2010**

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)		$ 250.00
Fee per Connection in 2011	575 connections X $ 2.57	$ 1,477.75
Total Sampling Fee		$ 1,727.75
Plus Paid Interest Charges and/or Other Adjustments		$ 0.00
Plus Unpaid Interest Charges as of 10/05/2010		$ 0.00
Minus Payments Received and/or Other Adjustments		$ 0.00
Amount Due		$ 1,727.75
Amount received by ADEQ (Make check payable to State of Arizona)		$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:	
Received:	
Postmarked:	
Entered:	CS3 10/05/2010 WM300Go

EXHIBIT 7

Clear Springs Utility Company, Inc. - Water Division
Company Proposed Surcharge Calculation

Line		New WIFA Loan	Prior WIFA Loan #1	Prior WIFA Loan #2	Total
1	Annual Interest and Fees	$ 26,474	$ 3,768	$ 2,477	$ 32,719
2	Annual Principal	14,846	3,531	1,425	19,802
3	Annual Debt Reserve	8,264		780	9,044
4	Total Annual Payments	$ 49,584	$ 7,299	$ 4,682	$ 61,566
5	Gross Revenue Conversion Factor				1.3100
6				**Annual Surcharge Amount Necessary**	**$ 80,651**
7	**Surcharge Calculation per Customer:**				
8	Number of 5/8 x 3/4-inch Customers		540		
9	Months in Year		12		
10	Annual Bills			6,480	
11	Number of 3/4-inch Customers	5			
12	Months in Year	12			
13	Annual Bills		60		
14	Meter Multiplier		1.5		
15	Annual Equivalent Bills			90	
16	Number of 1-inch Customers	15			
17	Months in Year	12			
18	Annual Bills		180		
19	Meter Multiplier		2.5		
20	Annual Equivalent Bills			450	
21	Number of 1.5-inch Customers	8			
22	Months in Year	12			
23	Annual Bills		96		
24	Meter Multiplier		5		
25	Annual Equivalent Bills			480	
26	Number of 2-inch Customers	2			
27	Months in Year	12			
28	Annual Bills		24		
29	Meter Multiplier		8		
30	Annual Equivalent Bills			192	
31				**Total Annual Equivalent Bills**	**7,692**
32				**5/8 x 3/4-inch Surcharge Amount per Month [1]**	**$ 10.49**
33				**3/4-inch Surcharge Amount per Month [2]**	**15.73**
34				**1-inch Surcharge Amount per Month [3]**	**26.21**
35				**1.5-inch Surcharge Amount per Month [4]**	**52.43**
36				**2-inch Surcharge Amount per Month [5]**	**83.88**

	Revenue Check:	Surcharge	Annual Bills	Total
38	5/8 x 3/4-inch meters	$ 10.49	6,480	$ 67,943
39	3/4-inch meters	15.73	60	944
40	1-inch meters	26.21	180	4,718
41	1.5-inch meters	52.43	96	5,033
42	2-inch meters	83.88	24	2,013
43	Totals		6,840	$ 80,651

44 [1] $80,651 divided by 7,692 annual equivalent bills.
45 [2] $10.49 times AWWA Meter Multiplier of 1.5.
46 [3] $10.49 times AWWA Meter Multiplier of 2.5.
47 [4] $10.49 times AWWS Meter Multiplier of 5.
48 [5] $10.49 times AWWS Meter Multiplier of 8.

ORIGINAL NEW APPLICATION

Steve Wene, State Bar No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: 602-604-2141
e-mail: swene@law-msh.com

RECEIVED
2011 NOV -3 P 1:52
AZ CORP COMMISSION
DOCKET CONTROL

EXHIBIT A-2 ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
NOV - 3 2011
DOCKETED BY

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	Docket No. W-01689A -11- Docket No. **W-01689A-11-0401** **FINANCE APPLICATION**

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F) Clear Springs Utility Company, Inc. ("Company" or "Applicant"), hereby files its application for authority to incur debt to finance water system improvements.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. The Company holds a Certificate of Convenience and Necessity ("CC&N") in the area of Pearce, Cochise County, Arizona.

The Company is applying to the Water Infrastructure Finance Authority ("WIFA") for a loan to drill a new well, improve the existing well, and make related improvements. The Company applied for the WIFA 2012 Drinking Water Revolving Fund Priority List for a loan in the approximate amount of $511,000. *See* Attachment 1. Accordingly, the Company is seeking authority from the Commission to finance an amount up to $511,000 for the improvements identified in Attachment 2 (Opinion of Probable Cost).

INFORMATION REQUESTED ON APPLICATION FORM

1. Applicant's Name and Address.

Clear Springs Utility Company, Inc.
Attn: Bonnie O'Connor
Southwestern Utility Management
P.O. Box 85160
Tucson, Arizona 85754
Telephone: 520-623-5172 ext. 7
Facsimile: 520-792-0377

2. Person Authorized to Receive Communications.

Steve Wene
Moyes Sellers & Hendricks Ltd.
1850 North Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: (602) 604-2189
Facsimile: (602) 274-9135

3. Financing Description.

If the Commission authorizes the proposed debt, the Company will request that WIFA lend the Company $511,000. Although the Company is on the loan priority list, WIFA does not offer finance terms until the Commission authorizes water providers like the Company to incur debt. The Company understands that the Commission and WIFA have a standard working arrangement to accommodate WIFA's loan practices. The Commission staff may want to contact the following WIFA staff person:

Angie Valenzuela
Senior Loan Officer
Water Infrastructure Finance Authority
1110 W. Washington Street, Suite 290
Phoenix, Arizona 85007

4. Proceeds Statement.

Gross proceeds will be $511,000. WIFA has a combined interest and fee rate structure, so there are no issuance expenses. This means that the Company will net $511,000 from the proposed loan.

5. Plant to be Acquired Using Net Proceeds.

The plant to be acquired includes a new well and related pumping and electrical equipment.

6. Consistency with A.R.S. § 40-301 *et seq.*

The proposed financing is: (a) within the Company's corporate powers, (b) compatible with the public interest; (c) compatible with sound financial practices; and (d) compatible with the proper performance by the applicant of service as a public service corporation and will not impair the Company's ability to perform that service.

7. Service Fees.

Under WIFA's combined interest and fee rate structure, the Company anticipates paying a fixed interest rate of prime plus 2% multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company an 85% subsidy rate, so the effective interest rate could be Prime + 2% x 85%. This below-market rate loan is reasonable for the Commission to approve.

8. Documents to be Executed in this Matter.

There are no documents to be executed in the matter at this time.

9. Pro Forma Balance Sheet and Income Statement.

See Attachments 3 and 4.

10. Customer Notice.

The Commission's required notice will be timely published in a newspaper of general circulation in the Tucson area. The Company will file with the Commission a copy of the actual notice published and an affidavit stating when it was published.

REQUEST FOR APPROVAL

As set forth in this Application, the Company requests that the Commission authorize the financing described herein.

DATED this 3rd day of November, 2011.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and **13** copies filed this 3rd day of November, 2011, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Donnelly Herbert

ATTACHMENT 1

Water Infrastructure Finance Authority

SFY 2012 Drinking Water Intended Use Plan

WIFA

Arizona Drinking Water State Revolving Fund

Attachment A
Arizona's Drinking Water Revolving Fund
SFY 2012 Funding Cycle – Project Priority List

PPL Rank	Applicant	Population	County	Project Title	Project Number	Amount Requested	Subsidy Rate
1	Cienega Water Company	140	La Paz	Fluoride Treatment and System Upgrades	004 2012	$50,000	75%
2	Verde Lee Water Company, Inc.	500	Greenlee	Titanium Arsenic Removal System	005 2012	$165,000	75%
3	Gila Bend, Town of	1,980	Maricopa	Solar and R/O Facility Improvements	006 2012	$2,572,008	80%
4	Lake Verde Water Co	204	Yavapai	Arsenic Mitigation	007 2012	$450,000	80%
5	Nogales, City of	21,830	Santa Cruz	City of Nogales Automated Meter System Improvements	008 2012	$2,500,000	70%
6	Sulger Water Company #2	50	Cochise	Well, Tank and Disinfection System Improvements	001 2012	$120,000	80%
7	Orange Grove Water Co.	1,200	Yuma	Orange Grove Water Storage and Facility Upgrade	015 2012	$200,000	75%
8	Pinetop Water Community Facilities District	3,000	Navajo	System Automation	030 2012	$100,000	80%
9	Little Park Water Company	125	Yavapai	Motor Efficiency Program, SCADA Implementation	010 2012	$25,000	80%
10	Eloy, City of	9,600	Pinal	Houser/Toltec Waterline Improvements	031 2012	$1,865,000	75%
11	Indiada Water Company	150	Cochise	Water Line Replacement and System Interconnection	012 2012	$327,379	85%
12	Cerbat Water Company	2,136	Mohave	Well Purchase, Repairs to Well Pump, Backup Well	028 2012	$534,710	80%
13	Clear Springs Utility Company	1,180	Cochise	Clear Springs Utility Consolidation & Upgrades	011 2012	$511,000	80%
14	East Slope Water Co.	2,877	Cochise	System Improvements (Storage, Booster Pumps, Well Improvements, Main Replacement)	014 2012	$2,059,733	80%
15	Antelope Run Water Company	585	Cochise	Storage, Looping and Water Line Replacement	003 2012	$612,887	80%
16	Litchfield Park Service Company	39,000	Maricopa	Airline Reservoir Solar Project / LPSC	018 2012	$1,170,000	80%
17	Clarkdale, Town of	4,026	Yavapai	Twin 5s Water Main Replacement	013 2012	$3,487,582	80%
18	Granite Mountain Water Company	225	Yavapai	Well #5 Replacement & Tank #3 Addition	017 2012	$181,320	80%
19	Marana, Town of	12,000	Pima	Purchase of Tucson Water within Town of Marana	016 2012	$40,000,000	85%
20	Sabrosa Water Company	100	Maricopa	Arsenic Treatment	019 2012	$30,000	85%
21	Sandario Water Company	1,000	Pima	Capital Improvements (Storage, Pipe Replacement)	020 2012	$780,000	80%

ATTACHMENT 2

Opinion of Probable Costs
Clear Springs Utility Company

COUNTRY WELL SITES STORAGE (Wells 3 &7)

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
5,000 gal tank Well 3	1	LS	$3,780.00	$3,780.00
Steel Tank Ring Well 3	40	LF	$15.10	$604.00
5HP boosters Well 3	1	EA	$2,611.00	$2,611.00
Facility piping & Plumbing Well 3	3	DAY	$1,437.00	$4,311.00
New Materials	1	LS	$2,500.00	$2,500.00
Electrical Well 3	1	LS	$2,500.00	$2,500.00
Electrical Rack Well 3	1	LS	$1,200.00	$1,200.00
Conc slabs Well 3	100	SF	$7.42	$742.00
ABC Well 3	3	CY	$106.00	$318.00
5,000 gal tank Well 7	1	LS	$3,780.00	$3,780.00
Steel Tank Ring Well 7	40	LF	$15.10	$604.00
ABC Well 7	2.5	CY	$106.00	$265.00
44 gal bladder tank Well 7	1	EA	$700.00	$700.00
Facility piping & Plumbing Well 7	3	DAY	$1,437.00	$4,311.00
New Materials	1	LS	$2,500.00	$2,500.00
Electrical Well 7	1	LS	$2,500.00	$2,500.00
Electrical Rack Well 7	1	LS	$1,200.00	$1,200.00
New 3 HP Booster	1	LS	$2,611.00	$2,611.00
Horiz tank removal Well 7	1	LS	$1,500.00	$1,500.00
Chain link fence Well 7	38	LF	$37.50	$1,425.00
SUBTOTAL				$39,962.00
ATC application	1	LS	$3,200.00	$3,200.00
Engineering	_	_	10%	$3,996.20
Administration & Legal Fees	_	_	5%	$1,998.10
Project Management & Inspections	_	_	10%	$3,996.20
Contingency	_	_	15%	$5,994.30
Sales Tax	_	_	4.60%	$1,838.25
			SUBTOTAL	**$60,985.05**

Well 16 STORAGE & BOOSTERS

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
88,000 gal Storage Tank Well 16	1	LS	$151,360.00	$151,360.00
Steel Tank Ring Well 16	115	LF	$15.10	$1,736.50
ABC Well 16	38	CY	$106.00	$4,028.00
2-20HP boosters (420 gpm ea)	2	EA	$4,080.00	$8,160.00
conc booster slab	176	SF	$7.42	$1,305.92
Facility piping & Plumbing	11	DAY	$1,437.00	$15,807.00
Piping & Plumbing Materials	1	LS	$3,500.00	$3,500.00

Electric Rack	1	LS	$4,500.00	$4,500.00
Electical	1	LS	$45,000.00	$45,000.00
Chlorinator	1	LS	$2,750.00	$2,750.00
SUBTOTAL				$238,147.42
ATC application	1	LS	$2,650.00	$2,650.00
Geotech Engineering & Testing	1	LS	$3,000.00	$3,000.00
Engineering	_	_	10%	$23,814.74
Administration & Legal Fees	_	_	5%	$11,907.37
Project Management & Inspections	_	_	10%	$23,814.74
Contingency	_	_	15%	$35,722.11
Sales Tax	_	_	4.60%	$10,954.78
			SUBTOTAL	**$350,011.17**

BACKUP POWER SOURCE

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
Portable Backup Generator 100KW	1	EA	$46,000.00	$46,000.00
20'X20' Tuff Shed w/ garage door for secure storage of generator at Well 16	1	EA	$13,727.00	$13,727.00
20'x20'x8" Conc Slab for tuff shed	400	SF	$7.42	$2,968.00
ABC 20'x20' 4"	5	CY	$106.00	$530.00
Elec upgrades at Well 18 for hook-up	1	LS	$5,000.00	$5,000.00
SUBTOTAL				$68,225.00
Contingency	_	_	15%	$10,233.75
Sales Tax	_	_	4.60%	$3,138.35
			SUBTOTAL	**$81,597.10**

REPLACE BROKEN ISOLATION GATE VALVES

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST
Resilient Wedge Gate Valves 6"	3	EA	$2,250.00	$6,750.00
Resilient Wedge Gate Valves 8"	1	EA	$3,500.00	$3,500.00
Resilient Wedge Gate Valves 10"	1	EA	$4,625.00	$4,625.00
SUBTOTAL				$14,875.00
Administration & Legal Fees	_	_	5%	$743.75
Project Management & Inspections	_	_	14%	$2,097.38
Sales Tax	_	_	4.60%	$684.25
			SUBTOTAL	**$18,400.38**

GRAND TOTAL **$510,993.70**

ATTACHMENT 3

Clear Springs Utility Company, Inc. - Water Division
Balance Sheet as of 12/31/10
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	TEST YEAR END BALANCE AS OF 12/31/2010	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2010 ADJUSTED FOR WIFA LOAN
	CURRENT AND ACCRUED ASSETS			
131	Cash	$ 28,832		$ 28,832
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	11,937		11,937
146	Notes/Receivables from Associated Companies	6,547		6,547
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	TOTAL CURRENT AND ACCRUED ASSETS	$ 47,316	$ -	$ 47,316
	FIXED ASSETS			
101	Utility Plant in Service	$ 1,102,085	$ 511,000	$ 1,613,085
103	Property Held for Future Use			
105	Construction Work In Progress	23,000		23,000
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(909,719)		(909,719)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	TOTAL FIXED ASSETS	$ 215,366	$ 511,000	$ 726,366
	TOTAL ASSETS	**$ 262,682**	**$ 511,000**	**$ 773,682**

Clear Springs Utility Company, Inc. - Water Division
Balance Sheet as of 12/31/10 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2010	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2010 ADJUSTED FOR WIFA LOAN
	CURRENT LIABILITIES			
231	Accounts Payable	$ 36,518		$ 36,518
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies	81,615		81,615
235	Customer Deposits	6,287		6,287
236	Accrued Taxes	837		837
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	TOTAL CURRENT LIABILITIES	$ 125,257	$ -	$ 125,257
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	$ 89,635	$ 511,000	$ 600,635
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	$ 161,901		$ 161,901
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	239,743		239,743
272	Less: Amortization of contributions	(229,556)		(229,556)
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	$ 172,088	$ -	$ 172,088
	TOTAL LIABILITIES	**$ 386,980**	**$ 511,000**	**$ 897,980**
	CAPITAL ACCOUNTS			
201	Common Stock Issued	$ 1,000		$ 1,000
211	Paid in Capital in Excess of Par Value	1,839,934		1,839,934
215	Retained Earnings	(1,965,232)		(1,965,232)
218	Proprietary Capital (Sole Props and Partnerships)			
	TOTAL CAPITAL	**$ (124,298)**	**$ -**	**$ (124,298)**
	TOTAL LIABILITIES AND CAPITAL	**$ 262,682**	**$ 511,000**	**$ 773,682**

ATTACHMENT 4

Clear Springs Utility Company, Inc. - Water Division
Income Statement from January through December of 2010
Including Proforma Adjustments for WIFA Financing

Acct. No.	OPERATING REVENUES	ADJUSTED TEST YEAR WITH RATE INCREASE	WIFA LOAN PROFORMA ADJUSTMENTS	ADJUSTED TEST YEAR WITH RATE INCREASE & WIFA LOAN
461	Metered Water Revenue	$ 263,454		$ 263,454
461.1	Surcharge Revenue		$ 80,651	80,651
474	Other Water Revenue	3,219		3,219
	TOTAL OPERATING REVENUES	**$ 266,673**	**$ 80,651**	**$ 347,324**
	OPERATING EXPENSES			
601	Salaries and Wages	$ -		$ -
610	Purchased Water	-		-
615	Purchased Power	40,551		40,551
618	Chemicals	1,811		1,811
620	Repairs and Maintenance	12,168		12,168
621	Office Supplies & Expense	9,437		9,437
630	Outside Services	92,240		92,240
635	Water Testing	7,172		7,172
641	Rents	-		-
650	Transportation Expenses	6,938		6,938
657	Insurance - General Liability	3,443		3,443
659	Insurance - Health and Life	-		-
666	Regulatory Commsn Exp-Rate Case	10,000		10,000
675	Miscellaneous Expense	540		540
403	Depreciation Expense	28,545	47,068	75,613
408	Taxes Other Than Income	-		-
408.1	Property Taxes	11,577	1,537	13,114
409	Income Tax	8,066	1,094	9,160
427.4	Customer Deposit Interest	325		325
	TOTAL OPERATING EXPENSES	**$ 232,812**	**$ 49,699**	**$ 282,512**
	OPERATING INCOME/(LOSS)	**$ 33,861**	**$ 30,952**	**$ 64,812**
	OTHER INCOME/(EXPENSE)			
419	Interest and Dividend Income	$ 446		$ 446
421	Non-Utility Income			-
426	Miscellaneous Non-Utility Exp			-
427	Interest Expense	3,376	29,343	32,719
	TOTAL OTHER INCOME/(EXPENSE)	$ (2,930)	$ (29,343)	$ (32,273)
	NET INCOME/(LOSS)	**$ 30,931**	**$ 1,609**	**$ 32,539**

ORIGINAL

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Clear Springs Utility Co., Inc.

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EXHIBIT
A-3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission
DOCKETED
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DOCKETED BY

APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES	Docket No. WS-01689A-11-0402 **RESPONSE TO LETTER OF DEFICIENCY**

Clear Springs Utility Co., Inc. ("Company" or "Applicant"), hereby responds to Staff's Letter of Deficiency as follows:

1. In Decision No. 68443 ("Decision"), the Commission ordered Clear Springs Water Company to reduce its water loss to 10% or less in Public Water System ("PWS") #02-008 before filing its next rate case or, in the alternative, to demonstrate why it is not reasonable or economical to reduce water loss to 10 percent or less. (See page 14, lines 24-27 of the Decision.) The application indicates that PWS # 02-008 experienced a 43% water loss during the test year. Clear Springs is in violation of the Decision and must correct this compliance item before a sufficiency determination can be made.

Response: Decision No. 68443 expressly states the Company "shall reduce its water loss to 10 percent or less in PWS # 02-008 before filing its next rate case, in the alternative [the Company] shall demonstrate why it is not reasonable or economical to reduce water loss to 10 percent or less." ***See id.*** **at p. 14, ln. 24-27. The following provision ordered the Company to file a report explaining how it will address the water loss issue.** ***See id.*** **at p. 15, ln. 1-4. Accordingly, on July 21, 2006, the Company filed as a compliance item correspondence explaining that the Company plans to decrease water loss by upgrading the system.** ***See*** **Attachment 1.**

The Company was under the impression that this filing satisfied the compliance items set forth in Decision No. 68443 regarding water loss. This belief was reinforced in April 2007 when the Company received Staff's First Notice of Past Due Compliance, which did not mention the water loss compliance issue. ***See*** **Attachment 2. Nevertheless, prompted by Staff's deficiency letter in the case, the Company has drafted a water loss report to directly address the water loss provision.** ***See*** **Attachment 3.**

2. Also in Decision No. 68443, the Commission ordered Clear Springs to take action to resolve the storage deficiencies of PWS #02-048 and #02-050 before filing its next rate case. (See page 14, lines 18-20 of the Decision.) The water analysis results show inadequate storage capacities in both PWS #02-050 and #02-048. Clear Springs filed a financing application to purchase a 5,000 gallon tank for PWS #02-048; however, Clear Springs failed to address the storage problem in PWS #02-050. Clear Springs is in violation of the Decision and must correct this compliance item before a sufficiency

determination can be made.

Response: Decision No. 68443 specifically requires the Company to "take action to resolve the storage deficiencies of Systems PWS # 02-050 and PWS # 02-048 prior to filing its next rate application." ***See id.*** **at p. 14, ln. 18-20.**

The Company has taken action to resolve the storage deficiencies prior to filing the rate application. The Company has applied to the Water Infrastructure Finance Authority of Arizona for a loan to finance a two 5,000 gallon storage tanks. One tank will be installed at well site 3 to serve the six customers connected to PWS # 02-048. ***See*** **Company's Finance Application, Docket No. W-01689A-11-0401 (filed Nov. 3, 2011). The other tank will be installed at well site 7 to serve the seven customers connected to PWS # 02-050.** ***See id.*** **Thus, the Company has complied with Decision No. 68443.**

RESPECTFULLY SUBMITTED this 29th day of December, 2011.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies of the foregoing
filed this 29th day of December, 2011, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Attachment 1

ORIGINAL

CLEAR SPRINGS UTILITY COMPANY, INC.
PO BOX 85160
TUCSON, ARIZONA 85754
520-623-5172
FAX 520-792-0377

50

July 20, 2006

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket #W-01689A-05-0629, Decision #68443 - Compliance Item

In regard to the above referenced Docket number we submit the following as ordered as a compliance item on Page 15, line 1 through 4 of Decision #68443

Statement:

It is further Ordered that Clear Springs Utility Company, Inc. shall file with the Commission a water loss report no later than 180 days after the effective date of this order. This report shall detail how the Company will work to address the water loss issue and what steps the Company is taking to decrease water loss on their system.

Response: 5/19/06 - 6/21/06

Water Loss Report -	7,359,500	-	6,292,530	=	1,066,970	/	7,359,500	x 100 =	14.50%
	Master Meter		Metered Sales		Difference		Master Meter Amount		% Loss

The steps that will be taken to prevent water loss will be in the form of new construction upgrades to the system. Upgrades are scheduled within the next eighteen months.

Regards,

Bonnie O'Connor, Sec. Treas

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Attachment 2

COMMISSIONERS
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WILLIAM MUNDELL
JEFF HATCH-MILLER
KRISTEN K MAYES
GARY PIERCE

ORIGINAL

300m

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION
1200 W. WASHINGTON STREET
PHOENIX, AZ 85007

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First Notice of Past Due Compliance

April 10, 2007

Clear Springs Utility Company - Water Division
PO Box 1690
Sierra Vista, AZ 85636-0000

RE: COMPLIANCE REQUIREMENTS Docket #: W-01689A-05-0629

To Whom It May Concern:

After several attempts to resolve these past due compliance items, we are notifying you in writing that Clear Springs Utility Company - Water Division still has not met certain compliance requirements ordered by the Commission as referenced in the attached report. You must comply with the dated requirements within fifteen days from the date of this letter. Attached is a Compliance Report that describes the nature of the requirements. Other compliance requirements may be attached that do not have an actual due date, but may also require immediate action.

When responding to this notice, please refer to the Docket Number and Decision Number. Please mail all compliance matters in accordance with the following:

You must file an original and thirteen (13) copies of the documents with:

Arizona Corporation Commission
Docket Control
1200 West Washington
Phoenix, AZ 85007

If you believe that this notice is in error, or, if I can answer any questions, please contact the compliance section at (602) 542-0895.

Sincerely,

Shannon Kanlan
Compliance and Enforcement
Utilities Division

Arizona Corporation Commission
DOCKETED
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Enclosures

COMPLIANCE REQUIREMENTS

UTILITY: Clear Springs Utility Company - Water Division

DBA:

DOCKET: W-01689A-05-0629 **DECISION NO:** 68443

ACTION: The Company will, within 14 months of the effective date of the Decision, file in Docket Control, as a compliance item, documents showing that the required well meters have been installed.

COMPLIANCE DUE DATE: **4/2/2007** ☒ **Compliance Past Due**

Attachment 3

CLEAR SPRINGS UTILITY CO.
WATER DIVISION
P O Box 85160, TUCSON, AZ 85754
(520) 623-5172 FAX 792-0377

Arizona Corporation Commission
Utilities Division
Attn: Docket Control
1300 W. Washington St.
Phoenix, Arizona 85007

December 27, 2011

Re: Compliance Item.
Docket No. W-01689A-05-0629

Pursuant to Arizona Corporation Commission ("Commission") Decision No. 40186, the purpose of this letter is to demonstrate why it is not economically feasible for Clear Springs Utility Company, Inc. ("Company") to reduce water loss to 10% or less in Public Water System 02-008 ("PWS 02-008").

The Company believes the substantial water loss is due primarily to three factors. First, the transmission and distribution lines have substantial leaks that have not been located because the lines are buried and the leaking water is percolating downward rather than towards the surface. Second, all of the customer meters connected to PWS 02-008 are more than 20 years old and almost assuredly fail to register all of the water being delivered to the customers. Third, several fire hydrants are in disrepair and have substantial leaks.

Currently, the Company has 563 active customers overall. However, under its current rate structure, the Company does not generate sufficient revenue to implement a leak detection and infrastructure replacement program. In 2010, for example, the Company's water division lost $15,205. Therefore, as explained in more detail below, any major equipment replacement program is cost prohibitive at this time.

Pipeline Replacement Program

Finding and repairing the leaking underground pipes would be very expensive. When contemplating this issue, it is important to keep in mind just one gallon per minute leak results in more than 500,000 gallons of water loss

per year. When a buried pipeline has such a leak, often the water percolates downward and there is no noticeable above-ground indicator of a leak.

According to Company management and engineers consulted, it would cost approximately $40,000 to simply conduct a leak detection study to locate substantial system leaks. It is not known how much leak repairs would cost because it is not known how many leaks exist. Most of the transmission and distribution lines are more than 40 years old and the Company suspects that there are many small leaks and resolving the line leak issue would involve essentially replacing miles of pipeline. This would be very expensive.

Meter Replacement Program

Similarly, testing and replacing defective customer meter is cost-prohibitive at this time. The Company has 563 customer meters.[1] Each meter costs approximately $100.00 to purchase and install. Thus, replacing the meters will cost approximately $56,300.00. The Company cannot afford to implement the meter replacement program at this time.

Fire Hydrant Replacement Program

Finally, the Company has identified 10 fire hydrants that need to be replaced. This will cost approximately $1,500 per fire hydrant. Thus, replacing the leaking fire hydrants will cost approximately $15,000. Again, the Company cannot afford this additional expense at this time.

Potential Solution

Obviously, the only way for the Company to generate revenue to pay for these plant replacements is to raise the customer rates. Weighing the cost and benefit of potential improvements, the Company believes that it could implement the meter replacement program at a reasonable cost to its customers. With an additional $1,000 per month in revenue, which could be generated by a $2.00 customer surcharge, the Company could replace 10 meters per month and all of the meters would be replaced in approximately 5 years.[2]

If the Commission added another $1.00 to the proposed surcharge, then the Company could replace a leaking fire hydrant every three months, and all 10 leaking fire hydrants would be replaced in approximately 2 ½ years.

---

[1] The Company proposes that the meter replacement program include all customer meters.

[2] To be clear, these numbers are for illustrative purposes only. The Company understands that the meter replacement costs and surcharge revenue would be calculated so that the revenue meets, but does not materially exceed, the expense.

Hence, two of the three primary leakage issues would be resolved in a reasonable time at a reasonable cost to the customers.

Unfortunately, there is no effective way to detect and repair the underground pipeline leaks at a reasonable cost. The entire transmission and distribution line system needs to be replaced. However, once the meters and fire hydrants are replaced, then the Company can focus on the line leaks and will better understand the extent of the problem.

Respectfully,

Bonnie O'Connor, President
Southwestern Utility Management, Inc.
for
Clear Springs Utility Company

ORIGINAL

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
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Attorneys for Clear Springs Utility Co., Inc.

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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COMMISSIONERS
GARY PIERCE, CHAIRMAN
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY COMPANY, INC. FOR AUTHORITY TO INCUR LONG-TERM DEBT	~~Docket No. W-01689A-11-0401~~ Docket No. W-01689A-11-0402 **NOTICE OF FILING AMENDED RATE SCHEDULES**

Pursuant to discussions with Arizona Corporation Commission Staff, Clear Springs Utility Co., Inc. hereby files amended rate schedules. *See* Attachment 1. Specifically, the Company is amending Schedules H-3W and H-3S.

RESPECTFULLY SUBMITTED this 28th day of November, 2011.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies of the foregoing
filed this 28th day of November, 2011, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Connilly Herbert

Attachment 1

Clear Springs Utility Company, Inc. - Water Division
Docket No. W-01689A-11-0402
Test Year Ended December 31, 2010

Amended Schedule H-3W
Title: Changes in Representative Rate Schedules - Page 1 of 2

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

(Rates apply to both residential and commercial usage)

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE:			
5/8" x 3/4" Meter	$ 11.00	$ 16.00	45%
3/4" Meter	14.50	24.00	66%
1" Meter	23.25	40.00	72%
1-1/2" Meter	44.00	80.00	82%
2" Meter	66.00	128.00	94%
3" Meter	125.50	256.00	104%
4" Meter	250.00	400.00	60%
6" Meter	500.00	800.00	60%

Description	Present Rate	Proposed Rate
COMMODITY CHARGES - Per 1,000 Gallons		
5/8 x 3/4 - inch meters		
0 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Gallons	2.25	
Over 10,000 Gallons	3.50	
1 - 3,000 Gallons		$ 1.82
3,001 to 8,000 Gallons		3.75
Over 8,000 Gallons		6.00
3/4 - inch meters		
0 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Gallons	2.25	
Over 10,000 Gallons	3.50	
1 to 8,000 Gallons		$ 3.75
Over 8,000 Gallons		6.00
One - inch meters		
0 to 31,000 Gallons	$ 2.25	
Over 31,000 Gallons	3.50	
1 to 30,000 Gallons		$ 3.75
Over 30,000 Gallons		6.00
One and one half - inch meters		
0 to 58,000 Gallons	$ 2.25	
Over 58,000 Gallons	3.50	
1 to 50,000 Gallons		$ 3.75
Over 50,000 Gallons		6.00
Two - inch meters		
0 to 74,000 Gallons	$ 2.25	
Over 74,000 Gallons	3.50	
1 to 70,000 Gallons		$ 3.75
Over 70,000 Gallons		6.00

Description	Present Rate	Proposed Rate
Three - inch meters		
0 to 100,000 Gallons	N/A	$ 3.75
Over 100,000 Gallons	N/A	6.00
Four - inch meters		
1 to 150,000 Gallons	N/A	$ 3.75
Over 150,000 Gallons	N/A	6.00
Six - inch meters		
0 to 250,000 Gallons	N/A	$ 3.75
Over 250,000 Gallons	N/A	6.00
Bulk Water Sales - 3" Meter		
Excess of Minimum	$ 4.00	$ 6.00

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	$ 30.00	$ 30.00	0.00%
Establishment (After Hours)	45.00	N/A	
Reconnection (Delinquent)	30.00	40.00	33.33%
Meter Test (If Correct)	45.00	45.00	0.00%
Deposit	*	*	
Deposit Interest	*	*	
Reestablishment (Within 12 Months)	**	**	
NSF Check (R14-2-409)	$ 20.00	$ 25.00	25.00%
Deferred Payment (per month)	1.50%	1.50%	0.00%
Meter Reread (If Correct)	$ 25.00	$ 30.00	20.00%
Late Payment Penalty (per month)	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	

SERVICE LINE AND METER INSTALLATION CHARGES:

Refundable Pursuant to A.A.C. R14-2-405		Proposed Rates			
Description	Present Rate	Service Line	Meter Charge	Total Charge	% change
5/8" x 3/4" Meter	$ 550.00	$ 445.00	$ 155.00	$ 600.00	9%
3/4" Meter	550.00	445.00	255.00	700.00	27%
1" Meter	650.00	495.00	315.00	810.00	25%
1-1/2" Meter	875.00	550.00	525.00	1,075.00	23%
2" Meter - Turbine	1,400.00	830.00	1,045.00	1,875.00	34%
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	
3" Meter - Turbine	1,900.00	1,045.00	1,670.00	2,715.00	43%
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	
4" Meter - Turbine	3,200.00	1,490.00	2,670.00	4,160.00	30%
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	
6" Meter - Turbine	5,800.00	2,210.00	5,025.00	7,235.00	25%
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	

* Per Commission Rule R14-2-403(B).
** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

OTHER RATES AND CHARGES BY ORDER:

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX IN ACCORDANCE WITH R14-2-409.D.5.

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. W-01689A-11-0402
Test Year Ended December 31, 2010

Amended Schedule H-3S
Title: Changes in Representative Rate Schedules - Page 1 of 1

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGES			
Monthly Minimum - Residential	$ 6.50	$ 9.00	38.46%
Monthly Minimum - Commercial	6.50	9.36	44.00%
COMMODITY CHARGES (Per 1,000 Gallons of Water usage)			
Residential - Per 1,000 Gallons	$ 0.85		
Residential - After 6,000 Gallons of water use only		$ 0.85	
Commercial - Per 1,000 Gallons	N/A	0.85	
SERVICE CHARGES			
Establishment	$ 10.00	$ 30.00	200.00%
Reconnection (Delinquent)	*	*	
Deposit - Residential	**	**	
Deposit - Commercial	***	***	
Deposit Interest	****	****	
NSF Check	$ 15.00	$ 25.00	66.67%
Deferred Payment	N/A	1.50%	
Late Payment Penalty	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	
Sewer Tap Charge	Cost	Cost	

(Non-refundable pursuant to A.A.C. R14-2-605)

* Six times monthly minimum
** Two times estimated average monthly bill
*** Two and one half times estimated maximum monthly bill
**** Per Commission Rule

Supporting Schedules:

ORIGINAL

Steve Wene, State Bar No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: 602-604-2141
e-mail: swene@law-msh.com

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES

and

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AUTHORITY TO INCUR LONG-TERM DEBT

Docket Nos. W-01689A-11-0401
W-01689A-11-0402

FILING OF REBUTTAL TESTIMONY

Clear Springs Utility Co., Inc. ("Company"), hereby files rebuttal testimony of the following witnesses:

- Sonn Rowell (Attachment 1);
- Bonnie O'Connor (Attachment 2); and

- Keith Dojaquez (Attachment 3).

Dated this 11th day of July, 2012.

MOYES SELLERS & HENDRICKS LTD.

Steve Wene

Steve Wene

Original and 13 copies of the foregoing filed this 11th day of July, 2012 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES **and** **IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AUTHORITY TO INCUR LONG-TERM DEBT**	Docket Nos. W-01689A-11-0401 W-01689A-11-0402 **REBUTTAL TESTIMONY OF SONN ROWELL**

Q Please state your name and current employment position:

A My name is Sonn S. Rowell, and I am a Certified Public Accountant and Regulatory Consultant. I am also a managing member of Desert Mountain Analytical Services, PLLC ("DMAS").

Q Describe your educational and professional background:

A I hold a Bachelor of Science Degree in Accounting from Arizona State University, as well as my CPA certification from the Arizona State Board of Accountancy. I have worked for many years in the practice of small business public accounting and regulatory

consulting, and have held part-time accountancy teaching positions at Mesa Community College. After employment with the Accounting and Rates Section of the Utilities Division at the Arizona Corporation Commission ("Commission") for four years, I formed DMAS and now specialize primarily in regulatory accounting and consulting.

Q By whom are you employed and in what capacity?

A I have been retained by the management and ownership of Clear Springs Utility Co., Inc., ("Clear Springs" or "Company") to help prepare and defend a rate application submittal to the Commission and prepared the rebuttal schedules enclosed herein, which I adopt as part of my testimony.

Q What is the purpose of your rebuttal testimony?

A The purpose of my rebuttal testimony is to respond to Commission Staff's testimony relating to the development of Clear Springs' gross revenue requirement, taking into account rate base, adjusted operating income, working capital requirements, current rate of return, required operating income, required rate of return for the historic twelve month period, and other relevant factors in support of the rate application.

Water Division

Q Summarize the changes made to plant in service for the water division as reflected in total on Rebuttal Schedule B-2 and detailed on Rebuttal Schedule E-5W.

A Account 311 – Electric Pumping Equipment was increased by $11,849 that corresponds with an adjustment made by Staff for a pump that was installed post test year at Well Site 5 (Adjustment 2). Plant in service increased from $1,102,086 in the original filing to $1,113,935 in this rebuttal. In addition, Accumulated Depreciation was

increased by $741 for depreciation expense related to this addition (Adjustment 3 is now $99,678 + $741, or $100,419).

Q Does the Company agree with Staff adjustment of $34,151 for plant they say is "not used and useful" and make a corresponding adjustment as well?

A No, Clear Springs does not agree with Staff and an adjustment to the water plant in service and the associated accumulated depreciation has not been made. The testimony of Keith Dojaquez will address the status of these plant assets in his rebuttal testimony.

Q Summarize the changes made to rate base for the water division.

A In its original filing, the Company did not make adjustments to AIAC, CIAC, or Amortization of CIAC. In Staff's Third Set of Data Requests, JMM 3-45a through JMM 3-45d requested detailed information regarding yearly changes to CIAC and the related CIAC amortization. JMM 3-46a through JMM 3-46d requested detailed information regarding yearly additions and repayments in the AIAC account. During the process of answering these eight questions, it was discovered that several expired line extension agreements had not been transferred to CIAC to begin amortization of the balance. As a result of JMM 3-45b, it was determined that the balance at the end of the 2010 test year for CIAC was $289,888. Adjustment 6 on Rebuttal Schedule B-2 is an increase to CIAC of $50,145 to arrive at the amount determined for the data response.

Q Did you use the response to JMM 3-45c to make Adjustment 7 on Rebuttal Schedule B-2?

A No. In response to JMM 3-45c, the Company proposed the amount of CIAC amortization was $238,365 based on an amortization rate of 10%. Based on the

calculations the Company did on Rebuttal Schedule B-2b, it appears that a composite rate of 3.03% is more appropriate. This percentage represents a weighted average of the plant asset accounts that assets constructed with AIAC funds were recorded to, and are now depreciated as part of. Based on the revised CIAC amortization rate, the CIAC amortization balance at the end of the test year should be $230,534.

Q Did the Company make an adjustment to correct the amortization schedule provided in response to JMM 3-45c?

A Yes. CIAC amortization should match the depreciation rate of the assets that were installed with CIAC funds (or AIAC funds converted to CIAC) so the AIAC and CIAC are resolved on the books of the entity when the associated assets are fully depreciated. In other words, one wants to match all the bookkeeping aspects of these assets and the associated funds as much possible.

Q What would create a mismatch between the bookkeeping aspects of the assets and the source of funds?

A During the first 10 years of the life of an asset whose source of funding is AIAC, the assets are being depreciated at a specified rate. In the case of Clear Springs, the depreciation rates for AIAC funded assets is 2.00% and 3.30% for accounts 331 and 333, respectively. Meanwhile, the AIAC balance is reduced each year by a much smaller percentage, many times less than 1% of the balance in the AIAC account. As a result, at the end of the specified repayment period, the net balance of the plant funded by AIAC is usually far less than the remaining AIAC balance after repayments are considered.

In the specific case of Clear Springs, AIAC assets were depreciated over a 10-year period at either 2.00% or 3.30%, or a composite rate of 2.33% (per Rebuttal Schedule B-2b). A composite depreciation rate of 2.33% approximates a useful life of 43 years. Since at the time of conversion from AIAC to CIAC, the associated assets have been depreciated for 10 years, the remaining balance transferred to CIAC must be amortized over a 33 year period to as closely match the useful life of the assets. A 33-year amortization period would represent an amortization rate of 3.03%, and that is what the Company proposes for the amortization rate for current and future transfers from AIAC to CIAC.

Rebuttal Schedule B-2 reflects Adjustment 7, which increases the actual amount at the end of the test year by $978 to arrive at the corrected amortization amount of $230,534, determined by Rebuttal Schedule B-2b.

Q. What about AIAC?

A. Based on the analysis done to respond to JMM 3-46d, the AIAC balance at the end of the test year was $71,634. AIAC was decreased by $50,014 by Adjustment 4 on Rebuttal Schedule B-2 to make this change. Overall, the net effect of Adjustments 4, 6, and 7 to rate base is minimal, and serves mostly to correct AIAC and CIAC balances.

Q Did you adopt Staff's adjustment for customer security deposits?

A In part. The $46,540 amount that Staff uses is comprised of three amounts: (1) $40,253 for meter deposits (AIAC); (2) $ 6,284 for security deposits; and (3) $3 for unclaimed security deposits. The Company will adopt the $40,253 amount related to meter deposits, which are considered AIAC. This change is reflected as Adjustment 5 on

Rebuttal Schedule B-2. Based upon the Company position that customer security deposits are current liabilities, we have excluded $6,287 of Staff's adjustment.

Q Were there any other changes to rate base made by the Company for the water division?

A The only other allowance addressed working capital, which is a function of adjustments to the income statement. Adjustment 8 on Rebuttal Schedule B-2 reflects a decrease to Working Capital of $317 from the original filing.

Q Turning to the Income Statement on Rebuttal Schedule C-1W, what changes have been made from the original filing?

A Although it disagrees with Staff's methodology, the Company has adopted Staff's adjustment to water testing as reflected on Schedule JMM-W10, and has also updated depreciation expense based on the proposed CIAC amortization rate discussed previously.

Rebuttal Schedule C-2Wc reflects the updated plant balances and the corresponding depreciation rates by asset category. Additionally, the total amount fully depreciated in account 334 has been correct to $66,066, instead of $78,938 as stated in the original application in footnote 3.

Depreciation expense on the non-fully depreciated assets calculates to $30,026 annually. This amount is then reduced by CIAC amortization on the amounts that are not already fully amortized, times the CIAC amortization rate determined on Rebuttal Schedule B-2b. This equates to $63,309 in CIAC times the 3.03% composite rate, which

is $1,918 per year in CIAC amortization, which results in higher net depreciation expense than Staff is recommending.

Q Were any other expense items changed?

A Property tax expense and income tax expense have changed slightly due to changes to proposed revenue and expense items. In addition, the Company has updated the amount of interest on the two existing WIFA loans from $3,376 to $6,245 based upon amortization schedules for each loan, and it reflected on Rebuttal Schedule C-1W as Adjustment M.

Q Based on Staff's proposed revenue requirement for the water division, without consideration for the proposed loan, what is Staff recommending?

A In reviewing Staff's Direct testimony and schedules, Staff has set a minimal budget for this division. Schedule JMM-W16 details how Staff has based its revenue requirement on a mere $10,000 of cash flow.

In the column entitled Without Surcharge, Staff is recommending an Operating Income of $4,432, which is a 2.05% operating margin. Further, once interest expense on the already approved loans is subtracted from the operating income ($4,432 less $5,271), the end result is a net loss of ($849), not net income of $9,703. I have attached a correct version for review of JMM-W16 as Rebuttal Schedule SSR-1. $5,271 is the amount of interest that Staff has calculated on the existing WIFA loans.

Q So you are saying Staff is recommending a net loss for the water division?

A Yes. The revenue requirement set forth by Staff is apparently based upon obtaining $10,000 of cash flow without regard to income, loss, or operating margin, under the scenario of the entity not obtaining the new WIFA loan.

Q Does the Company agree with this methodology?

A No. The idea that a small, old water company can survive with only $10,000 of "undesignated cash" per year is absurd. That is only 4.63% of proposed (not guaranteed) revenue, and again, that is not income, it is cash flow. Staff is setting budgets for small water companies that are slowly driving them into financial ruin, with little hope of future recovery after a certain point. How Staff and this Commission can recommend a revenue requirement that results in a net loss is unconscionable and contrary to the duty of establishing "fair and just rates" for both the regulated companies as well as its customers.

It is important to note that Staff is able to only make minor adjustments to plant and expense items. An audit of that magnitude with few changes would indicate that Staff has determined the items recorded in the books are legitimate and prudent. It also speaks volumes about the operational and administrative functions of this utility to be able to withstand such invasive and complete investigation without there being many issues of concern to Staff.

Further, most small water company owners do not take money out of the utility, but in fact constantly subsidize it when problems occur. The answer to this constant subsidization cycle from Staff is to "come in for a rate case", but as we can see from this case, many times it will not solve the problem. As this pattern continues, when there is a

major problem with the system and the Company does not have the funds to make repairs, it is the customers that suffer the most.

Q Please discuss the Company recommended revenue and rate design, without consideration of the potential additional WIFA loan.

A As a compromise, the Company has amended its revenue requirement. However, we continue to disagree on how to determine the revenue requirement, and what is considered to be enough extra income, margin, or cash flow to enable a small water company to pay is costs and provide safe and reliable water service.

The Company proposes total revenue for the water division of $252,582, which results in $25,788 of operating income. Please refer to Rebuttal Schedule SSR-2 for detail under this scenario. Beginning on line 38 are several relevant percentages related to this proposed revenue. Although the rate of return on rate base amount is high, this is to be expected for a company that has very little rate base due to high AIAC and CIAC balance from years past. The more important numbers are the next three, the percentage of operating margin, net income to revenue, and cash flow to revenue. They all are well under 20% and not a one of them is unreasonable when considering the obligations of the utility.

Q How does the Company recommended rate design to meet this revenue requirement impact the average and median residential customers using 5,150 and 3,318 gallons respectively per month?

A The average user of 5,150 gallons of water per month would see their bill increase from $19.59 per month to $27.63. This equates to $8.05 per month. The median user of

3,318 would experience an increase from $15.46 per month to $20.49. This equates to $5.03 per month.

Q Is the Company requesting a surcharge for the existing WIFA loans?

A No. The revenue requirement of $252,582 for the water division and the related rates proposed by the Company consider the payments for the two existing WIFA loans. The proposed WIFA loan will be the only item collected under the surcharge.

Sewer Division

Q Please summarize the changes made to plant in service for the sewer division as reflected in total on Rebuttal Schedule B-2.

A The Company has adopted Staff's adjustments to plant in service as reflected on Schedule JMM-WW4, and has updated plant and accumulated depreciation schedules as a result. These changes are reflected on Rebuttal Schedule B-2 as Adjustments 9 and 10.

Adjustment 9 reduces plant in service for the sewer division by $495. Within this adjustment is reclassification of $51,208 from Power Generation Equipment to Pumping Equipment. The net effect of this reclassification to past accumulated depreciation was zero since the sewer division still uses the 5% depreciation rate for all asset categories.

Adjustment 10 reduces Accumulated Depreciation by $37 to remove the past depreciation related to the $495 asset that was removed.

Q Please summarize the changes made to rate base for the sewer division.

A In its original filing, the Company did not make adjustments to AIAC, CIAC, or Amortization of CIAC. In Staff's Third Set of Data Requests, JMM 3-57a through JMM 3-57d requested detailed information regarding yearly changes to CIAC and the related

CIAC amortization. JMM 3-58a through JMM 3-58d requested detailed information regarding yearly additions and repayments in the AIAC account. During the process of answering these eight questions, it was discovered the entire amount in AIAC represented expired line extension agreements that had not been transferred to CIAC.

As a result of JMM 3-57b, it was determined that the balance at the end of the 2010 test year for CIAC was $132,017. Adjustment 12 on Rebuttal Schedule B-2 is an increase to CIAC of $44,041 to arrive at the ending balance determined for the data response.

Q Did you use the response to JMM 3-57c to make Adjustment 13 on Rebuttal Schedule B-2?

A No. In response to JMM 3-57c, the Company proposed the amount of CIAC amortization was $85,556 based on amortization rates of 5% and 10%. Based on the calculations the Company did on Rebuttal Schedule B-2c, amortization rates of 2.00% and 2.5% are more appropriate. These percentages represent the actual amount of depreciation expense related to Force Collection Sewers, where plant assets installed with AIAC and CIAC funds have been classified for the sewer division. Based on the revised CIAC amortization rate, the CIAC amortization balance at the end of the test year should be $83,093.

Q Did the Company make an adjustment to correct the amortization schedule provided in response to JMM 3-57c?

A Yes. AIAC assets were depreciated over a 10-year period at 2.00%. This equates a useful life of 50 years. Since at the time of conversion from AIAC to CIAC, the

associated assets have been depreciated for 10 years, the balance transferred to CIAC must be amortized over a 40 year period to as closely match the useful life of the assets as possible. A 40-year amortization period would represent an amortization rate of 2.50%, which is what the Company proposes as the amortization rate for current and future transfers from AIAC to CIAC. Assets originally funded with CIAC and recorded to account 360 would use an amortization rate of 2.00%

Rebuttal Schedule B-2 reflects Adjustment 13, which decreases the actual amount at the end of the test year by $307 to arrive at the corrected amortization amount of $83,093, determined by Rebuttal Schedule B-2c.

Q. What about AIAC?

A. Based on the analysis done to respond to JMM 3-58b, the AIAC balance at the end of the test year was zero. AIAC was decreased by $40,658 by Adjustment 11 on Rebuttal Schedule B-2 to make this change. These adjustments to rate base serve mostly to correct AIAC and CIAC balances.

Q Did the Company make any other changes to rate base for the sewer division?

A The only other change was to the allowance for working capital, which is a function of adjustments to the income statement. Adjustment 14 on Rebuttal Schedule B-2 reflects an increase to Working Capital of $344 from the original filing.

Q Turning to the Income Statement for the sewer division on Rebuttal Schedule C-1S, what changes have been made from the original filing?

A The Company has adopted Staff's adjustment to water testing as reflected on Schedule JMM-WW8, and has updated depreciation expense based on the proposed CIAC amortization rate discussed above.

Rebuttal Schedule C-2Sb reflects the updated plant balances and the corresponding depreciation rates by asset category. Depreciation expense on the non-fully depreciated assets calculates to $1,508 annually. This amount is then reduced by CIAC amortization on the amounts that are not already fully amortized, times the CIAC amortization rates detailed on Rebuttal Schedule B-2c. This equates to $9,264 in original CIAC times a 2.00% amortization rate, and $40,741 in CIAC transferred from AIAC times a 2.50% amortization rate. This results in $1,204 per year in proposed CIAC amortization. Once the annual CIAC amortization amount is subtracted from depreciation expense of $1,508, $304 is proposed for annual net depreciation expense.

Q Were any other expense items changed?

A Income tax expense has decreased slightly due to changes to expense items.

Q Do you agree with Staff's revenue requirement and rate design for the sewer divison?

A Yes. The Company had asked for no change to the revenue requirement and only minor changes to the rate structure. Although Staff recommended a slight different rate design than the Company proposed, we will accept Staff's alternative.

Financing

Q Does the Company agree with the reduction to the amount of the loan recommended by Staff?

A Yes. The Company amortization schedules have been updated to reflect the revised amount of the loan and the interest rate utilized by Staff.

Q Has the Company revised the amount of the surcharge required to service the proposed revised WIFA loan amount?

A Yes. Rebuttal Schedule SSR-3 details the Company calculation determining the annual amount of surcharge needed, $42,648, as well as the amount of surcharge by meter size. The largest class of users, residential customers with a 5/8 by ¾ inch meter, would pay a monthly surcharge of $5.54, if the entire amount of the proposed WIFA loan was drawn.

Q How does this compare to what Staff has recommended for the surcharge related to the financing application for the proposed WIFA loan?

A Staff recommended an annual surcharge amount of $42,443, and a monthly surcharge for 5/8 by ¾-inch meters of $4.99.

Q Does this mean the Company is in agreement with Staff on the financing application and the associated surcharge?

A Not exactly. Staff arrived at its revenue amount by backing into a surcharge amount that would calculate to annual Cash Flow of $10,000. The Company, on the other hand, determined its annual surcharge by evaluating actual amounts to be paid and the impact of property and income taxes via the gross revenue conversion factor. This straightforward calculation is set forth on lines 1 through 11 of Rebuttal Schedule SSR-3.

Q Is Staff proposing that the expenditures related to the existing two WIFA loans be included in its proposed base rates or via the surcharge?

A It is unclear due to the net loss status proposed for the water division. Regardless, knowing that the loans already exist and are approved, it is more appropriate to include them in base rates and utilize the surcharge for the new loan only. This is important as the Company is currently paying on these loans and must continue to regardless of the proposed WIFA loan.

Q Does the Company have any other issues with Staff's surcharge calculation?

A Yes. The customer numbers appear incorrect. First of all, there are no active 3-inch meters on the system, yet Staff has included one in its surcharge calculation. It seems as though Staff has used the total amount of meters on the system (i.e., the inventory of meters on the system) and has not taken into consideration the fact that many meters are unused. This results in a difference of almost 1,000 annual bills, so once again Staff sets the Company up to fail by including customers that do not exist to recover funds necessary to service the proposed WIFA debt.

What Staff seems to overlook is that no rational utility owners are going to enter into loan agreements that require them to offer their personal assets as security and have to pay out-of-pocket an additional 20% of the loan payments to cover the debt reserve.

Q What is Clear Springs' position on Staff including the operational and statistical percentages from the sewer division in analysis for the loan for the water division?

A It is inappropriate for many reasons. First of all, each division must be self sufficient and able to pay its own bills and infrastructure replacement. Second, the

customers of the sewer division and the water division are not one in the same, which would probably result in cross subsidization between divisions. And finally, the sewer division assets are approximately the same age as those of the water division and will require upgrades very soon that must be planned for now. As sewer utilities are not able to borrow from WIFA, there are limited sources available for loans, thus it is likely that these funds will need to come from generated income and the depreciation from cash flow for the sewer division. This cannot occur if the cash flow from depreciation expense for the sewer division is being used to "cover" the WIFA payments for the water division, which could result in serious environmental and financial issues.

Q In looking at Rebuttal Schedule SSR-2, it appears that the analytical percentages on lines 38 through 41 *mainly increase from the base case and the case* with the loan and surcharge factored in. Is this true?

A The income related statistics increase as the amount of revenue needed to pay the increased principal went up. The rate of return on rate base percentage is still irrelevant due to the low rate base amount. Cash flow to revenue has decreased under the loan scenario, meaning if the Company takes the new WIFA loan, they will have less available cash flow. Under both scenarios on Rebuttal Schedule SSR-2 as proposed by the Company, the cash flow from operations after the WIFA reserve is the same. The surcharge only attempts to flow in the cash needed to pay the debt service to WIFA and the associated property and income taxes related to the increased revenue.

Again, the Company proposed surcharge, in addition to the base rates, will permit the Company to be viable and make the proposed system improvements. The most

important statistic in this case is the percent of cash flow to revenue after all the bills are paid and the debt is serviced, which is 13.52%, an amount that is not unreasonable to have for contingencies and improvements. When depreciation expense is redirected to pay for a WIFA loan, the Company is stripped of the one other resource, besides net income, it can use to make major improvements and upgrades. This is common, and is called owner reinvestment. In other words, in lieu of taking a return, most small water Company owners reinvest depreciation cash flow from deprecation already along with any net income they may be lucky enough to get.

Q Will the Company take the loan?

A Due to a recommended net loss outside of the impact of the financing, the Company would be taking more financial obligations than it could responsibly manage. The only two reasons it would do so is if the owner does not understand the financial impact or unless the system is facing immediate catastrophic failure. The owner of this Company understands the situation. My recollection is that he lost approximately $200,000 of his own retirement funds saving the customers of the Sonoita-Southern Water Company from a long-term water outage, so I doubt he will make a similar mistake. Consequently, unless the Company's proposed rates and surcharge are approved, the Company will be set on a path that jeopardizes its ability to provide safe and reliable drinking water.

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

INDEX OF SCHEDULES

SCHEDULE	TITLE
A-1	Computation of Increase in Gross Revenue Requirements
A-2	Summary Results of Operations
A-4	Construction Expenditures and Gross Utility Plant In Service
B-1	Summary of Original Cost and RCND
B-2	Original Cost Rate Base Proforma Adjustments
B-2a	Rate Base Proforma Adjustments - Detailed
B-2b	Rate Base Proforma Adjustments - Detailed - Water Division CIAC
B-2c	Rate Base Proforma Adjustments - Detailed - Sewer Division CIAC
B-5	Computation of Working Capital
C-1T	Adjusted Test Year Income Statement - Total Company
C-1W	Adjusted Test Year Income Statement - Water
C-2W	Income Statement Proforma Adjustments - Water
C-2Wa	Adjustment to Repairs and Maintenance Expense - Water
C-2Wb	Adjustment to Outside Services Expense - Water
C-2Wc	Proposed Depreciation Expense - Water
C-2Wd	Property Tax Calculation - Present and Proposed - Water
C-2We	Test Year Income Tax Expense Calculation - Water
C-2Wf	Proposed Income Tax Expense Calculation - Water
C-1S	Adjusted Test Year Income Statement - Sewer
C-2S	Income Statement Proforma Adjustments - Sewer
C-2Sa	Adjustment to Outside Services Expense - Sewer
C-2Sb	Proposed Depreciation Expense - Sewer
C-2Sc	Property Tax Calculation - Present and Proposed - Sewer
C-2Sd	Test Year Income Tax Expense Calculation - Sewer
C-3	Computation of Gross Revenue Conversion Factor
D-1	Summary Cost of Capital
E-1	Comparative Balance Sheet
E-2	Comparative Income Statements
E-5T	Detail of Utility Plant - Total Company
E-5W	Detail of Utility Plant - Water
E-5S	Detail of Utility Plant - Sewer
E-6W	Comparative Departmental Operating Income Statements - Water
E-6S	Comparative Departmental Operating Income Statements - Sewer
E-7	Operating Statistics
E-8	Taxes Charged to Operations
E-9	Notes to Financial Statements
F-1	Projected Income Statements - Present and Proposed Rates
F-3	Projected Construction Requirements (A&B - 3 years, C&D - 1 year)
F-4	Assumptions Used in Developing Projections

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule A-1
Title: Computation of Increase in Gross Revenue Requirements

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Special Reqmt [ ]

Explanation:
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

	Water Original Cost	Sewer Original Cost	Total Company Original Cost	RCND
Rate of Return on Rate Base Method:				
1. Adjusted Rate Base	$ 51,575	$ (17,048)	$ 34,527 (a)	(a)
2. Adjusted Operating Income/(Loss)	$ (38,426)	$ 8,008	$ (30,418) (b)	(b)
3. Current Rate of Return	-74.50%	Not meaningful	-88.10%	
4. Required Rate of Return	50.00%	Not meaningful	50.00%	
5. Required Operating Income	$ 25,788	$ 8,008	$ 33,796	
6. Operating Income Deficiency (5 - 2)	$ 64,214	$ -	$ 64,214	
7. Gross Revenue Conversion Factor	1.313	1.000	1.313 (c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	**$ 84,332**	**$ -**	**$ 84,332**	
Operating Margin Method:				
9. Proposed Revenue	$ 252,582	$ 47,802	$ 300,384	
10. Required Operating Margin	10.21%	16.75%	11.25%	
11. Required Operating Income (9 x 10)	$ 25,788	$ 8,008	$ 33,796	
12. Operating Income Deficiency (11 - 2)	$ 64,214	$ -	$ 64,214	
13. Gross Revenue Conversion Factor	1.313	1.000	1.313 (c)	(c)
14. Increase in Gross Revenue Requirements (12 x 13)	**$ 84,332**	**$ -**	**$ 84,332**	

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase
Water				
Residential	$ 137,318	$ 204,712	$ 67,394	49.08%
Commercial	26,254	42,491	16,237	61.85%
Bulk Water	1,459	2,160	701	48.05%
Other	3,219	3,219	-	0.00%
Total Water	$ 168,250	$ 252,582	$ 84,332	50.12%
Sewer				
Residential	$ 42,130	$ 41,055	$ (1,075)	-2.55%
Commercial	5,242	6,317	1,075	20.51%
Other	430	430	-	0.00%
Total Sewer	$ 47,802	$ 47,802	$ -	0.00%
Total Company	**$ 216,052**	**$ 300,384**	**$ 84,332**	**39.03%** (d)

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:
(a) B-1 (c) C-3
(b) C-1 (d) H-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule A-2
Title: Summary Results of Operations

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

	Prior Years		Test Year		Projected Year	
	Year End 31-Dec-08	Year End 31-Dec-09	Actual Rates	Adjusted Rates	Present Rates	Proposed Rates
Description	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	$ 217,766	$ 224,725	$ 228,859	$ 216,052	$ 216,052	$ 300,384
2. Revenue Deductions & Operating Expenses	(228,749)	(229,459)	(213,250)	(246,470)	(246,470)	(266,588)
3. Operating Income	$ (10,983)	$ (4,734)	$ 15,609	$ (30,418)	$ (30,418)	$ 33,797
4. Other Income and Deductions	3,667	1,853	561	561	561	561
5. Interest Expense	(7,598)	(6,475)	(3,376)	(6,245)	(6,245)	(6,245)
6. Net Income	**$ (14,914)**	**$ (9,356)**	**$ 12,794**	**$ (36,102)**	**$ (36,102)**	**$ 28,113**
7. Earned Per Average Common Share*	$ (4.97)	$ (3.12)	$ 4.26	$ (12.03)		
8. Dividends Per Common Share*	-	-	-	-		
9. Payout Ratio*	0.00%	0.00%	0.00%	0.00%		
10. Return on Average Invested Capital	-3.90%	-2.75%	4.85%	-13.70%	-13.70%	10.67%
11. Return on Year End Capital	-3.90%	-3.13%	5.60%	-15.80%	-15.80%	12.30%
12. Return on Average Common Equity	-9.85%	-9.33%	92.66%	-261.46%	-261.46%	203.60%
13. Return on Year End Common Equity	-9.85%	-19.01%	-59.25%	Double Negative		-130.20%
14. Times Bond Interest Earned - Before Inc Tax	-144.55%	-73.11%	473.79%	-610.10%	-610.10%	418.14%
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes	-144.55%	-73.11%	462.35%	-487.07%	-487.07%	541.18%

Supporting Schedules:
(a) E-2
(b) C-1
(c) F-1

*Optional for projected year

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule A-4**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Construction Expenditures and**
Test Year Ended December 31, 2010 **Gross Utility Plant in Service**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2008 Water	$ 33,685	$ 33,685	$ 1,038,408
2. Prior Year 1 - 2008 Sewer	1,000	1,000	350,945
3. Prior Year 1 - 2008 Total	$ 34,685	$ 34,685	$ 1,389,353
4. Prior Year 2 - 2009 Water	$ 25,496	$ 25,496	$ 1,063,904
5. Prior Year 2 - 2009 Sewer	580	580	351,525
6. Prior Year 2 - 2009 Total	$ 26,076	$ 26,076	$ 1,415,429
7. Test Year - 2010 Water	$ 38,181	$ 38,181	$ 1,102,085
8. Test Year - 2010 Sewer	3,450	3,450	354,975
9. Test Year - 2010 Total	$ 41,631	$ 41,631	$ 1,457,060
10. Projected Year 1 - Water	$ 438,098	461,098	1,563,183
11. Projected Year 1 - Sewer	-	-	354,975
12. Projected Year 1 - Total	$ 438,098	$ 461,098	$ 1,918,158
13. Projected *			
14. Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) F-3
(b) E-5T, E-5W, E-5S

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule B-1
Title: Summary of Original Cost and RCND

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing elements of adjusted original cost and RCND rate bases.

	Water Original Cost Rate Base*	Sewer Original Cost Rate Base*	Total Company Original Cost Rate Base*		RCND Rate Base*	
1. Gross Utility Plant in Service	$ 1,113,935	$ 354,975	$ 1,468,910			
2. Less: Accumulated Depreciation	(910,460)	(328,743)	(1,239,203)			
3. Net Utility Plant in Service	$ 203,475	$ 26,232	$ 229,707	(a)		(b)
Less:						
4. Advances in Aid of Construction (AIAC)	$ (71,634)	$ -	$ (71,634)	(c)		(c)
5. Meter Deposits (AIAC)	(40,253)	-	(40,253)			
5. Contributions in Aid of Construction (CIAC)	(289,888)	(132,017)	(421,905)	(c)		(c)
Add:						
6. Amortization of CIAC	$ 230,534	$ 83,093	$ 313,627	(c)		(c)
7. Allowance for Working Capital	19,341	5,644	24,985	(d)		(d)
8. Total Rate Base	**$ 51,575**	**$ (17,048)**	**$ 34,527**	(e)		(e)

* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) B-2 (d) B-5
(b) B-3
(c) E-1

Recap Schedules:
(e) A-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule B-2
Title: Original Cost Rate Base
Proforma Adjustments

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing proforma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

	Water Division	Actual at End Of Test Year (a)	Pro forma Adjustment	Ref	Adjusted at End Of Test Year (b)
1	Gross Utility Plant in Service	$ 1,097,326	$ 4,760	1	$ 1,102,086
2	Post Test Year Addition		11,849	2	11,849
3	Less: Accumulated Depreciation	(810,041)	(100,419)	3	(910,460)
4	Net Utility Plant in Service	$ 287,285	$ (95,659)		$ 203,475
5	Less:				
6	Advances in Aid of Construction (AIAC)	$ (121,648)	$ 50,014	4	$ (71,634)
7	Meter Deposits (AIAC)	-	(40,253)	5	(40,253)
8	Contributions in Aid of Construction (CIAC)	(239,743)	(50,145)	6	(289,888)
9	Add:				
10	Amortization of CIAC	$ 229,556	$ 978	7	$ 230,534
11	Allowance for Working Capital	19,658	(317)	8	19,341
12	**Total Water Division Rate Base**	**$ 175,108**	**$ (135,381)**		**$ 51,575**
13	**Sewer Division**				
14	Gross Utility Plant in Service	$ 355,470	$ (495)	9	$ 354,975
15	Less: Accumulated Depreciation	(328,780)	37	10	(328,743)
16	Net Utility Plant in Service	$ 26,690	$ (458)		$ 26,232
17	Less:				
18	Advances in Aid of Construction (AIAC)	$ (40,658)	$ 40,658	11	$ -
19	Contributions in Aid of Construction (CIAC)	(87,976)	(44,041)	12	(132,017)
20	Add:				
21	Amortization of CIAC	$ 83,400	(307)	13	$ 83,093
22	Allowance for Working Capital	5,300	344	14	5,644
23	**Total Sewer Division Rate Base**	**$ (13,244)**	**$ (3,804)**		**$ (17,048)**
24	**Total Company**				
25	Gross Utility Plant in Service	$ 1,452,796	$ 4,265		$ 1,457,061
26	Post Test Year Addition	-	11,849		11,849
27	Less: Accumulated Depreciation	(1,138,821)	(100,382)		(1,239,203)
28	Net Utility Plant in Service	$ 313,975	$ (84,268)		$ 229,707
29	Less:				
30	Advances in Aid of Construction (AIAC)	$ (162,306)	$ 90,672		$ (71,634)
31	Meter Deposits (AIAC)	-	(40,253)		(40,253)
32	Contributions in Aid of Construction (CIAC)	(327,719)	(94,186)		(421,905)
33	Add:				
34	Amortization of CIAC	$ 312,956	$ 671		$ 313,627
35	Allowance for Working Capital	24,958	27		24,985
36	**Total Company Rate Base**	**$ 161,864**	**$ (127,336)**		**$ 34,527**

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule B-2a
Title: Rate Base Proforma Adjustments - Detailed

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule detailing proforma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Water Division	Invoice Amount	Account Total
Account 307		
1/25/10 - Pumps, Inc. invoice moved from account 620	$ 342	$ 342
Account 311		
1/2/2010 - Jim's Electric invoice moved to account 620	$ (75)	
7/9/2010 - Jim's Electric invoice moved to account 620	(170)	(245)
Account 333		
3/5/10 Dana Kepner invoice moved from account 620	$ 208	208
Account 334		
1/22/10 Dana Kepner invoice moved from account 620	$ 258	
5/31/10 Dana Kepner invoice moved from account 620	250	
7/21/10 HD Supply invoice moved from account 620	302	
8/23/10 Dana Kepner invoice moved from account 620	655	
9/23/10 Dana Kepner invoice moved from account 620	327	
12/13/10 Dana Kepner invoice moved from account 620	300	2,092
Account 335		
6/4/10 Dana Kepner invoice moved from account 620	$ 1,764	
6/6/10 Garcia and Sons invoice moved from account 620	600	2,364
Gross Utillity Plant Adjustment 1		**$ 4,760**

Pump installation at Well Site 5 in December 2011.	**Post Test Year Plant Adjustment 2**	**$ 11,849**

Accumulated Depreciation adjustment from original application	$ 99,678
Accumulated Depreciation adjustment for pump installation at Well Site 5	741
Accumulated Depreciation Adjustment 3	**$ 100,419**

Advances in Aid of Construction (AIAC):		
Transfer to CIAC	$ 25,985	
Transfer to Capital Account	17,050	
Adjustment amount to match response to Staff data request JMM 3-46	6,979	
Decrease to AIAC by Adjustment 4		**$ 50,014**

Meter Deposits (AIAC)	**Increase by Adjustment 5**		**(40,253)**
Contributions in Aid of Construction (CIAC)			
Transfer expired AIAC	$ (25,985)		
Adjustment amount to match response to Staff data request JMM 3-45	(24,160)		
	Increase to CIAC by Adjustment 6	**$**	**(50,145)**
Amortization of CIAC			
Adjustment based on calculations on Rebuttal Schedule B-2b.	$ 978		
	Increase to Amortization of CIAC by Adjustment 7	**$**	**978**

Sewer Division

Adopt Staff Adjustment #2 from Schedule JMM-WW4 to account 354	**Adjustment 9**	**$**	**(475)**
Adopt Staff Adjustment #2 from Schedule JMM-WW4 to accumulated depreciatio	**Adjustment 10**	**$**	**37**
Advances in Aid of Construction (AIAC):			
Adjustment amount to match response to Staff data request JMM 3-58	**Adjustment 11**	**$**	**40,658**
Contributions in Aid of Construction (CIAC)			
Adjustment amount to match response to Staff data request JMM 3-57	**Adjustment 12**	**$**	**(44,041)**
Amortization of CIAC			
Adjustment based on calculations on Rebuttal Schedule B-2c.	**Adjustment 13**	**$**	**(307)**

Supporting Schedules:

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule B-2b
Title: Rate Base Proforma
Adjustments - Detailed

Line		CIAC Additions	Cumulative CIAC Balance	3.03% Weighted CIAC Amortization	Cumulative CIAC Amort Balance	Cumulative Net CIAC
1	Balance per Decision 68444-Test Year Ended 12/31/04		$ 226,579		$ 226,579	$ -
2	2005		226,579		226,579	-
3	2006	$ 13,164	239,743	$ 199	226,778	12,965
4	2007	3,618	243,361	454	227,232	16,129
5	2008	17,681	261,042	776	228,008	33,033
6	2009		261,042	1,044	229,053	31,989
7	2010	28,846	289,888	1,481	230,534	59,354
8	Totals	$ 63,309		$ 3,955		

9 *Notes:*
10 At the end of 2005, the CIAC balance of $226,579 was fully amortized.
11 There has been no new CIAC since the last rate case, just transfers from AIAC, beginning in 2006.
12 The plant assets associated with the above CIAC, originally AIAC, were classified in account 331 or 33
13 The composite rate for purposes of amortization for the CIAC from AIAC is determined as follows:

14	Account 331 - Transmission and Distribution Mains	2.00%	$ 349,433	$ 6,989
15	Account 333 - Services	3.30%	121,259	4,002
16	Totals		$ 470,692	$ 10,990
17	Weighted average of AIAC/CIAC depreciation rates			2.33%

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule B-2c
Title: Rate Base Proforma
Adjustments - Detailed

Line		CIAC Additions	Cumulative CIAC Balance	2.00% or 2.50% CIAC Amort Rate	Cumulative CIAC Amort Balance	Cumulative Net CIAC
1	Balance per Decision 68333-Test Year Ended 12/31/04		$ 82,012		$ 82,012	$ -
2	2005		82,012		82,012	-
3	2006	$ 5,964	87,976	$ 60	82,072	5,904
4	2007		87,976	119	82,191	5,785
5	2008		87,976	119	82,310	5,666
6	2009		87,976	119	82,429	5,547
7	2010	44,041	132,017	664	83,093	48,924
8	Totals	$ 50,005		$ 1,081		

9 *Notes:*
10 At the end of 2005, the CIAC balance of $82,102 was fully amortized.
11 The plant assets associated with CIAC, whether it was originally AIAC or started as CIAC, were classified in account 360.
12 The composite rate for purposes of amortization for CIAC is determined as follows:
13 Account 360 - Collection Sewers-Force depreciation rate 2.00%

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule B-5**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Computation of Working Capital**
Test Year Ended December 31, 2010

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing computation of working capital allowance.

		Amount			
	Water Division				
	Cash working capital				
1	1/24th Purchased Power	$ 1,690			
2	1/24th Purchased Water	-			
3	1/8th Operation & Maintenance Expense	17,652			
4	Materials and Supplies Inventories	-			(a)
5	Prepayments	-			(a)
6	**Total Working Capital Allowance - Water**		$	**19,341**	(b)
	Sewer Division				
	Cash working capital				
7	1/24th Purchased Power	$ 138			
8	1/24th Purchased Treatment	-			
9	1/8th Operation & Maintenance Expense	3,904			
10	Materials and Supplies Inventories	1,602			(a)
11	Prepayments				(a)
12	**Total Working Capital Allowance - Sewer**		$	**5,644**	(b)
13	**Working Capital Allowance - Total Company**		$	**24,985**	

NOTES:
1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-1T
Title: Adjusted Test Year Income Statement

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
461	Metered Water Revenue	$ 165,631	W-A	(600)	$ 165,031	W-I	$ 84,332	$ 249,363
474	Other Water Revenue	15,279	W-A	(12,060)	3,219			3,219
521	Flat Rate Revenues	-			-			-
522	Measured Revenues	47,519	S-A	(147)	47,372		-	47,372
536	Other Wastewater Revenues	430			430			430
	Total Operating Revenue	$ 228,859		$ (12,807)	$ 216,052		$ 84,332	$ 300,384
	Operating Expenses:							
601	Salaries & Wages	$ -			$ -			$ -
610	Purchased Water	-			-			-
615	Purchased Power	40,551			40,551			40,551
618	Chemicals	1,811			1,811			1,811
620	Repairs & Maintenance	16,928	W-B	(4,760)	12,168			12,168
621	Office Supplies and Expense	9,437			9,437			9,437
630	Outside Services	75,410	W-C	16,830	92,240			92,240
635	Water Testing	7,172	W-L	(2,535)	4,637			4,637
641	Rental Expense	-			-			-
650	Transportation Expense	6,938			6,938			6,938
657	Insurance - General Liability	3,443			3,443			3,443
659	Insurance - Health and Life	-			-			-
666	Rate Case Expense	-	W-D	10,000	10,000			10,000
675	Miscellaneous Expense	1,928	W-E	(1,388)	540			540
701	Salaries & Wages	-		-	-			-
710	Purchased Wastewater Treatment	-		-	-			-
711	Sludge Removal Expense	-		-	-			-
715	Purchased Power	3,313		-	3,313			3,313
716	Fuel for Power Production	-		-	-			-
718	Chemicals	-		-	-			-
720	Materials and Supplies	939		-	939			939
721	Office Supplies	431		-	431			431
731	Contractual Services - Professional	8,550	S-B	14,720	23,270			23,270
736	Contractual Services - Other	-		-	-			-
	Water Testing	-	S-G	2,751	2,751			2,751
750	Transportation Expense	341		-	341			341
755	Insurance Expense	-		-	-			-
766	Rate Case Expense	-	S-C	3,500	3,500			3,500
775	Miscellaneous Expense	-		-	-			-
403	Depreciation & Amortization	14,842	W-F S-D	13,570	28,412			28,412
408	Taxes Other Than Income	-		-	-			-
408.11	Property Taxes	20,780	W-G S-E	(8,348)	12,432	W-J	1,609	14,042
409	Income Taxes	50	W-H S-F	(11,120)	(11,070)	W-K	18,509	7,439
427.4	Interest on Customer Deposits	386		-	386			386
	Total Operating Expenses	$ 213,250		$ 33,220	$ 246,470		$ 20,118	$ 266,588
	OPERATING INCOME/(LOSS)	$ 15,609		$ (46,027)	$ (30,418)	(c)	$ 64,214	$ 33,797
	Other Income/(Expense):							
419	Interest Income	$ 561			$ 561			$ 561
421	Non-Utility Income	-			-			-
426	Miscellaneous Non-Utility Expenses	-			-			-
427.3	Interest Expense	(3,376)	W-M	(2,869)	(6,245)			(6,245)
	Total Other Income/(Expense)	$ (2,815)		$ (2,869)	$ (5,684)		$ -	$ (5,684)
	NET INCOME/(LOSS)	$ 12,794		$ (48,896)	$ (36,102)		$ 64,214	$ 28,113

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-1W, C-1S

Schedules:
(c) A-1

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-1W
Title: Adjusted Test Year Income Statement

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
461	Metered Water Revenue	$ 165,631	A	$ (600)	$ 165,031	I	$ 84,332	$ 249,363
474	Other Water Revenue	15,279	A	(12,060)	3,219			3,219
	Total Operating Revenue	$ 180,910		$ (12,660)	$ 168,250		$ 84,332	$ 252,582
	Operating Expenses:							
601	Salaries & Wages	$ -			$ -			$ -
610	Purchased Water	-			-			-
615	Purchased Power	40,551			40,551			40,551
618	Chemicals	1,811			1,811			1,811
620	Repairs & Maintenance	16,928	B	(4,760)	12,168			12,168
621	Office Supplies and Expense	9,437			9,437			9,437
630	Outside Services	75,410	C	16,830	92,240			92,240
635	Water Testing	7,172	L	(2,535)	4,637			4,637
641	Rental Expense	-			-			-
650	Transportation Expense	6,938			6,938			6,938
657	Insurance - General Liability	3,443			3,443			3,443
659	Insurance - Health and Life	-			-			-
666	Rate Case Expense	-	D	10,000	10,000			10,000
675	Miscellaneous Expense	1,928	E	(1,388)	540			540
403	Depreciation & Amortization	12,957	F	15,151	28,108			28,108
408	Taxes Other Than Income	-			-			-
408.11	Property Taxes	16,235	G	(6,537)	9,698	J	1,609	11,308
409	Income Taxes	50	H	(13,270)	(13,220)	K	18,509	5,289
427.4	Interest on Customer Deposits	325			325			325
	Total Operating Expenses	$ 193,185		$ 13,491	$ 206,676		$ 20,118	$ 226,794
	OPERATING INCOME/(LOSS)	$ (12,275)		$ (26,151)	$ (38,426)	(c)	$ 64,214	$ 25,788
	Other Income/(Expense):							
419	Interest Income	$ 446			$ 446			$ 446
421	Non-Utility Income	-			-			-
426	Miscellaneous Non-Utility Expenses	-			-			-
427.3	Interest Expense	(3,376)	M	(2,869)	(6,245)			(6,245)
	Total Other Income/(Expense)	$ (2,930)		$ (2,869)	$ (5,799)		$ -	$ (5,799)
	NET INCOME/(LOSS)	$ (15,205)		$ (29,020)	$ (44,225)		$ 64,214	$ 19,989

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2W

Recap Schedules:
(c) A-1, C-1T

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2W
Title: Income Statement Proforma Adjustments

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement.

Description	A	B	C	D	E	F	G	H	I	J	K	L	M	Total (a) Adjustments
Revenues:														
Metered Water Revenue	$ (600)								$ 84,332					$ 83,732
Other Revenue	(12,060)													(12,060)
Expenses:														
Repairs and Maintenance		$ (4,760)												$ (4,760)
Outside Services			$ 16,830											16,830
Water Testing												$ (2,535)		(2,535)
Rate Case Expense				$ 10,000										10,000
Miscellaneous Expense					$ (1,388)									(1,388)
Depreciation & Amortization						$ 15,151								15,151
Property Taxes							$ (6,537)			$ 1,609				(4,927)
Income Taxes								$ (13,270)			$ 18,509			5,239
Interest Expense													$ (2,869)	(2,869)

Adjustment Descriptions:
A - Adjust revenue/bill count for customer leak ($600), remove revenue related to TA Grant that is non-recurring ($10,900), and reclassify amount ($1,160) that is not revenue.
B - Reclassify expenditures between repairs and maintenance and asset accounts as reflected on Schedule C-2Wa.
C - Adjust Outside Services expense per Schedule C-2Wb.
D - Increase rate case expense to recover estimated costs of $30,000 for this rate case, amortized over 3 years, ($30,000/3).
E - Remove sales taxes paid for a prior period.
F - Increase depreciation expense based upon proposed depreciation rates per schedule C-2Wc.
G - Adjust property taxes at current rates per calculation on Schedule C-2Wd.
H - Adjust income taxes at current rates per calculation on Schedule C-2We.
I - Increase metered water revenue per calculation on Schedule A-1.
J - Increase property taxes for proposed rates per calculation on Schedule C-2Wd.
K - Increase income taxes for proposed rates per calculation on Schedule C-2Wf.
L - Decrease water testing expense to adopt adjustment reflected on Staff Schedule JMM-W10.
M - Adjust interest expense for current loans based on amortization schedule.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:
C-2Wa through C-2Wf

Recap Schedules:
(a) C-1W

OF REPAIRS AND MAINTENANCE EXPENSE ADJUSTMENT

Vendor	Description	Amount
Dana Kepner	Moved to Account 334	$ (258)
Pumps, Inc.	Moved to Account 307	(342)
Dana Kepner	Moved to Account 333	(208)
Dana Kepner	Moved to Account 334	(250)
Dana Kepner	Moved to Account 335	(1,764)
HD Supply Waterworks, LTD	Moved to Account 334	(302)
Dana Kepner	Moved to Account 334	(655)
Dana Kepner	Moved to Account 334	(327)
Dana Kepner	Moved to Account 334	(300)
Garcia and Sons LLC	Moved to Account 335	(600)
Jim's Electric INC	Moved from Account 311	75
Jim's Electric INC	Moved from Account 311	170
	Total Adjustment B	**$ (4,760)**

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Wb
Title: Income Statement Proforma Adjustments

DETAIL OF OUTSIDE SERVICES EXPENSE ADJUSTMENT

Date	Invoice #	Contract Amount	Billed Amount	Difference
02-Feb-10	3476	$ 7,193	$ 7,193	$ -
10-Mar-10	3510	7,193	7,193	-
15-Mar-10	3542	7,305	7,305	-
15-Apr-10	3638	7,224	7,224	-
10-May-10	3708	7,265	5,157	2,108
14-Jun-10	3740	7,295	5,184	2,111
08-Jul-10	3793	7,224	5,121	2,103
09-Aug-10	3832	7,224	5,121	2,103
09-Sep-10	3883	7,203	5,103	2,100
11-Oct-10	3935	7,152	5,058	2,094
07-Nov-10	3986	7,254	5,148	2,106
09-Dec-10	4036	7,234	5,130	2,104
	Totals	$ 86,767	$ 69,938	
			Total Adjustment C	**$ 16,830**

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Wc
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED DEPRECIATION EXPENSE CALCULATION

Account Number	Description	Plant @ End of Test Year 31-Dec-10	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
301	Intangibles	$ 1,625	0.00%		$ -
303	Land & Land Rights	210	0.00%		-
304	Structures & Improvements	28,565	3.33%	1	-
307	Wells & Springs	179,255	3.33%		5,969
311	Pumping Equipment	184,686	12.50%	2	7,928
320	Water Treatment Equipment	-			-
320.1	Water Treatment Plants	-	3.33%		-
320.2	Solution Chemical Feeders	4,574	20.00%		915
330	Distribution Reservoirs & Standpipes	16,011	2.22%		-
330.1	Storage Tanks	122,423	2.22%		2,718
330.2	Pressure Tanks.	-	5.00%		-
331	Transmission & Distribution Mains	349,433	2.00%		6,989
333	Services	121,259	3.33%		4,038
334	Meters & Meter Installations	83,678	8.33%	3	1,422
335	Hydrants	12,214	2.00%	4	47
339	Other Plant and Misc Equipment	-	6.67%		-
340	Office Furniture & Equipment	3,274	6.67%	5	-
340.1	Computers and Software	-	20.00%		-
341	Transportation Equipment	-	20.00%		-
343	Tools, Shop, and Garage Equipment	6,727	5.00%	6	-
345	Power Operated Equipment	-	5.00%		-
348	Other Tangible Plant	-	0.00%		-
	Totals	**$ 1,113,934**			**$ 30,026**
			CIAC Amortization [7]		(1,918)
			Proposed Depreciation Expense		$ 28,108
			Test Year Depreciation Expense		12,957
			Total Adjustment F		**$ 15,151**

1 The total amount in Structures and Improvements is fully depreciated.
2 $121,259 of the total amount in account 311 - Pumping Equipment, is fully depreciated.
3 $66,606 of the total amount in account 334 - Meters & Meter Installations, is fully depreciated.
4 $9,850 of the total amount in account 335 - Hydrants, is fully depreciated.

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Wd
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED PROPERTY TAX EXPENSE CALCULATION

		Test Year as Adjusted		Company at Proposed Rates
Adjusted 2010 Test Year Revenue	$	168,250	$	168,250
Weight Factor		2		2
Subtotal	$	336,500	$	336,500
Company Recommended Revenue		168,250		252,582
Subtotal	$	504,750	$	589,082
Number of Years		3		3
Three Year Revenue Average	$	168,250	$	196,361
AZ Department of Revenue Multiplier		2		2
Revenue Base Value	$	336,500	$	392,722
Plus 10% of CWIP		2,300		2,300
Less: Net Book Value of Licensed Vehicles		-		-
Full Cash Value	$	**338,800**	$	**395,022**
Assessment Ratio		20.50%		20.50%
Assessment Value	$	**69,454**	$	**80,979**
Composite Property Tax Rate *		13.9638%		13.9638%

Adjusted Test Year Property Tax Expense	$	9,698
Actual Test Year Property Tax Expense		16,235
Total Adjustment G	$	**(6,537)**

Projected Property Tax Expense	$	11,308
Adjusted Test Year Property Tax Expense		9,698
Total Adjustment J	$	**1,609**

** Property tax composite rate calculation:*

Assessed Value per 2010 Property Tax Notices	$	75,050
Property Tax due per test year Notice		10,480
Composite Property Tax Rate		13.9638%

For Gross Revenue Conversion Factor:

Change in Property Tax Expense	$	1,609
Change in Revenue Requirement		84,332
Change in Property Tax per Dollar Increase in Revenue		1.9084%

CALCULATION OF TEST YEAR INCOME TAX EXPENSE ADJUSTMENT

STATE INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	(51,645)		
Plus Interest Income		446		
Less Interest Expense		(6,245)		
Arizona Taxable Income	$	(57,444)		
Arizona Income Tax Rate		6.9680%		
Arizona Income Tax Expense			$	(4,003)

FEDERAL INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	(51,645)		
Plus Interest Income		446		
Less Arizona Income Tax		(4,003)		
Less Interest Expense		(6,245)		
Federal Taxable Income	$	(61,447)		
Federal Income Tax Rate		15.0000%		
Federal Income Tax Expense			$	(9,217)
Adjusted Test Year Income Tax Expense			$	(13,220)
Test Year Income Tax Expense				50
Total Adjustment H to Income Taxes			**$**	**(13,270)**

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Wf
Title: Income Statement Proforma Adjustments

CALCULATION OF PROPOSED INCOME TAX EXPENSE ADJUSTMENT

Revenue	$ 252,582		
Less Operating Expenses Excluding Income Tax	(221,505)		
Less Interest Expense	(6,245)		
Plus Interest Income	446		
Arizona Taxable Income		$ 25,279	
Arizona Income Tax Rate		6.9680%	
Arizona Income Tax Expense			$ 1,761
Federal Taxable Income		$ 23,517	
Federal Tax on 1st Income Range ($1 - $50,000) @ 15%		$ 3,528	
Federal Tax on 2nd Income Range ($50,001 - $75,000) @ 25%			
Federal Tax on 3rd Income Range ($75,001 - $100,000) @ 34%			
Federal Tax on 4th Income Range ($100,001 - $335,000) @ 39%			
Federal Tax on 5th Income Range ($335,001 - $10M) @ 34%			
Total Federal Income Tax Expense			3,528
Combined Federal and State Income Tax Expense			$ 5,289
Adjusted Test Year Income Tax Expense			(13,220)
Adjustment K to Proposed Income Tax Expense			**$ 18,509**

Required Operating Income	$ 25,788		
Adjusted Test Year Operating Income/(Loss)	(38,426)		
Proposed Increase In Operating Income		$ 64,214	
Income Taxes On Proposed Revenue	$ 5,289		
Income Taxes On Test Year Revenue	(13,220)		
Proposed Revenue Increase For Income Taxes		$ 18,509	
Property Taxes On Proposed Revenue	$ 11,308		
Property Taxes On Test Year Revenue	9,698	$ 1,609	
Proposed Revenue Increase For Property Taxes			
Total Proposed Increase In Revenue			**$ 84,332**

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-1S
Title: Adjusted Test Year Income Statement

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing statement of income for the test year, including pro forma adjustments.

	Description	Actual for Test Year Ended (a) 31-Dec-10	Ref	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Ref	Proposed Rate Increase	Adjusted Test Year With Rate Increase
	Operating Revenues:							
521	Flat Rate Revenues				$ -			$ -
522	Measured Revenues	47,519	A	(147)	47,372		-	47,372
536	Other Wastewater Revenues	430			430			430
	Total Operating Revenue	$ 47,949		$ (147)	$ 47,802		$ -	$ 47,802
	Operating Expenses:							
701	Salaries & Wages	$ -			$ -			$ -
710	Purchased Wastewater Treatment				-			-
711	Sludge Removal Expense				-			-
715	Purchased Power	3,313			3,313			3,313
716	Fuel for Power Production				-			-
718	Chemicals				-			-
720	Materials and Supplies	939			939			939
721	Office Supplies	431			431			431
731	Contractual Services - Professional	8,550	B	14,720	23,270			23,270
736	Contractual Services - Other				-			-
	Water Testing	-	G	2,751	2,751			2,751
750	Transportation Expense	341			341			341
755	Insurance Expense				-			-
766	Rate Case Expense	-	C	3,500	3,500			3,500
775	Miscellaneous Expense				-			-
403	Depreciation & Amortization	1,885	D	(1,581)	304			304
408	Taxes Other Than Income				-			-
408.11	Property Taxes	4,545	E	(1,811)	2,734			2,734
409	Income Taxes	-	F	2,150	2,150			2,150
427.4	Interest on Customer Deposits	61			61			61
	Total Operating Expenses	$ 20,065		$ 19,729	$ 39,794		$ -	$ 39,794
	OPERATING INCOME/(LOSS)	$ 27,884		$ (19,876)	$ 8,008	(c)	$ -	$ 8,008
	Other Income/(Expense):							
419	Interest Income	$ 115			$ 115			$ 115
421	Non-Utility Income				-			-
426	Miscellaneous Non-Utility Expenses				-			-
427.3	Interest Expense				-			-
	Total Other Income/(Expense)	$ 115		$ -	$ 115		$ -	$ 115
	NET INCOME/(LOSS)	$ 27,999		$ (19,876)	$ 8,123		$ -	$ 8,123

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2S

Recap Schedules:
(c) A-1, C-1T

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2S
Title: Income Statement Proforma Adjustments

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement.

Description	A	B	C	D	E	F	G	Total (a) Adjustments
Revenues:								
Measured Revenues	$ (147)							$ (147)
								-
Expenses:								
Outside Services		$ 14,720						$ 14,720
Water Testing							$ 2,751	2,751
Rate Case Expense			$ 3,500					3,500
Depreciation & Amortization				$ (1,581)				(1,581)
Property Taxes					$ (1,811)			(1,811)
Income Taxes						$ 2,150		2,150

Adjustment Descriptions:
A - Adjust revenue and bill count for customer leak.
B - Adjust Outside Services expense per Schedule C-2Sa.
C - Increase rate case expense to recover estimated costs of $10,500 for this rate case, amortized over 3 years, ($10,500/3).
D - Adjust depreciation expense based upon proposed depreciation rates per schedule C-2Sb.
E - Adjust property taxes at current rates per calculation on Schedule C-2Sc.
F - Adjust income taxes at current rates per calculation on Schedule C-2Sd.
G - Increase water testing expense to adopt adjustment reflected on Staff Schedule JMM-WW8.

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:
C-2Sa through C-2Sd

Recap Schedules:
(a) C-1S

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Sa
Title: Income Statement Proforma Adjustments

DETAIL OF OUTSIDE SERVICES EXPENSE ADJUSTMENT

Date	Invoice #	Cust/Mo	Rate	Contract Amount	Billed Amount	Difference
02/02/2010	3478	363	$ 5.00	$ 1,815	$ 1,815	$ -
02/22/2010	3511	366	5.00	1,830	1,830	-
03/15/2010	3545	368	5.00	1,840	1,840	-
04/15/2010	3640	369	5.00	1,845	1,845	-
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	N/A	368	5.00	1,840	-	1,840
	Totals			$ 22,050	$ 7,330	

Total Adjustment B $ 14,720

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Sb
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED DEPRECIATION EXPENSE CALCULATION

Account Number	Description	Plant @ End of Test Year 31-Dec-10	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
351	Organization	$ -			$ -
353	Land & Land Rights	4,654	0.00%		-
354	Structures & Improvements	9,504	3.33%		316
355	Power Generation Equipment	-	5.00%		-
360	Collection Sewers - Force	276,318	2.00%	1	205
361	Collection Sewers - Gravity	-			-
362	Special Collecting Structures	-			-
363	Services to Customers	9,880	2.00%		198
364	Flow Measuring Devices	-			-
365	Flow Measuring Installations	-			-
370	Receiving Wells	-			-
371	Pumping Equipment	51,208	12.50%	2	662
380	Treatment and Disposal Equipment	487	5.00%		24
381	Plant Sewers	-			-
382	Outfall Sewer Lines	-			-
389	Other Plant & Misc Equipment	-			-
390	Office Furniture & Equipment	-			-
390.1	Computers and Software	-			-
391	Transportation Equipment	863	20.00%	3	-
393	Tools, Shop, and Garage Equipment	2,061	5.00%		103
394	Laboratory Equipment	-			-
395	Power Operated Equipment	-			-
398	Other Tangible Plant	-			-
	Totals	**$ 354,975**			**$ 1,508**
			CIAC Amortization [4]		(1,204)
			Proposed Depreciation Expense		$ 304
			Test Year Depreciation Expense		1,885
			Total Adjustment D		**$ (1,581)**

1 $266,052 of the total amount in account 360 - Collection Sewers-Force, is fully depreciated
2 $45,916 of the total amount in account 371 - Pumping Equipment, is fully depreciated.
3 The total amount in account 391 - Transportation Equipment, is fully depreciated
4 As calculated on Schedule B-2c.

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule C-2Sc
Title: Income Statement Proforma Adjustments

DETAIL OF PROPOSED PROPERTY TAX EXPENSE CALCULATION

		Test Year as Adjusted		Company at Proposed Rates
Adjusted 2010 Test Year Revenue	$	47,802	$	47,802
Weight Factor		2		2
Subtotal	$	95,604	$	95,604
Company Recommended Revenue		47,802		47,802
Subtotal	$	143,406	$	143,406
Number of Years		3		3
Three Year Revenue Average	$	47,802	$	47,802
AZ Department of Revenue Multiplier		2		2
Revenue Base Value	$	95,604	$	95,604
Plus 10% of CWIP		-		-
Less: Net Book Value of Licensed Vehicles		-		-
Full Cash Value	**$**	**95,604**	**$**	**95,604**
Assessment Ratio		20.50%		20.50%
Assessment Value	**$**	**19,599**	**$**	**19,599**
Revised Composite Property Tax Rate *		13.9486%		13.9486%

Adjusted Test Year Property Tax Expense	$	2,734
Actual Test Year Property Tax Expense		4,545
Total Adjustment E	**$**	**(1,811)**

Projected Property Tax Expense	$	2,734
Adjusted Test Year Property Tax Expense		2,734
No Adjustment	**$**	**-**

** Property tax composite rate calculation:*

Assessed Value per 2010 Property Tax Notices	$	20,790
Property Tax due per test year Notice		2,900
Composite Property Tax Rate		13.9486%

CALCULATION OF TEST YEAR INCOME TAX EXPENSE ADJUSTMENT

STATE INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	10,158		
Plus Interest Income		115		
Less Interest Expense		-		
Arizona Taxable Income	$	10,273		
Arizona Income Tax Rate		6.9680%		
Arizona Income Tax Expense			$	716

FEDERAL INCOME TAX CALCULATION:

Operating Income/(Loss) Before Taxes	$	10,158		
Plus Interest Income		115		
Less:				
Arizona Income Tax	$	(716)		
Estimated Interest Expense		-		
Federal Taxable Income	$	9,557		
Federal Income Tax Rate		15.0000%		
Federal Income Tax Expense			$	1,434
Adjusted Test Year Income Tax Expense			$	2,150
Test Year Income Tax Expense				-
Total Adjustment F to Income Taxes			**$**	**2,150**

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule C-3**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Computation of Gross Revenue**
Test Year Ended December 31, 2010 **Conversion Factor**

	Required for: All Utilities	X
Explanation:	Class A	
Schedule showing incremental taxes on gross revenues and	Class B	
the development of a gross revenue conversion factor.	Class C	
	Class D	
	Specl Reqmt	

Description	**Calculation**
Water Division	
Revenue	1.000
Combined Federal And State Tax Rate	(0.219)
Property Tax Rate	(0.019)
Subtotal (Operating Income %)	0.761
Gross Revenue Conversion Factor = 1/Operating Income %	**1.313**
Sewer Division	
Revenue	1.000
Combined Federal And State Tax Rate	
Property Tax Rate	
Subtotal (Operating Income %)	1.000
Gross Revenue Conversion Factor = 1/Operating Income %	**1.000**
Total Company	
Revenue	1.000
Combined Federal And State Tax Rate	(0.219)
Property Tax Rate	(0.019)
Subtotal (Operating Income %)	0.761
Gross Revenue Conversion Factor = 1/Operating Income %	**1.313**

CALCULATION OF COMBINED FEDERAL AND STATE TAX RATE:

Operating Income Before Taxes (Arizona Taxable Income)	100.0000%
Arizona State Income Tax Rate	6.9680%
Federal Taxable Income	93.0320%
Federal Income Tax Rate	15.0000%
Effective Federal Income Tax Rate	13.9548%
Combined Federal And State Income Tax Rates	21.9480%

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules: Recap Schedules:
A-1

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule D-1
Title: Summary Cost of Capital

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing elements of capital structure and the related cost.

	End of Test Year				End of Projected Year			
Invested Capital	**Amount**	**%**	**Cost Rate (e)**	**Composite Cost %**	**Amount**	**%**	**Cost Rate (e)**	**Composite Cost %**
Long-Term Debt (a)	$ 54,576	80.21%	6.75%	5.41%	$ 54,576	80.21%	6.75%	5.41%
Long-Term Debt (a)	35,059	51.52%	6.38%	3.29%	35,059	51.52%	6.38%	3.29%
Preferred Stock (b)	-				-			
Common Equity (c)	(21,592)	-31.73%		0.00%	(21,592)	-31.73%	0.00%	0.00%
Short-Term Debt (a)	-				-			
Totals	$ 68,043	100.00%		8.70%	$ 68,043	100.00%		8.70%

Supporting Schedules:
(a) D-2
(b) D-3
(c) D-4
(d) E-1

Recap Schedules:
(e) A-3

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule E-1**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Comparative Balance Sheet**
Test Year Ended December 31, 2010

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

	Test Year At 31-Dec-10	Prior Year 31-Dec-09	Prior Year 31-Dec-08
ASSETS			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	$ 1,468,909	$ 1,415,925	$ 1,389,354
103 Property Held for Future Use		-	-
105 Construction Work in Process	23,000	-	-
108 Accumulated Depreciation	(1,239,203)	(1,104,827)	(1,089,605)
Total Property Plant & Equipment	$ 252,706	$ 311,098	$ 299,749
Current Assts:			
131 Cash	$ 30,036	$ 26,724	$ 33,804
135 Temporary Cash Investments	16,386	16,271	107,790
141 Customer Accounts Receivable	12,821	17,424	15,265
146 Notes/Receivables from Associated Companies	88,161	58,201	50,201
151 Plant Material and Supplies	1,602	1,602	1,602
162 Prepayments			
174 Miscellaneous Current and Accrued Assets			
Total Current Assets	$ 149,006	$ 120,222	$ 208,662
TOTAL ASSETS	**$ 401,712**	**$ 431,320**	**$ 508,411**
LIABILITIES and CAPITAL			
Capitalization: (b)			
201 Common Stock Issued	$ 1,000	$ 1,000	$ 1,000
211 Paid in Capital in Excess of Par Value	2,637,759	2,637,759	2,637,759
215 Retained Earnings	(2,660,351)	(2,589,551)	(2,487,405)
218 Proprietary Capital	-	-	-
Total Capital	$ (21,592)	$ 49,208	$ 151,354
Current Liabilities:			
231 Accounts Payable	$ 27,358	$ 26,465	$ 10,237
232 Notes Payable (Current Portion)			
234 Notes/Accounts Payable to Associated Companies	98,161	58,201	51,937
235 Customer Deposits	46,541	47,312	62,713
236 Accrued Taxes	1,097	852	867
241 Miscellaneous Current and Accrued Liabilities			
Total Current Liabilities	$ 173,157	$ 132,830	$ 125,754
224 Long-Term Debt (Over 12 Months)	$ 89,635	$ 94,500	$ 99,054
Deferred Credits:			
252 Advances In Aid Of Construction	$ 119,271	$ 139,242	$ 115,892
271 Contributions In Aid Of Construction	353,704	327,719	327,719
272 Less: Amortization of Contributions	(312,463)	(312,179)	(311,362)
281 Accumulated Deferred Income Tax			
Total Deferred Credits	$ 160,512	$ 154,782	$ 132,249
Total Liabilities	$ 423,304	$ 382,112	$ 357,057
TOTAL LIABILITIES and CAPITAL	**$ 401,712**	**$ 431,320**	**$ 508,411**

Supporting Schedules:
(a) E-5T

Recap Schedules:
(b) A-3

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule E-2**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Comparative Income Statements**
Test Year Ended December 31, 2010

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

		Test Year Ended 31-Dec-10	Prior Year Ended 31-Dec-09	Prior Year Ended 31-Dec-08
	Revenues: (a)			
461	Metered Water Revenue	$ 165,631	$ 175,260	$ 168,060
474	Other Water Revenue	15,279	(26)	887
521	Flat Rate Revenues	-		
522	Measured Revenues	47,519	49,371	48,809
536	Other Wastewater Revenues	430	120	10
	Total Revenues	$ 228,859	$ 224,725	$ 217,766
	Operating Expenses (a)			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water			
615	Purchased Power	40,551	31,973	27,219
618	Chemicals	1,811	2,154	2,655
620	Repairs and Maintenance	16,928	5,399	9,473
621	Office Supplies and Expense	9,437	5,989	5,086
630	Outside Services	75,410	100,619	85,035
635	Water Testing	7,172	1,350	3,054
641	Rents	-		
650	Transportation Expense	6,938	12,361	6,561
657	Insurance - General liability	3,443	3,433	3,404
659	Insurance - Health and Life	-		
666	Regulatory Commission Expense - Rate Case	-		
675	Miscellaneous Expense	1,928		
701	Salaries & Wages	-		
710	Purchased Wastewater Treatment	-		
711	Sludge Removal Expense	-		
715	Purchased Power	3,313	3,048	3,739
716	Fuel for Power Production	-		
718	Chemicals	-		
720	Materials and Supplies	939		
721	Office Supplies	431		
731	Contractual Services - Professional	8,550	29,884	38,390
736	Contractual Services - Other	-	1,446	4,903
740	Rents	-		
750	Transportation Expense	341	2,486	2,263
755	Insurance Expense	-		
766	Rate Case Expense	-		
775	Miscellaneous Expense	-	100	581
403	Depreciation & Amortization	14,842	14,405	14,598
408	Taxes Other Than Income	-		
408.11	Property Taxes	20,780	14,812	21,788
409	Income Tax	50		
427.4	Interest on Customer Deposits	386		
	Total Operating Expenses	$ 213,250	$ 229,459	$ 228,749
	OPERATING INCOME/(LOSS)	**$ 15,609**	**$ (4,734)**	**$ (10,983)**
	Other Income/(Expense)			
419	Interest and Dividend Income	$ 561	$ 1,283	$ 3,418
421	Non-Utility Income	-	570	249
426	Miscellaneous Non-Utility Expense	-		
427.3	Interest Expense	(3,376)	(6,475)	(7,598)
	Total Other Income/(Expense)	$ (2,815)	$ (4,622)	$ (3,931)
	NET INCOME/(LOSS)	**$ 12,794**	**$ (9,356)**	**$ (14,914)**

Supporting Schedules:
(a) E-6W, E-6S

Recap Schedules:
A-2

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule E-5T**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Detail of Utility Plant**
Test Year Ended December 31, 2010

Required for:	
All Utilities	[X]
Class A	[ ]
Class B	[ ]
Class C	[ ]
Class D	[ ]
Specl Reqmt	[ ]

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Total Company

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
301	Organization	$ 1,625	$ -	$ 1,625
303	Land & Land Rights	210	-	210
304	Structures & Improvements	28,565	-	28,565
307	Wells & Springs	178,914	341	179,255
311	Pumping Equipment	168,711	15,975	184,686
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	-	-	-
320.2	Solution Chemical Feeders	4,574	-	4,574
330	Distribution Reservoirs & Standpipes	16,011	-	16,011
330.1	Storage Tanks	122,423	-	122,423
330.2	Pressure Tanks.	-	-	-
331	Transmission &Distribution Mains	334,533	14,900	349,433
333	Services	108,828	12,431	121,259
334	Meters & Meter Installations	79,659	4,019	83,678
335	Hydrants	9,850	2,364	12,214
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	3,274	-	3,274
340.1	Computers and Software	-	-	-
341	Transportation Equipment	-	-	-
343	Tools, Shop, and Garage Equipment	6,727	-	6,727
345	Power Operated Equipment	-	-	-
348	Other Tangible Plant	-	-	-
351	Organization	-	-	-
353	Land & Land Rights	4,654	-	4,654
354	Structures & Improvements	9,504	-	9,504
355	Power Generation Equipment	-	-	-
360	Collection Sewers - Force	273,018	3,300	276,318
361	Collection Sewers - Gravity	-	-	-
362	Special Collecting Structures	-	-	-
363	Services to Customers	9,880	-	9,880
364	Flow Measuring Devices	-	-	-
365	Flow Measuring Installations	-	-	-
371	Pumping Equipment	-	-	
370	Receiving Wells	51,058	150	51,208
380	Treatment and Disposal Equipment	487	-	487
381	Plant Sewers	-	-	-
382	Outfall Sewer Lines	-	-	-
389	Other Plant & Misc Equipment	-	-	-
390	Office Furniture & Equipment	-	-	-
390.1	Computers and Software	-	-	-
391	Transportation Equipment	863	-	863
393	Tools, Shop, and Garage Equipment	2,061	-	2,061
394	Laboratory Equipment	-	-	-
395	Power Operated Equipment	-	-	-
398	Other Tangible Plant	-	-	-
	Total Plant In Service	**$ 1,415,429**	**$ 53,480**	**$ 1,468,909**
108	Accumulated Depreciation	(1,208,939)	(30,264)	(1,239,203)
	Net Plant In Service	$ 206,490	$ 23,216	$ 229,706
103	Property Held for Future Use	$ -	$ -	$ -
105	Construction Work in Process	-	23,000	23,000
	Total Net Plant	**$ 229,490**	**$ 46,216**	**$ 252,706**

Supporting Schedules:
E-5W, E-5S

Recap Schedules:
E-1 A-4

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-5W
Title: Detail of Utility Plant

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Water Division

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
301	Organization	$ 1,625		$ 1,625
303	Land & Land Rights	210		210
304	Structures & Improvements	28,565		28,565
307	Wells & Springs	178,914	341	179,255
311	Pumping Equipment	168,711	15,975	184,686
320	Water Treatment Equipment	-		-
320.1	Water Treatment Plants	-		-
320.2	Solution Chemical Feeders	4,574		4,574
330	Distribution Reservoirs & Standpipes	16,011		16,011
330.1	Storage Tanks	122,423		122,423
330.2	Pressure Tanks	-		-
331	Transmission &Distribution Mains	334,533	14,900	349,433
333	Services	108,828	12,431	121,259
334	Meters & Meter Installations	79,659	4,019	83,678
335	Hydrants	9,850	2,364	12,214
339	Other Plant and Misc Equipment			-
340	Office Furniture & Equipment	3,274		3,274
340.1	Computers and Software			-
341	Transportation Equipment			-
343	Tools, Shop, and Garage Equipment	6,727		6,727
345	Power Operated Equipment			-
348	Other Tangible Plant			-
	Total Water Plant In Service	**$ 1,063,904**	**$ 50,030**	**$ 1,113,934**
108	Accumulated Depreciation	(881,984)	(28,475)	(910,460)
	Net Plant In Service	$ 181,920	$ 21,555	$ 203,474
103	Property Held for Future Use	$ -	$ -	$ -
105	Construction Work in Process	-	23,000	23,000
	Total Net Plant	**$ 204,920**	**$ 44,555**	**$ 226,474**

Supporting Schedules:

Recap Schedules:
E-5T, A-4

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-5S
Title: Detail of Utility Plant

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Sewer Division

Account Number	Description	End of Prior Year at 31-Dec-09	Net Additions	End of Test Year at 31-Dec-10
351	Organization	$ -		$ -
353	Land & Land Rights	4,654		4,654
354	Structures & Improvements	9,504		9,504
355	Power Generation Equipment	-		-
360	Collection Sewers - Force	273,018	3,300	276,318
361	Collection Sewers - Gravity			-
362	Special Collecting Structures			-
363	Services to Customers	9,880		9,880
364	Flow Measuring Devices			-
365	Flow Measuring Installations			-
370	Receiving Wells			-
371	Pumping Equipment	51,058	150	51,208
380	Treatment and Disposal Equipment	487		487
381	Plant Sewers			-
382	Outfall Sewer Lines			-
389	Other Plant & Misc Equipment			-
390	Office Furniture & Equipment			-
390.1	Computers and Software			-
391	Transportation Equipment	863		863
393	Tools, Shop, and Garage Equipment	2,061		2,061
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	Total Sewer Plant In Service	**$ 351,525**	**$ 3,450**	**$ 354,975**
108	Accumulated Depreciation	(326,955)	(1,788)	(328,743)
	Net Plant In Service	$ 24,570	$ 1,662	$ 26,232
103	Property Held for Future Use	$ -		$ -
105	Construction Work in Process	-		-
	Total Net Plant	**$ 24,570**	**$ 1,662**	**$ 26,232**

Supporting Schedules:

Recap Schedules:
E-5T A-4

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-6W
Title: Comparative Departmental Operating Income Statements

Required for:

All Utilities	☐
Class A	☐
Class B	☐
Class C	☐
Class D	☐
Specl Reqmt	X

Explanation:
Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

	Water Division	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
	Operating Revenues:			
461	Metered Water Revenue	$ 165,631	$ 175,260	$ 168,060
474	Other Water Revenue	15,279	(26)	887
	Total Operating Revenue	$ 180,910	$ 175,234	$ 168,947
	Operating Expenses:			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water	-	-	-
615	Purchased Power	40,551	15,664	27,219
618	Chemicals	1,811	2,154	2,655
620	Repairs & Maintenance	16,928	5,399	9,473
621	Office Supplies and Expense	9,437	22,298	5,086
630	Outside Services	75,410	100,619	85,035
635	Water Testing	7,172	1,350	3,054
641	Rental Expense	-		
650	Transportation Expense	6,938	12,361	6,561
657	Insurance - General Liability	3,443	3,433	3,404
659	Insurance - Health and Life	-		
666	Rate Case Expense	-		
675	Miscellaneous Expense	1,928		
403	Depreciation & Amortization	12,957	12,600	12,788
408	Taxes Other Than Income	-		
408.11	Property Taxes	16,235	11,431	18,294
409	Income Taxes	50		
427.4	Interest on Customer Deposits	325		
	Total Operating Expenses	$ 193,185	$ 187,309	$ 173,569
	OPERATING INCOME/(LOSS)	**$ (12,275)**	**$ (12,075)**	**$ (4,622)**

* Including allocation of general and administrative expenses.

Supporting Schedules: Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-6S
Title: Comparative Departmental Operating Income Statements

Required for:

All Utilities	
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	X

Explanation:
Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

	Sewer Division	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
	Operating Revenues:			
521	Flat Rate Revenues	$ -	$ -	$ -
522	Measured Revenues	47,519	49,371	48,809
536	Other Wastewater Revenues	430	120	10
	Total Operating Revenue	$ 47,949	$ 49,491	$ 48,819
	Operating Expenses:			
701	Salaries & Wages	$ -	$ -	$ -
710	Purchased Wastewater Treatment	-		
711	Sludge Removal Expense	-		
715	Purchased Power	3,313	3,048	3,739
716	Fuel for Power Production	-		
718	Chemicals	-		
720	Materials and Supplies	939		
721	Office Supplies	431		
731	Contractual Services - Professional	8,550	29,884	38,390
736	Contractual Services - Other	-	1,446	4,903
740	Rents	-		
750	Transportation Expense	341	2,486	2,263
755	Insurance Expense	-		
766	Rate Case Expense	-		
775	Miscellaneous Expense	-	100	581
403	Depreciation & Amortization	1,885	1,805	1,810
408	Taxes Other Than Income	-		
408.11	Property Taxes	4,545	3,381	3,494
409	Income Taxes	-		
427.4	Interest on Customer Deposits	61		
	Total Operating Expenses	$ 20,065	$ 42,150	$ 55,180
	OPERATING INCOME/(LOSS)	**$ 27,884**	**$ 7,341**	**$ (6,361)**

* Including allocation of general and administrative expenses.

Supporting Schedules: Recap Schedules:
E-2

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-7
Title: Operating Statistics

Required for:		
	All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Explanation:
Schedule showing key operating statistics in comparative format, for the test year and the 2 fiscal years ended prior to the test year.

Water Statistics:	**Test Year Ended 31-Dec-10**	**Prior Year Ended 31-Dec-09**	**Prior Year Ended 31-Dec-08**
Gallons Sold - By Class of Service:			
Residential	32,220,420	33,710,783	34,519,908
Commercial	6,326,580	6,619,217	6,778,092
Average Number of Customers - By Class of Service:			
Residential	511	521	540
Commercial	54	55	58
Average Annual Gallons Per Residential Customer	63,095	64,753	63,867
Average Annual Revenue Per Residential Customer	$ 269.01	$ 369.67	$ 266.30
Pumping Cost Per 1,000 Gallons	$ 1.0520	$ 0.7928	$ 0.6591

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule E-8**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Taxes Charged to Operations**
Test Year Ended December 31, 2010

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.

Description	Test Year Ended 31-Dec-10	Prior Year Ended 31-Dec-09	Prior Year Ended 31-Dec-08
Water Division			
Federal Taxes:			
Income	$ -	$ -	$ -
Payroll	-	-	-
Total Federal Taxes	$ -	$ -	$ -
State Taxes:			
Income	$ 50	$ 50	$ 50
Payroll	-	-	-
Total State Taxes	$ 50	$ 50	$ 50
Local Taxes:			
Property	$ 16,235	$ 11,431	$ 18,294
Total Water Division Taxes	**$ 16,285**	**$ 11,481**	**$ 18,344**
Sewer Division			
Federal Taxes:			
Income			
Payroll			
Total Federal Taxes	$ -	$ -	$ -
State Taxes:			
Income			
Payroll			
Total State Taxes	$ -	$ -	$ -
Local Taxes:			
Property	$ 4,545	$ 3,381	$ 3,494
Total Sewer Division Taxes	**$ 4,545**	**$ 3,381**	**$ 3,494**
Total Company			
Federal Taxes	$ -	$ -	$ -
State Taxes	50	50	50
Property Taxes	20,780	14,812	21,788
Total Company Taxes	**$ 20,830**	**$ 14,862**	**$ 21,838**

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules: Recap Schedules:

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule E-9
Title: Notes to Financial Statements

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Disclosure of important facts pertaining to the understanding of the financial statements.

Disclosures should include, but not be limited to the following:

1 Accounting Method.
The books of the entity are kept as accrual based, and also follow NARUC rules, including the USoA.

2 Depreciation lives and methods employed by major classification of utility property.
For years up to and including the test year 2010, the depreciation rates used were authorized in Decision 68443 for all water plant asset categories. Proposed depreciation rates are depicted on Schedules C-2Wc (water division). For the sewer division, depreciation rates were authorized in Decision 62583 at 5% for all sewer plant assets categories. Proposed depreciation rates are depicted on Schedule C-2Sb (sewer division).

3 Income tax treatment - normalization or flow through.
C-Corporation.

4 Interest rate used to charge interest during construction, if applicable.
Not Applicable.

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule F-1**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Projected Income Statements -**
Test Year Ended December 31, 2010 **Present and Proposed Rates**

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule showing an income statement for the projected year, compared with actual test year results, at present and proposed rates.

		Actual Test Year Ended (a) 31-Dec-10	Projected Year At Present Rates Year Ended (b) 31-Dec-11	Projected Year At Proposed Rates Year Ended (b) 31-Dec-11
	Operating Revenues:			
461	Metered Water Revenue	$ 165,631	$ 165,031	$ 249,363
474	Other Water Revenue	15,279	3,219	3,219
521	Flat Rate Revenues	-	-	-
522	Measured Revenues	47,519	47,372	47,372
536	Other Wastewater Revenues	430	430	430
	Total Operating Revenue	$ 228,859	$ 216,052	$ 300,384
	Operating Expenses:			
601	Salaries & Wages	$ -	$ -	$ -
610	Purchased Water	-	-	-
615	Purchased Power	40,551	40,551	40,551
618	Chemicals	1,811	1,811	1,811
620	Repairs & Maintenance	16,928	12,168	12,168
621	Office Supplies and Expense	9,437	9,437	9,437
630	Outside Services	75,410	92,240	92,240
635	Water Testing	7,172	4,637	4,637
641	Rental Expense	-	-	-
650	Transportation Expense	6,938	6,938	6,938
657	Insurance - General Liability	3,443	3,443	3,443
659	Insurance - Health and Life	-	-	-
666	Rate Case Expense	-	10,000	10,000
675	Miscellaneous Expense	1,928	540	540
701	Salaries & Wages	-	-	-
710	Purchased Wastewater Treatment	-	-	-
711	Sludge Removal Expense	-	-	-
715	Purchased Power	3,313	3,313	3,313
716	Fuel for Power Production	-	-	-
718	Chemicals	-	-	-
720	Materials and Supplies	939	939	939
721	Office Supplies	431	431	431
731	Contractual Services - Professional	8,550	23,270	23,270
736	Contractual Services - Other	-	-	-
	Water Testing	-	2,751	2,751
750	Transportation Expense	341	341	341
755	Insurance Expense	-	-	-
766	Rate Case Expense	-	3,500	3,500
775	Miscellaneous Expense	-	-	-
403	Depreciation & Amortization	14,842	28,412	28,412
408	Property Taxes	20,780	12,432	14,042
408.11	Taxes Other Than Income	-	-	-
409	Income Taxes	50	(11,070)	7,439
427.4	Interest on Customer Deposits	386	386	386
	Total Operating Expenses	$ 213,250	$ 246,470	$ 266,588
	OPERATING INCOME/(LOSS)	$ 15,609	$ (30,418)	$ 33,797
	Other Income/(Expense):			
419	Interest Income	$ 561	$ 561	$ 561
421	Non-Utility Income	-	-	-
426	Miscellaneous Non-Utility Expenses	-	-	-
427	Interest Expense	(3,376)	(6,245)	(6,245)
	Total Other Income/(Expense)	$ (2,815)	$ (5,684)	$ (5,684)
	NET INCOME/(LOSS)	$ 12,794	$ (36,102)	$ 28,113
	Earnings per share of average Common Stock Outstanding	$ 4.26	$ (12.03)	$ 9.37
	% Return on Common Equity	-59.253%	Double Negative	-130.199%

Supporting Schedules: (a) E-2 Recap Schedules: (b) A-2

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule F-3**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Projected Construction**
Test Year Ended December 31, 2010 **Requirements**

Required for:	All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Explanation:
Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Property Classification	Actual Test Year Ended 12/31/2010	End of Projected Year 1
Water Division		
Production Plant	$ 368,515	$ 170,500
Transmission Plant	500,081	255,749
Other Plant	245,338	
Total Water Plant	**$ 1,113,934**	**$ 426,249**
Sewer Division		
Production Plant	$ 487	$ -
Transmission Plant	337,406	-
Other Plant	17,082	-
Total Sewer Plant	**$ 354,975**	**$ -**
Total Company		
Production Plant	$ 369,002	$ 170,500
Transmission Plant	837,487	255,749
Other Plant	262,420	-
Total Company Plant	**$ 1,468,909**	**$ 426,249**

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:
(a) F-2 & A-4

Clear Springs Utility Company, Inc. - Water and Sewer Divisions
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule F-4
Title: Assumptions Used in Developing Projection

Required for:		
	All Utilities	X
	Class A	
	Class B	
	Class C	
	Class D	
	Specl Reqmt	

Explanation:
Documentation of important assumptions used in preparing forecasts and projections

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth
The company has experienced no new growth in the past few years.

2 Growth in consumption and customer demand
The company does not anticipate an increase in customer consumption and demand due to the proposed tiered rate structure.

3 Changes in expenses
The company believes the test year 2010, with the limited proforma adjustments proposed in this application to include all the utility's operating expenses, accurately depict the revenue level necessary for the utility going forward.

4 Construction requirements including production reserves and changes in plant capacity

See accompanying Finance Application.

5 Capital structure changes

See accompanying Finance Application.

6 Financing costs, interest rates

See accompanying Finance Application.

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division **Rebuttal Schedule SSR-1**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Replication of Staff JMM-W16 With Corrected Net Income Amounts

Line	Description	Without Surcharge	Without Surcharge and with New Loan	With Surcharge and with New Loan
1	**Cash Inflows**			
2	Revenue - Base Rates	$ 216,023	$ 216,023	$ 216,023
3	Revenue - Surcharge			42,443
4	Total Cash Inflows	$ 216,023	$ 216,023	$ 258,466
5	**Cash Outflows**			
6	Salaries & Wages	$ -	$ -	$ -
7	Purchased Water	-	-	-
8	Purchased Power	40,551	40,551	40,551
9	Chemicals	1,811	1,811	1,811
10	Repairs & Maintenance	12,168	12,168	12,168
11	Office Supplies and Expense	9,437	9,437	9,437
12	Outside Services	92,240	92,240	92,240
13	Water Testing	4,637	4,637	4,637
14	Rental Expense	-	-	-
15	Transportation Expense	6,938	6,938	6,938
16	Insurance - General Liability	3,443	3,443	3,443
17	Insurance - Health and Life	-	-	-
18	Rate Case Expense	10,000	10,000	10,000
19	Miscellaneous Expense	540	540	540
20	Depreciation & Amortization	19,178	19,178	19,178
21	Taxes Other Than Income	-	-	-
22	Property Taxes	10,544	10,544	11,354
23	Income Taxes	(222)	(3,448)	5,263
24	Interest on Customer Deposits	325	325	325
25	Total Cash Outflows	$ 211,590	$ 208,364	$ 217,885
26	**OPERATING INCOME/(LOSS)**	**$ 4,433**	**$ 7,659**	**$ 40,581**
27	Plus Depreciation Expense	$ 19,178	$ 19,178	$ 19,178
28	Less AIAC refunded during Test Year	(525)	(525)	(525)
29	Less WIFA Loan Interest	(5,271)	(20,689)	(20,689)
30	Less WIFA Loan Principal	(5,630)	(20,339)	(20,339)
31	Cash Flow from Operations before WIFA Reserve	$ 12,185	$ (14,716)	$ 18,206
32	WIFA Reserve (20% of Principal and Interest)	(2,180)	(10,386)	(8,206)
33	**Cash Flow from Operations after WIFA Reserve**	**$ 10,005**	**$ (25,102)**	**$ 10,000**
34	**OPERATING INCOME/(LOSS)**	$ 4,433	$ 7,659	$ 40,581
35	Less WIFA Loan Interest	(5,271)	(20,689)	(20,689)
36	**NET INCOME/(LOSS)**	**$ (838)**	**$ (13,030)**	**$ 19,892**
37	Rate of Return on Rate Base	11.50%	19.87%	105.29%
38	Operating Margin	2.05%	3.55%	15.70%
39	**Net Income to Revenue**	**-0.39%**	**-6.03%**	**7.70%**
40	**Cash Flow to Revenue**	**4.63%**	**-11.62%**	**3.87%**

Clear Springs Utility Company, Inc. - Water Division **Rebuttal Schedule SSR-2**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Company Income and Cash Flow Analysis

Line	Description	Without New Loan and Surcharge	With New Loan and Surcharge
1	**Cash Inflows**		
2	Revenue - Base Rates	$ 252,582	$ 252,582
3	Revenue - Surcharge		42,648
4	Total Cash Inflows	$ 252,582	$ 295,231
5	**Cash Outflows**		
6	Salaries & Wages	$ -	$ -
7	Purchased Water	-	-
8	Purchased Power	40,551	40,551
9	Chemicals	1,811	1,811
10	Repairs & Maintenance	12,168	12,168
11	Office Supplies and Expense	9,437	9,437
12	Outside Services	92,240	92,240
13	Water Testing	4,637	4,637
14	Rental Expense	-	-
15	Transportation Expense	6,938	6,938
16	Insurance - General Liability	3,443	3,443
17	Insurance - Health and Life	-	-
18	Rate Case Expense	10,000	10,000
19	Miscellaneous Expense	540	540
20	Depreciation & Amortization	28,108	28,108
21	Taxes Other Than Income	-	-
22	Property Taxes	11,308	12,122
23	Income Taxes	5,289	10,971
24	Interest on Customer Deposits	325	325
25	Total Cash Outflows	$ 226,794	$ 233,291
26	**OPERATING INCOME/(LOSS)**	**$ 25,788**	**$ 61,940**
27	Plus Depreciation Expense	$ 28,108	$ 28,108
28	Less AIAC refunded during Test Year	(525)	(525)
29	Less WIFA Loan Interest	(6,245)	(21,664)
30	Less WIFA Loan Principal	(4,956)	(19,664)
31	Cash Flow from Operations before WIFA Reserve	$ 42,169	$ 48,194
32	WIFA Reserve (20% of Principal and Interest)	(2,240)	(8,266)
33	**Cash Flow from Operations after WIFA Reserve**	**$ 39,929**	**$ 39,929**
34	**OPERATING INCOME/(LOSS)**	$ 25,788	$ 61,940
35	Plus Interest Income	446	446
36	Less WIFA Loan Interest	(6,245)	(21,664)
37	**NET INCOME/(LOSS)**	**$ 19,989**	**$ 40,722**
38	Rate of Return on Rate Base	50.00%	120.10%
39	Operating Margin	10.21%	20.98%
40	Net Income to Revenue	7.91%	13.79%
41	Cash Flow to Revenue	15.81%	13.52%

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule SSR-3**

Docket No. WS-01689A-11-0402 and W-01689A-11-0401

Test Year Ended December 31, 2010

Company Calculation of Surcharge Amount for Proposed WIFA Loan

Line		WIFA Loan		
1	Annual Interest and Fees	$ 15,419		
2	Annual Principal	14,708		
3	Annual Debt Reserve	6,025		
4	Total Annual Payments	$ 36,152		
5	Total Annual Payments	$ 36,152		
6	Less Interest and Fees	(15,419)		
7	Taxable Income portion		$ 20,734	
8	Gross Revenue Conversion Factor		1.3133	
9	Revenue for Principal and Debt Reserve			$ 27,230
10	Interest and Fees			15,419
11	**Annual Surcharge Necessary**			**$ 42,648**
12	**Surcharge Calculation per Customer:**			
13	Number of 5/8 x 3/4-inch Customers		540	
14	Months in Year		12	
15	Annual Bills			6,480
16	Number of 3/4-inch Customers	5		
17	Months in Year	12		
18	Annual Bills		60	
19	Meter Multiplier		1.5	
20	Annual Equivalent Bills			90
21	Number of 1-inch Customers	15		
22	Months in Year	12		
23	Annual Bills		180	
24	Meter Multiplier		2.5	
25	Annual Equivalent Bills			450
26	Number of 1.5-inch Customers	8		
27	Months in Year	12		
28	Annual Bills		96	
29	Meter Multiplier		5	
30	Annual Equivalent Bills			480
31	Number of 2-inch Customers	2		
32	Months in Year	12		
33	Annual Bills		24	
34	Meter Multiplier		8	
35	Annual Equivalent Bills			192
36		**Total Annual Equivalent Bills**		**7,692**
37	**5/8 x 3/4-inch Surcharge Amount per Month**	**$ 5.54**	(Line 11 / Line 36)	
38	**3/4-inch Surcharge Amount per Month**	**8.32**	(Line 37 times 1.5 MM) [1]	
39	**1-inch Surcharge Amount per Month**	**13.86**	(Line 37 times 2.5 MM)	
40	**1.5-inch Surcharge Amount per Month**	**27.72**	(Line 37 times 5 MM)	
41	**2-inch Surcharge Amount per Month**	**44.36**	(Line 37 times 8 MM)	

42	*Revenue Check:*	Surcharge	Annual Bills	Total
43	5/8 x 3/4-inch meters	$ 5.54	6,480	$ 35,928
44	3/4-inch meters	8.32	60	499
45	1-inch meters	13.86	180	2,495
46	1.5-inch meters	27.72	96	2,661
47	2-inch meters	44.36	24	1,065
48	Totals		6,840	$ 42,648

49 [1] MM = AWWA Meter Multiplier

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule SSR-4
Title: Typical Bill Analysis

5/8" x 3/4" Meter Including Surcharge (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 11.00	$ 19.54	77.68%
1,000	12.25	21.29	73.83%
2,000	13.50	23.04	70.70%
3,000	14.75	24.79	68.10%
4,000	17.00	28.69	68.79%
5,000	19.25	32.59	69.32%
6,000	21.50	36.49	69.74%
7,000	23.75	40.39	70.08%
8,000	26.00	44.29	70.36%
9,000	28.25	50.27	77.96%
10,000	30.50	56.25	84.44%
15,000	48.00	86.15	79.49%
20,000	65.50	116.05	77.18%
25,000	83.00	145.95	75.85%
50,000	170.50	295.45	73.29%
75,000	258.00	444.95	72.46%
100,000	345.50	594.45	72.06%
125,000	433.00	743.95	71.81%
150,000	520.50	893.45	71.65%
175,000	608.00	1,042.95	71.54%
200,000	695.50	1,192.45	71.45%

Supporting Schedules:

Bill Count Schedules		Status
H-1	Summary of Revenues by Customer Class - Present and Proposed Rates	
H-2	Analysis of Revenues by Detailed Class of Service - Present and Proposed Rate Classes (A&B only)	
H-3W	Changes In Representative Rate Schedules - Water (2 pages)	
H-3S	Changes In Representative Rate Schedules - Sewer	
H-4W	Typical Bill Analysis - Water 5/8 x 3/4-inch Meter, Page 1	
H-4W	Typical Bill Analysis - Water 3/4-inch Meter, Page 2	
H-4W	Typical Bill Analysis - Water 1-inch Meter, Page 3	
H-4W	Typical Bill Analysis - Water 1 1/2-inch Meter, Page 4	
H-4W	Typical Bill Analysis - Water 2-inch Meter, Page 5	
H-4W	Typical Bill Analysis - Water-Bulk Sales, Page 6	
H-4S	Typical Bill Analysis - Sewer, Page 1	
H-5W	Bill Count - Water, 5/8 x 3/4-inch Residential, Page 1	
H-5W	Bill Count - Water, 5/8 x 3/4-inch Residential - ADJUSTED, Page 2	
H-5W	Bill Count - Water, 5/8 x 3/4-inch Commercial, Page 3	
H-5W	Bill Count - Water, 3/4-inch Residential, Page 4	
H-5W	Bill Count - Water, 3/4-inch Commercial, Page 5	
H-5W	Bill Count - Water, 1-inch Residential, Page 6	
H-5W	Bill Count - Water, 1-inch Commercial, Page 7	
H-5W	Bill Count - Water, 1 1/2-inch Residential, Page 8	
H-5W	Bill Count - Water, 1 1/2-inch Commercial, Page 9	
H-5W	Bill Count - Water, 2-inch Commercial, Page 10	
H-5W	Bill Count - Water, Bulk Sales, Page 11	
H-5S	Bill Count - Sewer, Residential, Page 1	
H-5S	Bill Count - Sewer, Residential - ADJUSTED, Page 2	
H-5S	Bill Count - Sewer, Commercial, Page 3	

Clear Springs Utility Company, Inc. - Water and Sewer Divisions **Rebuttal Schedule H-1**
Docket No. WS-01689A-11-0402 and W-01689A-11-0401 **Title: Summary of Revenues by Customer**
Test Year Ended December 31, 2010 **Classification - Present and Proposed Rates**

Required for: All Utilities [X]
Class A [ ]
Class B [ ]
Class C [ ]
Class D [ ]
Specl Reqmt [ ]

Explanation:
Schedule comparing revenues by customer classification for the Test Year, at present and proposed rates.

Customer Classification	Revenues in the Test Year (a) Present Rates	Revenues in the Test Year (a) Proposed Rates	Proposed Increase (b) Amount	Proposed Increase (b) %
Water Division				
Residential				
5/8 by 3/4-inch	$ 129,804	$ 192,248	$ 62,444	48.11%
3/4-inch	1,210	$ 2,189	979	80.91%
1-inch	3,317	$ 5,266	1,949	58.76%
1 1/2-inch	2,987	5,009	2,022	67.69%
Total Residential Water	$ 137,318	$ 204,712	$ 67,394	49.08%
Commercial				
5/8 by 3/4-inch	$ 10,142	$ 15,275	5,133	50.61%
3/4-inch	486	$ 832	346	71.19%
1-inch	5,931	$ 9,933	4,002	67.48%
1 1/2-inch	4,487	7,404	2,917	65.01%
2-inch	5,208	9,047	3,839	73.71%
Total Commercial Water	$ 26,254	$ 42,491	$ 16,237	61.85%
Bulk Water Sales	1,459	$ 2,160	701	48.05%
Total Metered Water Revenue	$ 165,031	$ 249,363	84,332	51.10%
Other Revenue	3,219	3,219	-	0.00%
Total Water Revenue	**$ 168,250**	**$ 252,582**	**$ 84,332**	**50.12%**
Sewer Division				
Residential	$ 42,130	$ 41,055	$ (1,075)	-2.55%
Commercial	5,242	6,317	1,075	20.51%
Total Measured Sewer	$ 47,372	$ 47,372	$ -	0.00%
Other Revenue	430	430	-	0.00%
Total Sewer Revenue	**$ 47,802**	**$ 47,802**	**$ -**	0.00%
Total Company Revenue	**$ 216,052**	**$ 300,384**	**$ 84,332**	39.03%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-3W
Title: Changes in Representative Rate Schedules - Page 1 of 2

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

(Rates apply to both residential and commercial usage)

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGE:			
5/8" x 3/4" Meter	$ 11.00	$ 14.00	27%
3/4" Meter	14.50	21.00	45%
1" Meter	23.25	35.00	51%
1-1/2" Meter	44.00	70.00	59%
2" Meter	66.00	112.00	70%
3" Meter	125.50	224.00	78%
4" Meter	250.00	350.00	40%
6" Meter	500.00	700.00	40%

Description	Present Rate	Proposed Rate
COMMODITY CHARGES - Per 1,000 Gallons		
5/8 x 3/4 - inch meters		
0 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Gallons	2.25	
Over 10,000 Gallons	3.50	
1 - 3,000 Gallons		$ 1.75
3,001 to 8,000 Gallons		3.90
Over 8,000 Gallons		5.98
3/4 - inch meters		
0 - 3,000 Gallons	$ 1.25	
3,001 to 10,000 Gallons	2.25	
Over 10,000 Gallons	3.50	
1 to 8,000 Gallons		$ 3.90
Over 8,000 Gallons		5.98
One - inch meters		
0 to 31,000 Gallons	$ 2.25	
Over 31,000 Gallons	3.50	
1 to 30,000 Gallons		$ 3.90
Over 30,000 Gallons		5.98
One and one half - inch meters		
0 to 58,000 Gallons	$ 2.25	
Over 58,000 Gallons	3.50	
1 to 50,000 Gallons		$ 3.90
Over 50,000 Gallons		5.98
Two - inch meters		
0 to 74,000 Gallons	$ 2.25	
Over 74,000 Gallons	3.50	
1 to 70,000 Gallons		$ 3.90
Over 70,000 Gallons		5.98

Description	Present Rate	Proposed Rate
Three - inch meters		
0 to 100,000 Gallons	N/A	$ 3.90
Over 100,000 Gallons	N/A	5.98
Four - inch meters		
1 to 150,000 Gallons	N/A	$ 3.90
Over 150,000 Gallons	N/A	5.98
Six - inch meters		
0 to 250,000 Gallons	N/A	$ 3.90
Over 250,000 Gallons	N/A	5.98
Bulk Water Sales - 3" Meter		
Excess of Minimum	$ 4.00	$ 5.98

Description	Present Rate	Proposed Rate	% change
SERVICE CHARGES			
Establishment	$ 30.00	$ 30.00	0.00%
Establishment (After Hours)	45.00	N/A	
Reconnection (Delinquent)	30.00	40.00	33.33%
Meter Test (If Correct)	45.00	45.00	0.00%
Deposit	*	*	
Deposit Interest	*	*	
Reestablishment (Within 12 Months)	**	**	
NSF Check (R14-2-409)	$ 20.00	$ 25.00	25.00%
Deferred Payment (per month)	1.50%	1.50%	0.00%
Meter Reread (If Correct)	$ 25.00	$ 30.00	20.00%
Late Payment Penalty (per month)	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	

SERVICE LINE AND METER INSTALLATION CHARGES:

Refundable Pursuant to A.A.C. R14-2-405		Proposed Rates			
Description	Present Rate	Service Line	Meter Charge	Total Charge	% change
5/8" x 3/4" Meter	$ 550.00	$ 445.00	$ 155.00	$ 600.00	9%
3/4" Meter	550.00	445.00	255.00	700.00	27%
1" Meter	650.00	495.00	315.00	810.00	25%
1-1/2" Meter	875.00	550.00	525.00	1,075.00	23%
2" Meter - Turbine	1,400.00	830.00	1,045.00	1,875.00	34%
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	
3" Meter - Turbine	1,900.00	1,045.00	1,670.00	2,715.00	43%
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	
4" Meter - Turbine	3,200.00	1,490.00	2,670.00	4,160.00	30%
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	
6" Meter - Turbine	5,800.00	2,210.00	5,025.00	7,235.00	25%
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	

* Per Commission Rule R14-2-403(B).
** Months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

OTHER RATES AND CHARGES BY ORDER:

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX IN ACCORDANCE WITH R14-2-409.D.5.

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-3S
Title: Changes in Representative Rate Schedules - Page 1 of 1

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule comparing present rate schedules with proposed rate schedule.

Description	Present Rate	Proposed Rate	% change
MONTHLY USAGE CHARGES			
Monthly Minimum - Residential	$ 6.50	$ 9.00	38.46%
Monthly Minimum - Commercial	6.50	9.36	44.00%
COMMODITY CHARGES (Per 1,000 Gallons of Water usage)			
Residential - Per 1,000 Gallons of water use	$ 0.85		
Residential - 0 to 6,000 Gallons of water use		$ -	
Residential - Per 1,000 Gallons of water use from 6,001 to 20,000 gallons		$ 1.00	
Residential - Per 1,000 Gallons in excess of 20,000 gallons of water use		$ -	
Commercial - Per 1,000 Gallons of water use	N/A	$ 0.85	
SERVICE CHARGES			
Establishment	$ 10.00	$ 30.00	200.00%
Reconnection (Delinquent)	*	*	
Deposit - Residential	**	**	
Deposit - Commercial	***	***	
Deposit Interest	****	****	
NSF Check	$ 15.00	$ 25.00	66.67%
Deferred Payment	N/A	1.50%	
Late Payment Penalty	N/A	2.00%	
After Hours Charge	N/A	$ 25.00	
Sewer Tap Charge	Cost	Cost	
(Non-refundable pursuant to A.A.C. R14-2-605)			

* Six times monthly minimum
** Two times estimated average monthly bill
*** Two and one half times estimated maximum monthly bill
**** Per Commission Rule

Supporting Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-4W
Title: Typical Bill Analysis

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

5/8" x 3/4" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 11.00	$ 14.00	27.27%
1,000	12.25	15.75	28.57%
2,000	13.50	17.50	29.63%
3,000	14.75	19.25	30.51%
4,000	17.00	23.15	36.18%
5,000	19.25	27.05	40.52%
6,000	21.50	30.95	43.95%
7,000	23.75	34.85	46.74%
8,000	26.00	38.75	49.04%
9,000	28.25	44.73	58.34%
10,000	30.50	50.71	66.26%
15,000	48.00	80.61	67.94%
20,000	65.50	110.51	68.72%
25,000	83.00	140.41	69.17%
50,000	170.50	289.91	70.04%
75,000	258.00	439.41	70.31%
100,000	345.50	588.91	70.45%
125,000	433.00	738.41	70.53%
150,000	520.50	887.91	70.59%
175,000	608.00	1,037.41	70.63%
200,000	695.50	1,186.91	70.66%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

3/4" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 14.50	$ 21.00	44.83%
1,000	15.75	24.90	58.10%
2,000	17.00	28.80	69.41%
3,000	18.25	32.70	79.18%
4,000	20.50	36.60	78.54%
5,000	22.75	40.50	78.02%
6,000	25.00	44.40	77.60%
7,000	27.25	48.30	77.25%
8,000	29.50	52.20	76.95%
9,000	31.75	58.18	83.24%
10,000	34.00	64.16	88.71%
15,000	51.50	94.06	82.64%
20,000	69.00	123.96	79.65%
25,000	86.50	153.86	77.87%
50,000	174.00	303.36	74.34%
75,000	261.50	452.86	73.18%
100,000	349.00	602.36	72.60%
125,000	436.50	751.86	72.25%
150,000	524.00	901.36	72.02%
175,000	611.50	1,050.86	71.85%
200,000	699.00	1,200.36	71.73%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

1" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 23.25	$ 35.00	50.54%
1,000	25.50	38.90	52.55%
2,000	27.75	42.80	54.23%
3,000	30.00	46.70	55.67%
4,000	32.25	50.60	56.90%
5,000	34.50	54.50	57.97%
6,000	36.75	58.40	58.91%
7,000	39.00	62.30	59.74%
8,000	41.25	66.20	60.48%
9,000	43.50	70.10	61.15%
10,000	45.75	74.00	61.75%
15,000	57.00	93.50	64.04%
20,000	68.25	113.00	65.57%
25,000	79.50	132.50	66.67%
50,000	159.50	271.60	70.28%
75,000	247.00	421.10	70.49%
100,000	334.50	570.60	70.58%
125,000	422.00	720.10	70.64%
150,000	509.50	869.60	70.68%
175,000	597.00	1,019.10	70.70%
200,000	684.50	1,168.60	70.72%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

1 1/2" Meter (Residential and Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 44.00	$ 70.00	59.09%
1,000	46.25	73.90	59.78%
2,000	48.50	77.80	60.41%
3,000	50.75	81.70	60.99%
4,000	53.00	85.60	61.51%
5,000	55.25	89.50	61.99%
6,000	57.50	93.40	62.43%
7,000	59.75	97.30	62.85%
8,000	62.00	101.20	63.23%
9,000	64.25	105.10	63.58%
10,000	66.50	109.00	63.91%
15,000	77.75	128.50	65.27%
20,000	89.00	148.00	66.29%
25,000	100.25	167.50	67.08%
50,000	156.50	265.00	69.33%
75,000	234.00	414.50	77.14%
100,000	321.50	564.00	75.43%
125,000	409.00	713.50	74.45%
150,000	496.50	863.00	73.82%
175,000	584.00	1,012.50	73.37%
200,000	671.50	1,162.00	73.05%

Supporting Schedules:

Required for:

All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

2 Inch Meter (Commercial)

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 66.00	$ 112.00	69.70%
1,000	68.25	115.90	69.82%
2,000	70.50	119.80	69.93%
3,000	72.75	123.70	70.03%
4,000	75.00	127.60	70.13%
5,000	77.25	131.50	70.23%
6,000	79.50	135.40	70.31%
7,000	81.75	139.30	70.40%
8,000	84.00	143.20	70.48%
9,000	86.25	147.10	70.55%
10,000	88.50	151.00	70.62%
15,000	99.75	170.50	70.93%
20,000	111.00	190.00	71.17%
25,000	122.25	209.50	71.37%
50,000	178.50	307.00	71.99%
75,000	236.00	414.90	75.81%
100,000	323.50	564.40	74.47%
125,000	411.00	713.90	73.70%
150,000	498.50	863.40	73.20%
175,000	586.00	1,012.90	72.85%
200,000	673.50	1,162.40	72.59%

Supporting Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Bulk Water Sales

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ -	$ -	0.00%
1,000	4.00	5.98	49.50%
2,000	8.00	11.96	49.50%
3,000	12.00	17.94	49.50%
4,000	16.00	23.92	49.50%
5,000	20.00	29.90	49.50%
6,000	24.00	35.88	49.50%
7,000	28.00	41.86	49.50%
8,000	32.00	47.84	49.50%
9,000	36.00	53.82	49.50%
10,000	40.00	59.80	49.50%
15,000	60.00	89.70	49.50%
20,000	80.00	119.60	49.50%
25,000	100.00	149.50	49.50%
50,000	200.00	299.00	49.50%
75,000	300.00	448.50	49.50%
100,000	400.00	598.00	49.50%
125,000	500.00	747.50	49.50%
150,000	600.00	897.00	49.50%
175,000	700.00	1,046.50	49.50%
200,000	800.00	1,196.00	49.50%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-4S
Title: Typical Bill Analysis

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Residential Sewer Service

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 6.50	$ 9.00	38.46%
1,000	7.35	9.00	22.45%
2,000	8.20	9.00	9.76%
3,000	9.05	9.00	-0.55%
4,000	9.90	9.00	-9.09%
5,000	10.75	9.00	-16.28%
6,000	11.60	9.00	-22.41%
7,000	12.45	10.00	-19.68%
8,000	13.30	11.00	-17.29%
9,000	14.15	12.00	-15.19%
10,000	15.00	13.00	-13.33%
15,000	19.25	18.00	-6.49%
20,000	23.50	23.00	-2.13%
25,000	27.75	23.00	-17.12%
50,000	49.00	23.00	-53.06%
75,000	70.25	23.00	-67.26%
100,000	91.50	23.00	-74.86%
125,000	112.75	23.00	-79.60%
150,000	134.00	23.00	-82.84%
175,000	155.25	23.00	-85.19%
200,000	176.50	23.00	-86.97%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-4S
Title: Typical Bill Analysis

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

Commercial Sewer Service

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	$ 6.50	$ 9.36	44.00%
1,000	7.35	10.21	38.91%
2,000	8.20	11.06	34.88%
3,000	9.05	11.91	31.60%
4,000	9.90	12.76	28.89%
5,000	10.75	13.61	26.60%
6,000	11.60	14.46	24.66%
7,000	12.45	15.31	22.97%
8,000	13.30	16.16	21.50%
9,000	14.15	17.01	20.21%
10,000	15.00	17.86	19.07%
15,000	19.25	22.11	14.86%
20,000	23.50	26.36	12.17%
25,000	27.75	30.61	10.31%
50,000	49.00	51.86	5.84%
75,000	70.25	73.11	4.07%
100,000	91.50	94.36	3.13%
125,000	112.75	115.61	2.54%
150,000	134.00	136.86	2.13%
175,000	155.25	158.11	1.84%
200,000	176.50	179.36	1.62%

Supporting Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	484	-	484	8.11%	-	0.00%
1,000	804	402,000	1,288	21.59%	402,000	1.30%
2,000	724	1,086,000	2,012	33.72%	1,488,000	4.82%
3,000	769	1,922,500	2,781	46.61%	3,410,500	11.04%
4,000	636	2,226,000	3,417	57.27%	5,636,500	18.24%
5,000	522	2,349,000	3,939	66.02%	7,985,500	25.85%
6,000	388	2,134,000	4,327	72.53%	10,119,500	32.75%
7,000	296	1,924,000	4,623	77.49%	12,043,500	38.98%
8,000	232	1,740,000	4,855	81.38%	13,783,500	44.61%
9,000	191	1,623,500	5,046	84.58%	15,407,000	49.87%
10,000	143	1,358,500	5,189	86.98%	16,765,500	54.27%
10,001 to 12,000	219	2,409,000	5,408	90.65%	19,174,500	62.06%
12,001 to 14,000	116	1,508,000	5,524	92.59%	20,682,500	66.94%
14,001 to 16,000	99	1,485,000	5,623	94.25%	22,167,500	71.75%
16,001 to 18,000	94	1,598,000	5,717	95.83%	23,765,500	76.92%
18,001 to 20,000	44	836,000	5,761	96.56%	24,601,500	79.63%
20,001 to 25,000	98	2,205,000	5,859	98.21%	26,806,500	86.77%
25,001 to 30,000	42	1,155,000	5,901	98.91%	27,961,500	90.50%
30,001 to 35,000	23	747,500	5,924	99.30%	28,709,000	92.92%
35,001 to 40,000	18	675,000	5,942	99.60%	29,384,000	95.11%
40,001 to 50,000	12	540,000	5,954	99.80%	29,924,000	96.86%
50,001 to 60,000	4	220,000	5,958	99.87%	30,144,000	97.57%
60,001 to 70,000	4	260,000	5,962	99.93%	30,404,000	98.41%
70,001 to 80,000	2	150,000	5,964	99.97%	30,554,000	98.89%
80,001 to 90,000		-	5,964	99.97%	30,554,000	98.89%
90,001 to 100,000		-	5,964	99.97%	30,554,000	98.89%
161,950	1	161,950	5,965	99.98%	30,715,950	99.42%
179,490	1	179,490	5,966	100.00%	30,895,440	100.00%
	5,966	30,895,440				

Average Number of Customers	497
Average Consumption	5,179
Median Consumption	3,318

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Residential (ADJUSTED)

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	484	-	484	8.11%	-	0.00%
1,000	804	402,000	1,288	21.59%	402,000	1.31%
2,000	724	1,086,000	2,012	33.72%	1,488,000	4.84%
3,000	769	1,922,500	2,781	46.61%	3,410,500	11.10%
4,000	636	2,226,000	3,417	57.27%	5,636,500	18.35%
5,000	522	2,349,000	3,939	66.02%	7,985,500	25.99%
6,000	388	2,134,000	4,327	72.53%	10,119,500	32.94%
7,000	296	1,924,000	4,623	77.49%	12,043,500	39.20%
8,000	233	1,747,500	4,856	81.39%	13,791,000	44.89%
9,000	191	1,623,500	5,047	84.60%	15,414,500	50.17%
10,000	143	1,358,500	5,190	86.99%	16,773,000	54.59%
10,001 to 12,000	219	2,409,000	5,409	90.66%	19,182,000	62.43%
12,001 to 14,000	116	1,508,000	5,525	92.61%	20,690,000	67.34%
14,001 to 16,000	99	1,485,000	5,624	94.27%	22,175,000	72.18%
16,001 to 18,000	94	1,598,000	5,718	95.84%	23,773,000	77.38%
18,001 to 20,000	44	836,000	5,762	96.58%	24,609,000	80.10%
20,001 to 25,000	98	2,205,000	5,860	98.22%	26,814,000	87.28%
25,001 to 30,000	42	1,155,000	5,902	98.93%	27,969,000	91.03%
30,001 to 35,000	23	747,500	5,925	99.31%	28,716,500	93.47%
35,001 to 40,000	18	675,000	5,943	99.61%	29,391,500	95.66%
40,001 to 50,000	12	540,000	5,955	99.82%	29,931,500	97.42%
50,001 to 60,000	4	220,000	5,959	99.88%	30,151,500	98.14%
60,001 to 70,000	4	260,000	5,963	99.95%	30,411,500	98.98%
70,001 to 80,000	2	150,000	5,965	99.98%	30,561,500	99.47%
80,001 to 90,000		-	5,965	99.98%	30,561,500	99.47%
90,001 to 100,000		-	5,965	99.98%	30,561,500	99.47%
161,950	1	161,950	5,966	100.00%	30,723,450	100.00%
	5,966	30,723,450				

Average Number of Customers	497
Average Consumption	5,150
Median Consumption	3,318

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	45	-	45	9.96%	-	0.00%
1,000	118	59,000	163	36.06%	59,000	2.56%
2,000	70	105,000	233	51.55%	164,000	7.12%
3,000	34	85,000	267	59.07%	249,000	10.82%
4,000	28	98,000	295	65.27%	347,000	15.07%
5,000	16	72,000	311	68.81%	419,000	18.20%
6,000	11	60,500	322	71.24%	479,500	20.83%
7,000	16	104,000	338	74.78%	583,500	25.35%
8,000	16	120,000	354	78.32%	703,500	30.56%
9,000	18	153,000	372	82.30%	856,500	37.21%
10,000	13	123,500	385	85.18%	980,000	42.57%
10,001 to 12,000	14	154,000	399	88.27%	1,134,000	49.26%
12,001 to 14,000	10	130,000	409	90.49%	1,264,000	54.91%
14,001 to 16,000	10	150,000	419	92.70%	1,414,000	61.42%
16,001 to 18,000	7	119,000	426	94.25%	1,533,000	66.59%
18,001 to 20,000	9	171,000	435	96.24%	1,704,000	74.02%
20,001 to 25,000	7	157,500	442	97.79%	1,861,500	80.86%
25,001 to 30,000	3	82,500	445	98.45%	1,944,000	84.45%
30,001 to 35,000	3	97,500	448	99.12%	2,041,500	88.68%
35,001 to 40,000	2	75,000	450	99.56%	2,116,500	91.94%
40,001 to 50,000	0	-	450	99.56%	2,116,500	91.94%
50,001 to 60,000	0	-	450	99.56%	2,116,500	91.94%
60,001 to 70,000	0	-	450	99.56%	2,116,500	91.94%
70,001 to 80,000	0	-	450	99.56%	2,116,500	91.94%
80,001 to 90,000	1	85,000	451	99.78%	2,201,500	95.63%
90,001 to 100,000		-	451	99.78%	2,201,500	95.63%
100,560	1	100,560	452	100.00%	2,302,060	100.00%
		-	452	100.00%	2,302,060	100.00%
	452	2,302,060				

Average Number of Customers	38
Average Consumption	5,093
Median Consumption	1,900

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3/4 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	1	-	1	2.78%	-	0.00%
1,000	3	1,500	4	11.11%	1,500	0.52%
2,000	4	6,000	8	22.22%	7,500	2.58%
3,000	9	22,500	17	47.22%	30,000	10.31%
4,000	5	17,500	22	61.11%	47,500	16.32%
5,000	2	9,000	24	66.67%	56,500	19.42%
6,000	1	5,500	25	69.44%	62,000	21.31%
7,000	1	6,500	26	72.22%	68,500	23.54%
8,000	1	7,500	27	75.00%	76,000	26.12%
9,000		-	27	75.00%	76,000	26.12%
10,000		-	27	75.00%	76,000	26.12%
10,001 to 12,000	1	11,000	28	77.78%	87,000	29.90%
12,001 to 14,000		-	28	77.78%	87,000	29.90%
14,001 to 16,000		-	28	77.78%	87,000	29.90%
16,001 to 18,000	2	34,000	30	83.33%	121,000	41.58%
18,001 to 20,000		-	30	83.33%	121,000	41.58%
20,001 to 25,000	2	45,000	32	88.89%	166,000	57.04%
25,001 to 30,000	2	55,000	34	94.44%	221,000	75.95%
30,001 to 35,000	1	32,500	35	97.22%	253,500	87.11%
35,001 to 40,000	1	37,500	36	100.00%	291,000	100.00%
40,001 to 50,000		-	36	100.00%	291,000	100.00%
50,001 to 60,000		-	36	100.00%	291,000	100.00%
60,001 to 70,000		-	36	100.00%	291,000	100.00%
70,001 to 80,000		-	36	100.00%	291,000	100.00%
80,001 to 90,000		-	36	100.00%	291,000	100.00%
90,001 to 100,000		-	36	100.00%	291,000	100.00%
	36	291,000				

Average Number of Customers	3
Average Consumption	8,083
Median Consumption	3,200

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3/4 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	-	-	-	0.00%	-	0.00%
1,000	9	4,500	9	37.50%	4,500	5.52%
2,000	2	3,000	11	45.83%	7,500	9.20%
3,000	2	5,000	13	54.17%	12,500	15.34%
4,000	3	10,500	16	66.67%	23,000	28.22%
5,000	-	-	16	66.67%	23,000	28.22%
6,000	2	11,000	18	75.00%	34,000	41.72%
7,000	3	19,500	21	87.50%	53,500	65.64%
8,000	2	15,000	23	95.83%	68,500	84.05%
9,000		-	23	95.83%	68,500	84.05%
10,000		-	23	95.83%	68,500	84.05%
10,001 to 12,000		-	23	95.83%	68,500	84.05%
12,001 to 14,000	1	13,000	24	100.00%	81,500	100.00%
14,001 to 16,000		-	24	100.00%	81,500	100.00%
16,001 to 18,000		-	24	100.00%	81,500	100.00%
18,001 to 20,000		-	24	100.00%	81,500	100.00%
20,001 to 25,000		-	24	100.00%	81,500	100.00%
25,001 to 30,000		-	24	100.00%	81,500	100.00%
30,001 to 35,000		-	24	100.00%	81,500	100.00%
35,001 to 40,000		-	24	100.00%	81,500	100.00%
40,001 to 50,000		-	24	100.00%	81,500	100.00%
50,001 to 60,000		-	24	100.00%	81,500	100.00%
60,001 to 70,000		-	24	100.00%	81,500	100.00%
70,001 to 80,000		-	24	100.00%	81,500	100.00%
80,001 to 90,000		-	24	100.00%	81,500	100.00%
90,001 to 100,000		-	24	100.00%	81,500	100.00%
	24	81,500				

Average Number of Customers	2
Average Consumption	3,396
Median Consumption	2,500

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	13	-	13	14.13%	-	0.00%
1,000	1	500	14	15.22%	500	0.10%
2,000	13	19,500	27	29.35%	20,000	3.83%
3,000	11	27,500	38	41.30%	47,500	9.10%
4,000	4	14,000	42	45.65%	61,500	11.78%
5,000	11	49,500	53	57.61%	111,000	21.26%
6,000	10	55,000	63	68.48%	166,000	31.80%
7,000	2	13,000	65	70.65%	179,000	34.29%
8,000	7	52,500	72	78.26%	231,500	44.35%
9,000	7	59,500	79	85.87%	291,000	55.75%
10,000	2	19,000	81	88.04%	310,000	59.39%
10,001 to 12,000	3	33,000	84	91.30%	343,000	65.71%
12,001 to 14,000		-	84	91.30%	343,000	65.71%
14,001 to 16,000	2	30,000	86	93.48%	373,000	71.46%
16,001 to 18,000	2	34,000	88	95.65%	407,000	77.97%
18,001 to 20,000		-	88	95.65%	407,000	77.97%
20,001 to 25,000	1	22,500	89	96.74%	429,500	82.28%
25,001 to 30,000	1	27,500	90	97.83%	457,000	87.55%
30,001 to 35,000	2	65,000	92	100.00%	522,000	100.00%
35,001 to 40,000		-	92	100.00%	522,000	100.00%
40,001 to 50,000		-	92	100.00%	522,000	100.00%
50,001 to 60,000		-	92	100.00%	522,000	100.00%
60,001 to 70,000		-	92	100.00%	522,000	100.00%
70,001 to 80,000		-	92	100.00%	522,000	100.00%
80,001 to 90,000		-	92	100.00%	522,000	100.00%
90,001 to 100,000		-	92	100.00%	522,000	100.00%
	92	522,000				

Average Number of Customers	8
Average Consumption	5,674
Median Consumption	4,364

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	11	-	11	14.29%	-	0.00%
1,000	17	8,500	28	36.36%	8,500	0.56%
2,000	3	4,500	31	40.26%	13,000	0.86%
3,000	1	2,500	32	41.56%	15,500	1.02%
4,000	3	10,500	35	45.45%	26,000	1.71%
5,000	1	4,500	36	46.75%	30,500	2.01%
6,000	2	11,000	38	49.35%	41,500	2.73%
7,000	3	19,500	41	53.25%	61,000	4.02%
8,000	2	15,000	43	55.84%	76,000	5.00%
9,000	1	8,500	44	57.14%	84,500	5.56%
10,000	1	9,500	45	58.44%	94,000	6.19%
10,001 to 12,000		-	45	58.44%	94,000	6.19%
12,001 to 14,000	3	39,000	48	62.34%	133,000	8.76%
14,001 to 16,000	2	30,000	50	64.94%	163,000	10.73%
16,001 to 18,000	4	68,000	54	70.13%	231,000	15.21%
18,001 to 20,000	1	19,000	55	71.43%	250,000	16.46%
20,001 to 25,000	3	67,500	58	75.32%	317,500	20.91%
25,001 to 30,000		-	58	75.32%	317,500	20.91%
30,001 to 35,000	4	130,000	62	80.52%	447,500	29.47%
35,001 to 40,000	2	75,000	64	83.12%	522,500	34.40%
40,001 to 50,000	4	180,000	68	88.31%	702,500	46.26%
50,001 to 60,000	2	110,000	70	90.91%	812,500	53.50%
60,001 to 70,000		-	70	90.91%	812,500	53.50%
70,001 to 80,000	2	150,000	72	93.51%	962,500	63.38%
80,001 to 90,000	1	85,000	73	94.81%	1,047,500	68.97%
90,001 to 100,000		-	73	94.81%	1,047,500	68.97%
105,340	1	105,340	74	96.10%	1,152,840	75.91%
115,790	1	115,790	75	97.40%	1,268,630	83.53%
115,850	1	115,850	76	98.70%	1,384,480	91.16%
134,230	1	134,230	77	100.00%	1,518,710	100.00%
	77	1,518,710				

Average Number of Customers	6
Average Consumption	19,724
Median Consumption	6,167

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 1/2 Inch Meter - Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000		-	-	0.00%	-	0.00%
3,000		-	-	0.00%	-	0.00%
4,000		-	-	0.00%	-	0.00%
5,000		-	-	0.00%	-	0.00%
6,000	2	11,000	2	5.88%	11,000	1.63%
7,000		-	2	5.88%	11,000	1.63%
8,000	2	15,000	4	11.76%	26,000	3.86%
9,000	2	17,000	6	17.65%	43,000	6.38%
10,000	3	28,500	9	26.47%	71,500	10.61%
10,001 to 12,000	5	55,000	14	41.18%	126,500	18.77%
12,001 to 14,000	1	13,000	15	44.12%	139,500	20.70%
14,001 to 16,000	3	45,000	18	52.94%	184,500	27.37%
16,001 to 18,000	2	34,000	20	58.82%	218,500	32.42%
18,001 to 20,000	2	38,000	22	64.71%	256,500	38.06%
20,001 to 25,000		-	22	64.71%	256,500	38.06%
25,001 to 30,000	4	110,000	26	76.47%	366,500	54.38%
30,001 to 35,000	3	97,500	29	85.29%	464,000	68.84%
35,001 to 40,000	2	75,000	31	91.18%	539,000	79.97%
40,001 to 50,000	3	135,000	34	100.00%	674,000	100.00%
50,001 to 60,000		-	34	100.00%	674,000	100.00%
60,001 to 70,000		-	34	100.00%	674,000	100.00%
70,001 to 80,000		-	34	100.00%	674,000	100.00%
80,001 to 90,000		-	34	100.00%	674,000	100.00%
90,001 to 100,000		-	34	100.00%	674,000	100.00%
	34	674,000				

Average Number of Customers	3
Average Consumption	19,824
Median Consumption	14,667

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1 1/2 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	13	-	13	21.67%	-	0.00%
1,000	5	2,500	18	30.00%	2,500	0.36%
2,000	8	12,000	26	43.33%	14,500	2.08%
3,000	3	7,500	29	48.33%	22,000	3.16%
4,000	3	10,500	32	53.33%	32,500	4.67%
5,000	6	27,000	38	63.33%	59,500	8.55%
6,000	3	16,500	41	68.33%	76,000	10.93%
7,000	3	19,500	44	73.33%	95,500	13.73%
8,000	3	22,500	47	78.33%	118,000	16.96%
9,000	1	8,500	48	80.00%	126,500	18.19%
10,000	2	19,000	50	83.33%	145,500	20.92%
10,001 to 12,000	2	22,000	52	86.67%	167,500	24.08%
12,001 to 14,000		-	52	86.67%	167,500	24.08%
14,001 to 16,000	1	15,000	53	88.33%	182,500	26.24%
16,001 to 18,000		-	53	88.33%	182,500	26.24%
18,001 to 20,000		-	53	88.33%	182,500	26.24%
20,001 to 25,000	1	22,500	54	90.00%	205,000	29.47%
25,001 to 30,000	1	27,500	55	91.67%	232,500	33.42%
30,001 to 35,000	1	32,500	56	93.33%	265,000	38.10%
35,001 to 40,000		-	56	93.33%	265,000	38.10%
40,001 to 50,000	1	45,000	57	95.00%	310,000	44.57%
50,001 to 60,000		-	57	95.00%	310,000	44.57%
60,001 to 70,000	1	65,000	58	96.67%	375,000	53.91%
70,001 to 80,000		-	58	96.67%	375,000	53.91%
80,001 to 90,000	1	85,000	59	98.33%	460,000	66.13%
90,001 to 100,000		-	59	98.33%	460,000	66.13%
235,600	1	235,600	60	100.00%	695,600	100.00%
	60	695,600				

Average Number of Customers	5
Average Consumption	11,593
Median Consumption	3,333

Supporting Schedules:

Recap Schedules:

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

2 Inch Meter - Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000		-	-	0.00%	-	0.00%
3,000		-	-	0.00%	-	0.00%
4,000		-	-	0.00%	-	0.00%
5,000		-	-	0.00%	-	0.00%
6,000		-	-	0.00%	-	0.00%
7,000	1	6,500	1	4.17%	6,500	0.47%
8,000	1	7,500	2	8.33%	14,000	1.01%
9,000	1	8,500	3	12.50%	22,500	1.62%
10,000	2	19,000	5	20.83%	41,500	2.98%
10,001 to 12,000	1	11,000	6	25.00%	52,500	3.77%
12,001 to 14,000		-	6	25.00%	52,500	3.77%
14,001 to 16,000	2	30,000	8	33.33%	82,500	5.93%
16,001 to 18,000	3	51,000	11	45.83%	133,500	9.59%
18,001 to 20,000		-	11	45.83%	133,500	9.59%
20,001 to 25,000	1	22,500	12	50.00%	156,000	11.21%
25,001 to 30,000		-	12	50.00%	156,000	11.21%
30,001 to 35,000		-	12	50.00%	156,000	11.21%
35,001 to 40,000		-	12	50.00%	156,000	11.21%
40,001 to 50,000		-	12	50.00%	156,000	11.21%
50,001 to 60,000	3	165,000	15	62.50%	321,000	23.06%
60,001 to 70,000	1	65,000	16	66.67%	386,000	27.73%
70,001 to 80,000		-	16	66.67%	386,000	27.73%
80,001 to 90,000	1	85,000	17	70.83%	471,000	33.83%
90,001 to 100,000	1	95,000	18	75.00%	566,000	40.66%
122,500	1	122,500	19	79.17%	688,500	49.45%
126,800	1	126,800	20	83.33%	815,300	58.56%
127,100	1	127,100	21	87.50%	942,400	67.69%
130,300	1	130,300	22	91.67%	1,072,700	77.05%
137,400	1	137,400	23	95.83%	1,210,100	86.92%
182,100	1	182,100	24	100.00%	1,392,200	100.00%
	24	1,392,200				

Average Number of Customers	2
Average Consumption	58,008
Median Consumption	50,000

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Water Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5W
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Standpipe Water Sales

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-		-	-	0.00%	-	0.00%
1,000		-	-	0.00%	-	0.00%
2,000	1	1,500	1	6.67%	1,500	0.42%
3,000	3	7,500	4	26.67%	9,000	2.49%
4,000		-	4	26.67%	9,000	2.49%
5,000	1	4,500	5	33.33%	13,500	3.74%
6,000		-	5	33.33%	13,500	3.74%
7,000		-	5	33.33%	13,500	3.74%
8,000		-	5	33.33%	13,500	3.74%
9,000	1	8,500	6	40.00%	22,000	6.09%
10,000		-	6	40.00%	22,000	6.09%
10,001 to 12,000	1	11,000	7	46.67%	33,000	9.14%
12,001 to 14,000	1	13,000	8	53.33%	46,000	12.74%
14,001 to 16,000	1	15,000	9	60.00%	61,000	16.90%
16,001 to 18,000		-	9	60.00%	61,000	16.90%
18,001 to 20,000		-	9	60.00%	61,000	16.90%
20,001 to 25,000	1	22,500	10	66.67%	83,500	23.13%
25,001 to 30,000		-	10	66.67%	83,500	23.13%
30,001 to 35,000		-	10	66.67%	83,500	23.13%
35,001 to 40,000	1	37,500	11	73.33%	121,000	33.52%
40,001 to 50,000	2	90,000	13	86.67%	211,000	58.45%
50,001 to 60,000	1	55,000	14	93.33%	266,000	73.68%
60,001 to 70,000		-	14	93.33%	266,000	73.68%
70,001 to 80,000		-	14	93.33%	266,000	73.68%
80,001 to 90,000		-	14	93.33%	266,000	73.68%
90,001 to 100,000	1	95,000	15	100.00%	361,000	100.00%
	15	361,000				

Average Number of Customers	1
Average Consumption	24,067
Median Consumption	12,500

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5S
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Residential

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	323	-	323	8.04%	-	0.00%
1,000	555	277,500	878	21.85%	277,500	1.45%
2,000	479	718,500	1,357	33.76%	996,000	5.20%
3,000	549	1,372,500	1,906	47.42%	2,368,500	12.37%
4,000	457	1,599,500	2,363	58.80%	3,968,000	20.73%
5,000	364	1,638,000	2,727	67.85%	5,606,000	29.29%
6,000	269	1,479,500	2,996	74.55%	7,085,500	37.01%
7,000	200	1,300,000	3,196	79.52%	8,385,500	43.81%
8,000	155	1,162,500	3,351	83.38%	9,548,000	49.88%
9,000	136	1,156,000	3,487	86.76%	10,704,000	55.92%
10,000	136	1,292,000	3,623	90.15%	11,996,000	62.67%
10,001 to 12,000	96	1,056,000	3,719	92.54%	13,052,000	68.18%
12,001 to 14,000	54	702,000	3,773	93.88%	13,754,000	71.85%
14,001 to 16,000	51	765,000	3,824	95.15%	14,519,000	75.85%
16,001 to 18,000	59	1,003,000	3,883	96.62%	15,522,000	81.09%
18,001 to 20,000	39	741,000	3,922	97.59%	16,263,000	84.96%
20,001 to 25,000	45	1,012,500	3,967	98.71%	17,275,500	90.25%
25,001 to 30,000	22	605,000	3,989	99.25%	17,880,500	93.41%
30,001 to 35,000	16	520,000	4,005	99.65%	18,400,500	96.12%
35,001 to 40,000	7	262,500	4,012	99.83%	18,663,000	97.50%
40,001 to 50,000	4	180,000	4,016	99.93%	18,843,000	98.44%
50,001 to 60,000	1	55,000	4,017	99.95%	18,898,000	98.72%
60,001 to 70,000	1	65,000	4,018	99.98%	18,963,000	99.06%
70,001 to 80,000	-	-	4,018	99.98%	18,963,000	99.06%
80,001 to 90,000	-	-	4,018	99.98%	18,963,000	99.06%
90,001 to 100,000	-	-	4,018	99.98%	18,963,000	99.06%
179,490	1	179,490	4,019	100.00%	19,142,490	100.00%
	4,019	19,142,490				

Average Number of Customers	335
Average Consumption	4,763
Median Consumption	3,226

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5S
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Residential (ADJUSTED)

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	323	-	323	8.04%	-	0.00%
1,000	555	277,500	878	21.85%	277,500	1.46%
2,000	479	718,500	1,357	33.76%	996,000	5.25%
3,000	549	1,372,500	1,906	47.42%	2,368,500	12.49%
4,000	457	1,599,500	2,363	58.80%	3,968,000	20.92%
5,000	364	1,638,000	2,727	67.85%	5,606,000	29.55%
6,000	269	1,479,500	2,996	74.55%	7,085,500	37.35%
7,000	200	1,300,000	3,196	79.52%	8,385,500	44.20%
8,000	156	1,170,000	3,352	83.40%	9,555,500	50.37%
9,000	136	1,156,000	3,488	86.79%	10,711,500	56.46%
10,000	136	1,292,000	3,624	90.17%	12,003,500	63.27%
10,001 to 12,000	96	1,056,000	3,720	92.56%	13,059,500	68.84%
12,001 to 14,000	54	702,000	3,774	93.90%	13,761,500	72.54%
14,001 to 16,000	51	765,000	3,825	95.17%	14,526,500	76.57%
16,001 to 18,000	59	1,003,000	3,884	96.64%	15,529,500	81.86%
18,001 to 20,000	39	741,000	3,923	97.61%	16,270,500	85.77%
20,001 to 25,000	45	1,012,500	3,968	98.73%	17,283,000	91.10%
25,001 to 30,000	22	605,000	3,990	99.28%	17,888,000	94.29%
30,001 to 35,000	16	520,000	4,006	99.68%	18,408,000	97.03%
35,001 to 40,000	7	262,500	4,013	99.85%	18,670,500	98.42%
40,001 to 50,000	4	180,000	4,017	99.95%	18,850,500	99.37%
50,001 to 60,000	1	55,000	4,018	99.98%	18,905,500	99.66%
60,001 to 70,000	1	65,000	4,019	100.00%	18,970,500	100.00%
70,001 to 80,000	-	-	4,019	100.00%	18,970,500	100.00%
80,001 to 90,000	-	-	4,019	100.00%	18,970,500	100.00%
90,001 to 100,000	-	-	4,019	100.00%	18,970,500	100.00%
	4,019	18,970,500				

Average Number of Customers	335
Average Consumption	4,720
Median Consumption	3,226

Supporting Schedules:

Recap Schedules:

Clear Springs Utility Company, Inc. - Sewer Division
Docket No. WS-01689A-11-0402 and W-01689A-11-0401
Test Year Ended December 31, 2010

Rebuttal Schedule H-5S
Title: Bill Count

Required for:	
All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specl Reqmt	

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

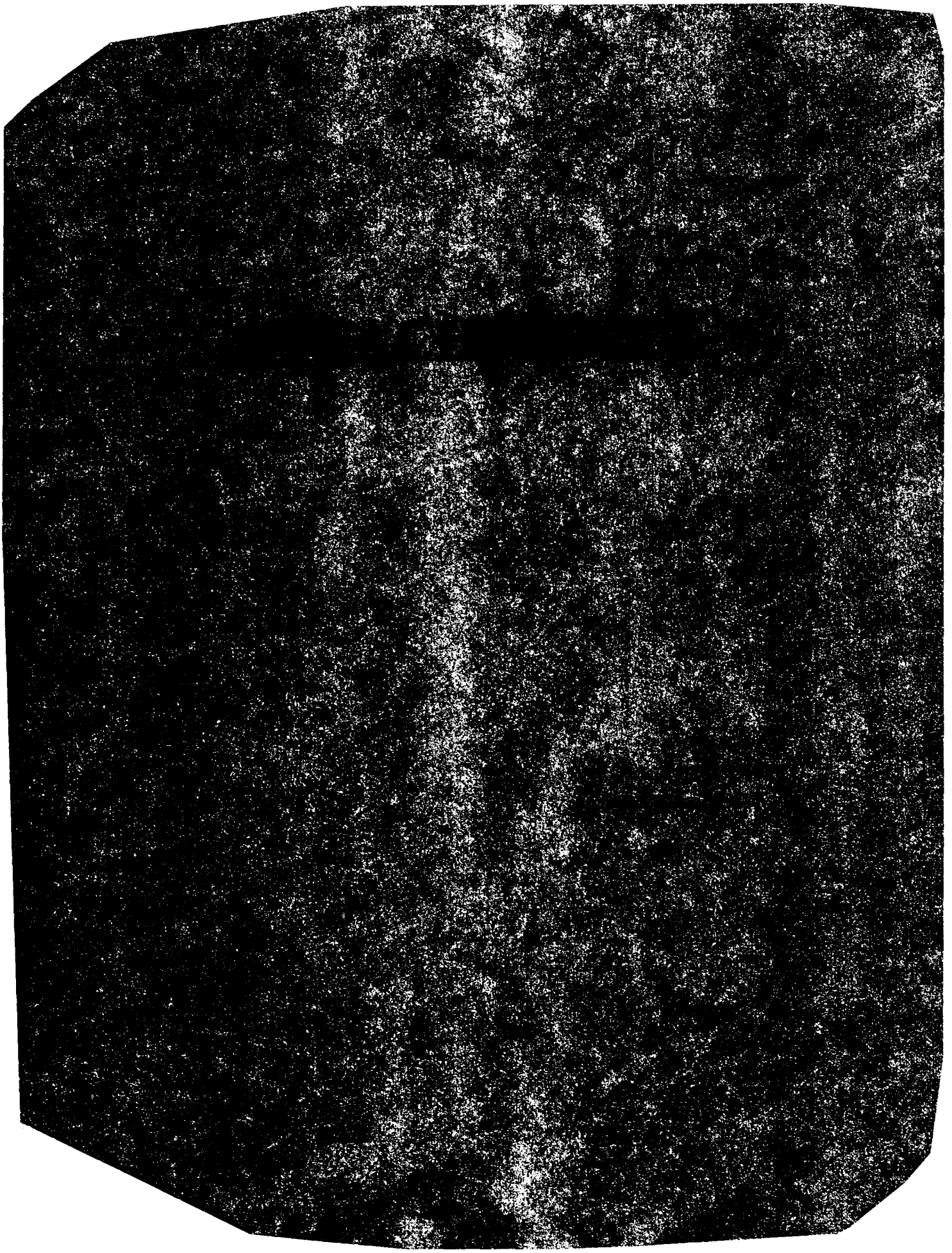
Commercial

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
-	28	-	28	7.25%	-	0.00%
1,000	75	37,500	103	26.68%	37,500	1.18%
2,000	50	75,000	153	39.64%	112,500	3.53%
3,000	29	72,500	182	47.15%	185,000	5.81%
4,000	30	105,000	212	54.92%	290,000	9.11%
5,000	12	54,000	224	58.03%	344,000	10.81%
6,000	12	66,000	236	61.14%	410,000	12.88%
7,000	26	169,000	262	67.88%	579,000	18.19%
8,000	18	135,000	280	72.54%	714,000	22.43%
9,000	14	119,000	294	76.17%	833,000	26.17%
10,000	13	123,500	307	79.53%	956,500	30.05%
10,001 to 12,000	12	132,000	319	82.64%	1,088,500	34.20%
12,001 to 14,000	11	143,000	330	85.49%	1,231,500	38.69%
14,001 to 16,000	11	165,000	341	88.34%	1,396,500	43.87%
16,001 to 18,000	7	119,000	348	90.16%	1,515,500	47.61%
18,001 to 20,000	6	114,000	354	91.71%	1,629,500	51.19%
20,001 to 25,000	9	202,500	363	94.04%	1,832,000	57.56%
25,001 to 30,000	1	27,500	364	94.30%	1,859,500	58.42%
30,001 to 35,000	4	130,000	368	95.34%	1,989,500	62.51%
35,001 to 40,000	5	187,500	373	96.63%	2,177,000	68.40%
40,001 to 50,000	4	180,000	377	97.67%	2,357,000	74.05%
50,001 to 60,000	1	55,000	378	97.93%	2,412,000	75.78%
60,001 to 70,000	1	65,000	379	98.19%	2,477,000	77.82%
70,001 to 80,000	2	150,000	381	98.70%	2,627,000	82.53%
80,001 to 90,000	1	85,000	382	98.96%	2,712,000	85.20%
90,001 to 100,000	-	-	382	98.96%	2,712,000	85.20%
105,340	1	105,340	383	99.22%	2,817,340	88.51%
115,580	1	115,580	384	99.48%	2,932,920	92.14%
115,790	1	115,790	385	99.74%	3,048,710	95.78%
134,230	1	134,230	386	100.00%	3,182,940	100.00%
	386	3,182,940				

Average Number of Customers	32
Average Consumption	8,246
Median Consumption	3,367

Supporting Schedules:

Recap Schedules:



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES **and** **IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AUTHORITY TO INCUR LONG-TERM DEBT**	Docket Nos. W-01689A-11-0401 W-01689A-11-0402 **TESTIMONY OF BONNIE O'CONNOR**

Q Please state your name and current employment position:

A Bonnie O'Connor, President, Southwestern Utility Management, Inc.

Q Describe your educational and professional background:

A I am currently the President of Southwestern Utility Management, Inc. ("Southwestern"). I have worked in an administrative and management capacity for more than 50 Arizona utilities for approximately 30 years.

Q. Do you agree with Staff's recommendation that the Company submit a detailed water loss reduction plan with Docket Control before any rate increase recommended in this matter becomes effective?

A. No. The Company needs new rates to be able to provide safe and reliable water service to its customers. The Company does not oppose filing a water loss reduction plan. However, the Company's need for new rates should not be tied to filing a water loss reduction plan. Further, this recommendation implies that Staff decides if the plan would be sufficient. Thus, the Commission would be delegating to Staff the power to decide if and when the Company should get its new rates.

Q. Do you agree with Staff's recommendation that Staff shall determine that any future rate case filed by the Company shall be insufficient if the Company does not file water loss report as recommended by Staff?

A. No. Whether or not a rate case application is sufficient or not depends upon filing the proper information required on the application. There is no rule that allows Staff to withhold rates or a rate application based upon the filing of water reports.

Q. Do you agree with Staff's recommendation that the Company has to install water storage tanks in System of PWS #02-048 and System of PWS #02-050 before any rate increase recommended in this matter becomes effective?

A. No. The Company has no money to purchase and install water tanks at this time. In fact, the Company had to borrow money from Southwestern to make a recent pump repair. The Company has shown that it needs additional revenue to continue to provide safe and reliable water service to the customers. If this recommendation is adopted, then

the Company will be in serious financial harm. This is a drastic position to take knowing that the Company is requesting financing to make improvements to the system. Accordingly, the recommendation should be that the Commission order the Company to install water storage tanks within 18 months or be subject to a penalty.

Q. Do you agree with Staff's recommendation that the Company file five BMPs in the form of tariffs that substantially conform to the templates created by Staff?

A. No. Based upon past Commission decisions, the Company believes three are appropriate.

Q. Do you agree that the revenue needed to meet the Company's current debt service obligations should be changed from rates to a surcharge?

A. No. When calculating the debt surcharge, Staff ignores the debt reserve requirement. This means that the Company has to pay this 5% of the loan amount out of its cash flow, which is already low. Once they realize that taking out the loan will put their company in financial peril, they decide not to take out the loan or only take out enough to make the repairs that are absolutely necessary. This is why we routinely oppose Staff's position. Here, if the Company owner decides not to take the loan, then the ability to meet the current debt service will no longer exist.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AN INCREASE IN RATES **and** **IN THE MATTER OF THE APPLICATION OF CLEAR SPRINGS UTILITY CO., INC., FOR AUTHORITY TO INCUR LONG-TERM DEBT**	Docket Nos. W-01689A-11-0401 W-01689A-11-0402 **REBUTTAL TESTIMONY OF KEITH DOJAQUEZ**

Q Please state your name and current employment position:

A My name is Keith Dojaquez, and I am Vice-President, General Operations Manager of Southwestern Utility Management, Inc. ("Southwestern").

Q Describe your educational and professional background:

A I am a certified operator for both water distribution and water treatment. I am also a certified utility manager through the National Rural Water Association. I was employed by Engineering and Environmental Consultants in Tucson, Arizona for three years. I have been employed with Southwestern for three years managing system operations for approximately 30 water companies.

Q Describe your role with Clear Springs?

A Southwestern manages Clear Springs. I manage system operations and compliance with ADEQ primarily.

Q. Do you agree with Staff's water testing estimates and how Staff calculated water testing costs?

A. I believe Staff should use the real costs verified by invoices to calculate testing costs. I disagree with Staff's cost estimates regarding bacteriological, radiochemical, and nitrite tests. Bacteriological tests costs at least $25.00 per sample, not $10.00 as Staff estimates. Radiochemical tests cost $430, as opposed to $60. Nitrate tests costs $35, not $25.

Q. Do you agree with Staff's recommendation that the rate increase not become effective until the Company submits a water loss reduction plan.

A. No.

Q. Do you agree with Staff's recommendation that the Company repair the leaks that Staff observed during its field inspection immediately and file documents showing that it has complied within 15 days of the effective date of the commission's order in this matter.

A. No. These leaks have already been repaired and the Company has already notified Staff that the leaks have been repaired. So this recommendation is not necessary.

Q. In its report, Staff recommends the following: "[T]he Company monitor the water system closely and take action to ensure the water loss is 10 percent or less by December 2014. If the water loss continues to exceed 10 percent, calculated on an

annual basis, the Company shall, within 270 days of a decision in this case, file a detailed plan to reduce water loss to 10 percent or less, or prepare a report containing a detailed analysis and explanation demonstrating why a water loss reduction to 10 percent or less is not feasible or cost effective. Staff further recommends that the Company be required to file water loss progress reports semiannually with Docket Control, as a compliance item in this docket. Staff further recommends that the first water loss progress report be filed by June 30, 2013. Staff shall determine that any future rate case filed by the Company shall be insufficient if these items are not properly submitted." Do you agree with this recommendation?

A. No. First, we do monitor the system closely. However, it is old and it leaks. Achieving 10% water loss would require the Company re replace its distribution system and all of its meters. Further, I am not aware of any rule or guidance explaining what Staff means by a "detailed plan."

Q. Do you agree with Staff's recommendation that the Company conduct water testing for PWS no. 02-048 and PWS no. 02-050?

A. The Company does not oppose testing the non-community water systems so long as the testing costs are recoverable. Previously, Staff has taken the position that the Company can recover only those water testing costs that are required by ADEQ, and ADEQ does not require the tests now sought by Staff. However, we do not believe the recommendation that the Company file affidavits on a quarterly basis is reasonable. This is administratively burdensome. The Company will keep the testing results in its normal

course of business and these records will be available for Staff inspection.

Q. Do you agree with Staff's position that the Well no. 16 plant is not used and useful?

A. No. Well No. 16 is needed for redundancy and the Company is almost done with the much-needed repairs and improvements. The Company has repaired and replaced the well pump, pressure tank, and ancillary equipment. With no additional financing available, the Company has had some delays in reconnecting the well to the distribution system. The Company estimates that it will cost approximately $5,000 to finalize the connection.

Q. Do you agree with Staff's recommendation that Clear Springs increase storage at PWS no. 02-048 and PWS no. 02-050?

A No. The Company has no money to purchase and install water tanks at this time. Further, there are only six customers receiving water from each of these systems. Water supply interruptions are usually due to either a line breaks or power outages. In either case, additional water storage will not help mitigate the problem.

ORIGINAL

Clear Springs Utility
Explanation of Opinion of Probable Cos
Docket No. WS-01689A-11-0402

57

EXHIBIT
A-6
ADMITTED

Item 1 COUNTRY WELL SITES STORAGE (WELLS 3 & 7)

Explanation of Need

Well 3 needs a 5000 gallon storage tank installed. Due to the new storage tank there will have to be two booster pumps and bladder tanks installed. The bladder tanks will work as a control vessel to control the booster pumps per the demand. The electrical system will need to be upgraded to accommodate present and future demand of this system and to be in compliance with current regulations.

Well 7 needs a 5000 gallon storage tank installed due to the exiting storage is not adequate to sustain the demand in this area. A second booster pump and bladder tank should be installed to have redundancy if one pump goes out. The electrical system will need to be upgraded to accommodate present and future demand of this system and to be in compliance with current regulations. This facility needs a new fence installed for added security of this site.

Explanation of cost

The opinion of probable cost is based on Past projects and bids

Item 2 Replace Fire Hydrants

Explanation of Need

The hydrants in the existing system are old. Many are in need of replacement whether due to age or physical damage. Those hydrants that are currently inoperable, leaking, or have been removed are listed on the OPC

Priority

This item is also 4th priority and will occur simultaneously with main replacements.

Explanation of cost

The opinion of probable cost is based on Past projects and bids

RECEIVED
2012 MAY -1 A 11: 04
AZ CORP COMMISSION
DOCKET CONTROL

Items 3 Repairs at well 18

Explanation of Need

The existing storage tank is settling on the west and needs to be stabilized with pressure grout.

Well 18 is down due to holes in the 6" column piping, the bowls to the pump and the bearings are damaged. What needs to happen to get this back on line is that 15 joints of column pipe needs replaced, the bearings (15 of them) need replaced and the bowls. The cost to do this is very high, we would like to install a 50 hp submersible pump and motor with new column pipe. The cost to install a new submersible pump and motor is not much more than repairs to the existing vertical turbine pump.

Arizona Corporation Commission
DOCKETED
MAY 01 2012
DOCKETED BY JM

Explanation of cost

Clear Springs Utility
Explanation of Opinion of Probable Cost
Docket No. WS-01689A-11-0402

The opinion of probable cost is based on costs from RS means and D&M well service.

Items 4 Replace Damaged Isolation Gate Valves

Explanation of Need

Damaged valves should be replaced to allow flow through the pipes and to aid in isolating main breaks without interrupting service to more customers than necessary.

Explanation of cost

The opinion of probable cost is based on **Past projects and bids**

Items 5 Replace Distribution Services

Explanation of Need

Old Polyethylene material pipes are substandard and are leaking often. We would like to replace with K-copper piping. This will help with the high water loss in the system.

Explanation of cost

The opinion of probable cost is based on **RS Means**

Clearsprings Utility Co Improvements
Engineer's Estimate of Cost
Docket No. WS-01689A-11-0402

ITEM ONE COUNTRY WELL SITES STORAGE (Wells 3 &7)

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST	NOTES
5,000 gal tank Well 3	1	LS	$3,780.00	$3,780.00	Loomis Tank Centers. Delivered. Vendor. No Davis Bacon
Steel Tank Ring Well 3	40	LF	$15.10	$604.00	$6.04/LF X 2.5 Davis Labor Smith Pipe/Steel Co Verbal Delivered
5HP boosters Well 3	2	EA	$2,611.00	$5,222.00	Berkeley List. Vendor. No Davis Bacon
Facility piping & Plumbing Well 3	3	DAY	$1,437.00	$4,311.00	Equipment $865/day, Labor $572/day for pipefitter + Laborer Davis Bacon
New Materials	1	LS	$5,000.00	$5,000.00	66 LF above ground pipe, 6 LF below ground pipe, valves and fittings
Electrical Well 3	1	LS	$2,500.00	$2,500.00	verbal estimate from Jim's electric
Electrical Rack Well 3	1	LS	$1,200.00	$1,200.00	verbal quote from Jim Ollander
Conc slabs Well 3	100	SF	$7.42	$742.00	For 8" slab (ADOT 2010 const cost SR101L proj +6% inflation)
AB gravel Well 3	3	CY	$106.00	$318.00	under tank, elect rack & booster slab (ADOT includes DB)
44 gal bladder tank Well 3	2	EA	$700.00	$1,400.00	Vendor No Davis Bacon
5,000 gal tank Well 7	1	LS	$3,780.00	$3,780.00	Loomis Tank Centers. Delivered. Vendor. No Davis Bacon
Steel Tank Ring Well 7	40	LF	$15.10	$604.00	$6.04/LF X 2.5 Davis Labor Smith Pipe/Steel Co Verbal Delivered
AB gravel Well 7	2.5	CY	$106.00	$265.00	under tank & elec rack (ADOT includes DB)
44 gal bladder tank Well 7	1	EA	$700.00	$700.00	Vendor No Davis Bacon
Facility piping & Plumbing Well 7	3	DAY	$1,437.00	$4,311.00	Equipment $865/day, Labor $572/day for pipefitter + Laborer Davis Bacon
New Materials	1	LS	$2,500.00	$2,500.00	33 LF above ground pipe, 10 LF below ground pipe, valves and fittings
Electrical Well 7	1	LS	$2,500.00	$2,500.00	verbal quote from Jim Ollander
Electrical Rack Well 7	1	LS	$1,200.00	$1,200.00	estimate
New 3 HP Booster	1	LS	$2,611.00	$2,611.00	estimate, extrapolated from 5 HP pump price
Horiz tank removal Well 7	1	LS	$1,500.00	$1,500.00	estimate
Chain link fence Well 7	38	LF	$37.50	$1,425.00	Extrapolated from Well Site #2 Quote X 1.5 DB wage
SUBTOTAL				**$46,473.00**	
ATC application	1	LS	$3,200.00	$3,200.00	
Engineering	_	_	10%	$4,647.30	
Administration & Legal Fees	_	_	5%	$2,323.65	
Project Management & Inspections	_	_	10%	$4,647.30	
Contingency	_	_	15%	$6,970.95	
Sales Tax	_	_	4.60%	$2,137.76	65% of tax rate to account only for taxed items
			SUBTOTAL	**$70,399.96**	

ITEM TWO REPLACE FIRE HYDRANTS

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST	NOTES
Hydrant Replacement	22	EA	$4,125.00	$90,750.00	Locations per replacement plan $1650 list price X 2.5 for DB labor
SUBTOTAL				**$90,750.00**	
Administration & Legal Fees	_	_	5%	$4,537.50	

Clearsprings Utility Co Improvements
Engineer's Estimate of Cost
Docket No. WS-01689A-11-0402

Project Management & Inspections	_	_	10%	$9,075.00	
Contingency	_	_	15%	$13,612.50	
Sales Tax	_	_	4.60%	$4,174.50	65% of tax rate to account only for taxed items
			SUBTOTAL	**$122,149.50**	

ITEM THREE REPAIRS AT WELL 18

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST	NOTES
Pressure Grouting existing storage tank due to settling	1710	CF	$86.50	$147,915.00	RS MEANS 2010
New 5000 gallon pressure tank	1	EA	$24,740.00	$24,740.00	
Well pump, motor and column piping	1	EA	$35,000.00	$35,000.00	Costs from D & M Well Services
SUBTOTAL				**$207,655.00**	
Administration & Legal Fees	_	_	5%	$10,382.75	
Project Management & Inspections	_	_	10%	$20,765.50	65% of tax rate to account only for taxed items
Contingency	_	_	15%	$31,148.25	
Sales Tax	_	_	4.60%	$9,552.13	
			SUBTOTAL	**$279,503.63**	

ITEM FOUR REPLACE BROKEN ISOLATION GATE VALVES

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST	NOTES
Resilient Wedge Gate Valves 6"	3	EA	$2,250.00	$6,750.00	$900 Flomatic 2011 list x 2.5 for DB wages
Resilient Wedge Gate Valves 8"	1	EA	$3,500.00	$3,500.00	$1400 Flomatic 2011 list x 2.5 for DB wages
Resilient Wedge Gate Valves 10"	1	EA	$4,625.00	$4,625.00	$1850 Flomatic 2011 list x 2.5 for DB wages
SUBTOTAL				**$14,875.00**	
Administration & Legal Fees	_	_	5%	$743.75	65% of tax rate to account only for taxed items
Project Management & Inspections	_	_	10%	$1,487.50	
Sales Tax	_	_	4.60%	$684.25	
			SUBTOTAL	**$17,790.50**	

Clearsprings Utility Co Improvements
Engineer's Estimate of Cost
Docket No. WS-01689A-11-0402

ITEM FIVE REPLACE AND/OR UPGRADE DISTRIBUTION SERVICES

ITEM DESCRIPTION	QTY	UNIT	UNIT PRICE	COST	NOTES
1" Services along Justin replace exist poly line	56	EA	$54.00	$3,024.00	$36/LF installation cost x 1.5 for Davis Bacon
1" services on Ford replace exist 1" services	80	EA	$54.00	$4,320.00	$36/LF installation cost x 1.5 for Davis Bacon
1" in alleys & esmts north of Treasure Rd, South of Christmas Tree replace exist 1" services	60	EA	$54.00	$3,240.00	$36/LF installation cost x 1.5 for Davis Bacon
1" in Treasure Rd replace exist 1" services	26	EA	$54.00	$1,404.00	$36/LF installation cost x 1.5 for Davis Bacon
SUBTOTAL				**$11,988.00**	
Surveying	1	LS	$3,500.00	$3,500.00	
Engineering	_	_	10%	$1,198.80	
Administration & Legal Fees	_	_	5%	$599.40	
Project Management & Inspections	_	_	10%	$1,198.80	
Contingency	_	_	15%	$1,798.20	
Sales Tax	_	_	4.60%	$551.45	65% of tax rate to account only for taxed items
			SUBTOTAL	**$20,834.65**	

GRAND TOTAL **$510,678.24**

EXHIBIT
A-7
ADMITTED

Clear Springs Utility Company, Inc. - Water Division
Comparison of Actual Amounts versus Recommendations in Decision 68443

TY

	2006	2007	2008	2009	2010	2011	Cumulative Total
Water Division Revenue	$196,517	$168,384	$168,947	$175,234	$168,250	$176,409	$1,053,741
Revenue per Decision 68443 - rates effective 02/01/2006	$182,903	$182,903	$182,903	$182,903	$182,903	$182,903	$1,097,418
Revenue Shortage	$13,614	($14,519)	($13,956)	($7,669)	($14,653)	($6,494)	($43,677)
Operating Expenses per Decision 68443	$157,584	$157,584	$157,584	$157,584	$157,584	$157,584	$945,504
Operating Expenses	$160,300	$176,328	$173,569	$187,309	$206,676	$185,696	$1,089,878
Excess Operating Expenses	($2,716)	($18,744)	($15,985)	($29,725)	($49,092)	($28,112)	($144,374)
Excess/(Shortfall)	$10,898	($33,263)	($29,941)	($37,394)	($63,745)	($34,606)	($188,051)

[redacted]

Clear Springs Utility Company, Inc. - Water Division
Analysis of WIFA Revenue and Payments by T-Accounts - Double Entry Bookkeeping Example

	Assets				Liability	Revenue		Expenses		
	Cash		WIFA Debt Reserve		WIFA Loan	Surcharge Revenue		Interest/WIFA Fees	Income Tax Expense	Property Tax Expense
1	$ 42,648						$ 42,648			
2		$ 36,152	$ 6,025		$ 14,708			$ 15,419		
3		5,982							$ 5,982	
4		514								$ 514

1 The surcharge for the new WIFA loan will generate $42,648 in revenue annually, revenue and cash are both recognized and recorded. (From Rebuttal Schedule SSR-3)

2 As WIFA payments are made on the new loan, cash is credited for the amount of cash outflow for the payments, and the loan, interest, and the reserve are debited. (From Rebuttal Schedule SSR-3)

3 Income Tax Calculation:

Revenue	$	42,648
Interest		15,419
Taxable Income	$	27,229
Tax Rate		21.9686%
Income Tax	$	5,982

4 Property Tax Amount:

Gross Up Amount	$	6,496
Income Tax Part		(5,982)
Property Tax	$	514

Staff states on Page 13, line 1 of the Surrebuttal Testimony of Jeffrey M. Michlik that "The debt service reserve is essentially a savings account that accumulates to the benefit of the utility owners".
By that statement, Staff is admitting that the reserve account mandated by WIFA is "a savings account", which under standard accounting practices is an asset, not a liability.
In addition, Staff's statement that the debt service reserve is "to the benefit of the utility owners" is false. It is mandated by WIFA and held by WIFA to protect itself, not the Company.
If an account, by standard practice and the fundamentals of double entry bookkeeping, is an asset, it cannot possibly be a liability as Staff contends.