NEW APPLICATION

ORIGINAL

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Arizona Corporation Commission
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Attorneys for Litchfield Park Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01427A-13-0043 **APPLICATION**

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

1. LPSCO is an Arizona public service corporation engaged in providing water and wastewater utility services in portions of Maricopa County, Arizona, pursuant to certificates of convenience and necessity granted by the Arizona Corporation Commission. During the Test Year, LPSCO served approximately 16,802 water and 16,161 sewer service connections[1], but the water and wastewater Certificates of Convenience and Necessity are not identical.

[1] See Company's H-2, Page 1 Schedules

APPLICATION
W-01427A-13-0043

PART 1 OF 2
BARCODE # 0000143360

To review Part 2 please see:

BARCODE #0000143361

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

3. The persons responsible for overseeing and directing the conduct of this rate application are Christopher D. Krygier, Liberty's Utility Rates and Regulatory Manager. Mr. Krygier was assisted by the Company's rate case consultant, Mr. Thomas Bourassa and undersigned legal counsel. Mr. Krygier's mailing address is 12725 W. Indian School Road, Suite D-101, Avondale, Arizona 85392 and his telephone number is (623) 298-3769; his telecopier number is (623) 935-1020, and his e-mail address is Christopher.Krygier@libertyutilities.com. Mr. Bourassa's mailing address is 139 W. Wood Drive, Phoenix, Arizona 85029, his telephone number is (602) 246-7150; his telecopier number is (602) 246-1040, and his e-mail address is tjb114@cox.net. **All discovery, data requests and other requests for information concerning this Application should be directed to Mr. Krygier, including copies by e-mail, as well as to Greg Sorensen by email at Greg.Sorensen@libertyutilities.com.com, and to Mr. Bourassa, with a copy to undersigned counsel for the Company, including by e-mail to jshapiro@fclaw.com and wbirk@fclaw.com.**

4. The Company's present rates and charges for utility service were approved by the Commission in Decision No. 72026 (December 10, 2010) using a test year ending September 30, 2008. There have been no other changes except those ordered in Decision No. 72682.

5. LPSCO's revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public service. Operating expenses have caused the revenues produced by the current rates and charges for service to become inadequate to meet operating expenses and

provide a reasonable rate of return. Therefore, the Company requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that the Company may recover its operating expenses and be given an opportunity to earn a just and reasonable rate of return on the fair value of its property. The Company agrees to use its original cost rate base as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

6. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class "A" utilities. The test year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2012. The Company requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal or more realistic relationship between revenues, rate base and expenses during the period in which the rates established in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were $11,201,390 from water utility service. The adjusted operating income (loss) from the Water Division was $2,024,376, leading to an operating income deficiency of $1,362,751. The adjusted fair value rate base was $35,647,602. Thus, the rate of return on the Company's water operations during the test year was only 5.68 percent.

8. During the test year, the Company's adjusted gross revenues were $10,361,603 from wastewater utility service. The adjusted operating income from the Wastewater Division was $1,871,616, leading to an operating income deficiency of $397,170. The adjusted fair value rate base was $23,877,697. Thus, the rate of return on the Company's wastewater operations during the test year was 7.84 percent.

9. The Company submits that these rates of return are inadequate to allow it to obtain debt, pay a reasonable dividend to its stockholder, maintain a sound credit rating,

and/or enable LPSCO to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

10. The Company is requesting an increase in water utility revenues equal to $2,257,160, an increase in revenues of 20.15 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 9.50 percent from water operations.

11. The Company is requesting an increase in wastewater utility revenues equal to $659,088, an increase in revenues of 6.36 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 9.50 percent from wastewater operations.

12. Filed concurrently in support of this Application is the Direct Testimony of Greg Sorensen, providing an overview of the Company and discussing the Company's improvements since the last rate decision. Also filed is the Direct Testimony of Thomas Bourassa, in two separate volumes that collectively provide an overview of the Company's rate filing, discussion of the revenue requirement, including the "A" through "F" schedules, and the "G" schedules for the Water Division, development of the rate base and income statement adjustments, cost of equity capital and related issues, proposed rates, including the "H" schedules, and discussion of the effects of the proposed rates on customers' bills. The Company's "D" Schedules, which concern the cost of capital, are attached to the volume of Mr. Bourassa's testimony addressing cost of capital. The remaining schedules for the Water and Sewer Division are separately bound and filed concurrently with the Application.

13. The Company has also submitted the direct testimony of Mr. Krygier. Mr. Krygier discussed four separate request for relief – (1) approval of a Distribution System Infrastructure Surcharge, also known as a DSIC, and a similar mechanism for wastewater known as a Collection System Infrastructure surcharge or CSIC; (2) a property tax

deferral accounting order; (3) a purchased power adjustment mechanism; and (4) a Commission policy statement on balanced rate designs. LPSCO asks that the Commission's final order in this docket include approval of each of these requests for relief set forth in Mr. Krygier's testimony.

14. Attached hereto as **Attachment 1** are water and wastewater plant descriptions, a completed water use data sheet for the 2012 calendar year, and wastewater flows for January 2012-December 2012.

WHEREFORE, LPSCO requests the following relief:

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

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

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

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RESPECTFULLY SUBMITTED this 28th day of February, 2013.

FENNEMORE CRAIG, P.C.

By_____

Jay L. Shapiro
Todd C. Wiley
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Suite 600
Phoenix, Arizona 85016
Attorneys for Litchfield Park Service Company

ORIGINAL and fifteen (15) copies of the foregoing, together with the direct testimonies and schedules supporting this application, were delivered this 28TH day of February, 2013, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

By: Maria San Jose

7963828.2/060199.0028

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

APPLICATION

FEBRUARY 28, 2013

ATTACHMENT 1

COMPANY NAME	Litchfield Park Service Company

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-611687	150	1000	700	14	8	
55-611724	250	1200	800	16	12	
55-214539	150	700	700	16	12	2007
55-583454	200	700	740	16"	12"	2001
55-611680	75	550	503	12"	12"	1961
55-611678	150	1200	685	16"	12"	1966
55-611677	150	1100	850	16"	12"	1972
55-533836	200	1200	650	16"	12"	1992
55-611727	300	1350	810	16"	12"	1965
55-611729	350	1350	997	20"	12"	1960
55-611726	350	1350		20"	12"	1962
55-611717	200	1400	1100	20"	12"	1962

* 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		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
100 HP	1	3,406	
150 HP	1		
200 HP	3		
250 HP	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
6.3 MGD	1	N/A	
4.3 MGD	1		

COMPANY NAME	Litchfield Park Service Company

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	DIP	842
3	DIP	1,739
4	DIP	19,100
6	DIP	386,182
8	DIP	487,714
10	DIP	3,435
12	DIP	158,710
16	DIP	64,043
24	DIP	79,534
30	DIP	5,290
36	DIP	255
42	DIP	325

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	63
3/4	9313
1	5931
1 1/2	194
2"	635
3"	32
4"	19
8"	2
10"	1
FireLines	260

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

TREATMENT EQUIPMENT:
Water Treatment –Sodium Hypochloride Generation as disinfection Water Treatment –Arsenic removal systems located at well site 20B Town well reservoir and airline reservoir

STRUCTURES:
Booster Pump Building, Fence, Walls for Wells & Airline Reservoir Pump Buildings & Chlorine Injection Buildings

OTHER:
N/A

COMPANY NAME:	Litchfield Park Service Company.
Name of System	ADEQ Public Water System Number (if applicable)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2012

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLONS PUMPED	GALLONS PURCHASED
JANUARY	16,606	179,495,687	215,672,000	0
FEBRUARY	16,691	187,721,281	197,319,000	0
MARCH	16,745	206,805,180	235,898,000	0
APRIL	16,817	220,648,473	263,970,000	0
MAY	16,877	262,637,241	373,354,000	0
JUNE	16,917	360,854,376	415,161,000	0
JULY	17,007	385,513,150	411,362,000	0
AUGUST	17,062	351,583,125	396,551,000	0
SEPTEMBER	17,136	339,740,615	343,392,000	0
OCTOBER	17,185	298,867,926	349,051,000	0
NOVEMBER	17,226	308,141,680	267,223,000	0
DECEMBER	17,313	232,472,529	209,783,000	0
	TOTALS →	3,334,481,263	3,678,736,000	0

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

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

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

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

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

If yes, provide the GPCPD amount:____172 GPCPD

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

ARSENIC BY WELL AS OF DECEMBER 31, 2012

Well	Arsenic Levels Post Treatment(parts per billion)
Town Well Reservoir	8
Airline Well	6
Well 20-B	1

COMPANY NAME	Litchfield Park Service Company

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.)	Activated Sludge (SBR)
DESIGN CAPACITY OF PLANT (Gallons Per Day)	5,100,000 GPD

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
LPSCO Lift Station No. 2	2	18	350	25,000
LPSCO Lift Station No. 3	3	47	1,050	30,000

FORCE MAINS

Size	Material	Length (Feet)
10"	PVC	17,550
12"	PVC	6,100
8"	DIP	3,550
10"	DIP	3,925
12"	DIP	47
16"	DIP	5,200
24"	DIP	6,484

MANHOLES	
Type	**Quantity**
Standard	4,270
Drop	61

CLEANOUTS
Quantity
172

COMPANY NAME	Litchfield Park Service Company

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4"	VCP;DIP;PVC	208,097
6"	VCP;DIP;PVC	4,667
8"	VCP;DIP;PVC	1,165,969
10"	VCP;DIP;PVC	70,196
12"	VCP;DIP;PVC	53,213
15"	VCP;DIP;PVC	85,886
18"	VCP;DIP;PVC	22,180
21"	VCP;DIP;PVC	23,016
24"	VCP;DIP;PVC	12,188
30"	VCP;DIP;PVC	3,663

SERVICES

Size (in inches)	Material	Quantity
4	VCP;DIP;PVC	17,906
6	VCP;DIP;PVC	700
8	VCP;DIP;PVC	2
10	VCP;DIP;PVC	4

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

SOLIDS PROCESSING AND HANDLING FACILITIES	Aerobic Digester/ Centrifuge
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Ultra-Violet
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	Aqua Disk-Filter Disk
STRUCTURES (Buildings, Fences, Etc.)	The facility currently contains 4 steel frame buildings w/ concrete masonry unit (CMU) facia on enclosed concrete tank structures. The facility is bordered by aluminum fencing and gates.
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	1 Standby Generator, Tools, Lab Equipment, 22 Vehicles, 2 golf carts, 3 trailers

COMPANY NAME	Litchfield Park Service Company

WASTEWATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2012

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
JANUARY	18,816	103,443,000	3,846,000
FEBRUARY	18,877	97,923,000	3,933,000
MARCH	18,906	107,792,000	4,098,000
APRIL	18,961	100,265,000	3,604,000
MAY	19,001	98,950,000	3,699,000
JUNE	19,063	94,275,000	3,976,000
JULY	19,140	100,140,000	3,906,000
AUGUST	19,202	104,663,000	3,757,000
SEPTEMBER	19,267	96,705,000	3,695,000
OCTOBER	19,316	105,392,000	4,273,000
NOVEMBER	19,355	106,186,000	4,267,000
DECEMBER	19,433	108,094,000	3,905,000

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Reuse, surface discharge
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	100310
Groundwater Permit Number	N/A
ADEQ Aquifer Protection Permit Number	P100310
ADEQ Reuse Permit Number	R105272, R105472, R105221, R23573, R23618, R23577,R105644,R105706,R105669,R103615
EPA NPDES Permit Number	N/A

STATISTICAL INFORMATION

Total number of customers 19,433

Total number of gallons treated 1,223,828

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01427A-13-_____
IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-01428A-13-_____

DIRECT TESTIMONY OF
GREG SORENSEN

February 28, 2013

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. On behalf of the Applicant Litchfield Park Service Company ("LPSCO" or "Company").

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Liberty Water dba Liberty Utilities as Vice President and General Manager.

Q. I THOUGHT YOU WORKED FOR LIBERTY WATER. HAS THAT CHANGED?

A. Liberty Utilities is the same entity as Liberty Water, the name we operated under in Arizona the past several years. We recently updated the name as our acquisitions in other states include gas and electric utilities in addition to water and sewer. We believed that this name change better reflects who we were becoming as a company. Also, in some states, like Missouri, we will have customers who will be both a water customer and a gas customer. It would have been very confusing for those customers to receive a bill for gas services from Liberty "Water."

This is really just a natural extension of our growth, and an opportunity to bring high quality utility service to new types of customers. I also believe that our continued expansion will provide additional economies of scale, and enable us to continuously improve our service offerings to all our customers, including LPSCO's customers. We have notified Staff and the Commissioners' offices, as well as local politicians of this name change. We also sent communications to our

customers on this subject during the month of June 2012, as well as publicized it in local newspapers.

Q. THANK YOU, PLEASE CONTINUE.

A. Liberty Utilities, like LPSCO and all of the other subsidiary utility providers and service companies, is ultimately owned by Algonquin Power & Utilities Corp., or APUC, a publicly traded member of the Toronto Stock Exchange. Through its distinct operating subsidiaries, APUC owns and operates a diversified portfolio of $0.8 billion of clean renewable electric generation and $1.1 billion sustainable utility distribution businesses in North America. Liberty Utilities, APUC's regulated utility business, provides regulated water, gas and electric utility services to more than 350,000 customers with a portfolio of 26 water, gas and electric utility systems in Arizona, Texas, Missouri, Illinois, Iowa, California, New Hampshire, and Arkansas. Pursuant to previously announced agreements, Liberty Utilities is committed to acquiring certain regulated gas distribution utilities from Atmos Energy Corporation, which serves approximately 60,000 customers in the state of Georgia and 50,000 customers in the state of Massachusetts from The Laclede Group, Inc. Algonquin Power Co. (APCo), APUC's non-regulated electric generation subsidiary, owns or has interests in renewable energy and thermal energy facilities representing more than 1,100 MW of installed capacity. APUC's common shares and convertible debentures are traded on the Toronto Stock Exchange under the symbols AQN and AQN.DB.B. The APUC website is www.AlgonquinPowerandUtilities.com.

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

A. I am currently responsible for Liberty Utilities' water and sewer operations in Texas, Missouri, Illinois, and Arizona.

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

Q. DID YOUR EDUCATION OR PRIOR EMPLOYMENT BACKGROUND PREPARE YOU FOR YOUR ROLE AS VP OF LIBERTY UTILITIES?

A. Yes, significantly. I have a degree in accounting and I worked for Arthur Andersen in public accounting for 5 years, after which I was a Director of Financial Reporting & Analysis, Controller, and VP Finance for Excel Agent Services, an international call center company.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

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

Q. WHAT IS THE PURPOSE OF THIS DIRECT TESTIMONY?

A. To support LPSCO's application for rate relief. Specifically, I will provide background on the Company and its operations. I will also summarize significant capital improvements completed by the Company and other operating cost changes since the last rate case that are now contributing to the need for this rate case. Finally, I will address certain aspects of the relief being requested in this case, including approval of certain changes to our tariff of rates and charges for water and wastewater service.

II. OVERVIEW OF LITCHFIELD PARK SERVICE COMPANY

Q. PLEASE PROVIDE AN OVERVIEW OF LPSCO.

A. The Company provides services to approximately 16,802 water and 16,161 wastewater customers.[1] The Company's service area is located in Maricopa County, Arizona, encompassing the City of Litchfield Park, the City of Goodyear north of I-10, two commercial sites in Avondale including Estrella Mountain Community College, and certain unincorporated portions of Maricopa County. The Company's water and wastewater CC&Ns are primarily geographically the same, but we do have a portion of our sewer CCN that is served by another water provider, Valley Utilities Water Company, in the northeastern section of our CCN, and by EPCOR Aqua Fria district on the far western edge of our CCN.

The LPSCO service area is within the Phoenix Active Management Area, which has been created by the Arizona Groundwater Code. As a result, the Company is subject to certain water conservation requirements imposed by the Third Management Plan, adopted by the Arizona Department of Water Resources in order to reduce groundwater pumping. This area is also located within the Maricopa Association of Governments 208 Planning area, which subjects the location of wastewater treatment facilities to an additional layer of regulation.

In addition to our many residential customers, LPSCO serves a considerable number of commercial customers, a few light industrial and several irrigation customers, including several golf courses. We also provide water and sewer service to a large resort—The Wigwam—located in Litchfield Park. The majority of residential customers are served through ¾ and 1 inch meters. The average

[1] These customer counts differ from the ACC annual report due to the counting of customers versus bills sent out each month. As an example, an HOA may represent 200 customers in our calculations but only one customer in Mr. Bourassa's bill count.

water use for residential customers is approximately 8,827 gallons per month, which is fairly high compared to other Arizona water utilities.

Q. PLEASE DESCRIBE THE COMPANY'S WATER RESOURCES.

A. The Company's water supply is comprised entirely of groundwater pumped from 12 wells. The water from three of these wells is of sufficient quality that it is pumped, chlorinated, and transmitted directly to the distribution system. Eight of the wells pump to two reservoirs (Town Well (6.1MG) and Airline (4.0MG) with an approximate combined capacity of 10.1MG), where the water is blended, chlorinated, and treated for arsenic to meet the MCL. The final well, 20B, is pumped and treated for arsenic at or near the wellsite, and then transmitted into the distribution system.

Q. CAN YOU PROVIDE SOME ADDITIONAL DETAIL REGARDING THE IRRIGATION CUSTOMERS?

A. Yes. The Company does supply water to 10 school complexes. The Company also supplies water to the cities of Litchfield Park and Goodyear for use in irrigating medians and common areas, and provides separate irrigation water to a few residential customers who requested a dedicated irrigation line. Other than the Wigwam, there are eight golf courses in our service area, three of which may use effluent for irrigation, with the remainder using their own well water supply. LPSCO does not provide water for landscape irrigation to any golf courses at this time. The Company also serves the Wigwam Resort, although the resort has its own water rights and water source for its golf courses, and immediately prior to the test year eliminated its use of our irrigation water for the Wigwam grounds.

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

A. The utility has a 4.1 million gallons per day (MGD) wastewater treatment plant, the Palm Valley Water Reclamation Facility or PVWRF, using Sequencing Batch Reactor (SBR) technology. The PVWRF was upgraded during the test year to achieve a capacity rating of 5.1MGD. The facility holds an Aquifer Protection Permit ("APP No. 100310") and Arizona Pollutant Discharge Elimination System Permit ("AZPDES" Permit No. AZ0025712) from Arizona Department of Environmental Quality ("ADEQ"). The plant currently produces A+ effluent and unclassified sludge which is hauled to a landfill. Effluent is sold to local golf courses, construction companies, and farms, with residual unsold effluent discharged to the RID canal and farm fields (when the RID is shut down for two weeks each year for maintenance). The Company also has two lift stations and a combination of gravity and force collection mains.

Q. WHAT WERE THE COMPANY'S AVERAGE DAILY AND PEAK FLOWS DURING THE TEST YEAR AT THE PVWRF?

A. During the test year, PVWRF received and treated wastewater in the following amounts:

- Approximately 3,344,000 gallons per day on an annual average basis;
- A peak monthly flow of approximately 3,540,000 gpd in November 2012; and
- A peak day flow of 4,273,000 gpd during October 2012.

For 2011, the comparable figures were 3,485,000, 3,932,000, and 4,459,000, respectively. Therefore, the plant reached 96% of its rated capacity in 2011, and 86% of its rated capacity in 2012.

Q. CAN THE PVWRF BE EXPANDED FURTHER?

A. Yes, the existing ADEQ permits contemplate a potential expansion to a total of 8.2 MGD.

Q. THANK YOU. WHEN DID LPSCO'S CURRENT RATES GO INTO EFFECT?

A. The Company's current rates were approved in Decision No. 72026 (December 10, 2010) and became effective on December 1, 2010. These rates were based on a test year ending September 30, 2008. The rates approved in that Decision were phased-in over a 12-month period, and the shortfall was accumulated and recovered via a surcharge mechanism over an estimated 18-month period of time. Because the Company is utilizing a test year ending December 31, 2012 in this filing, it will be just over four years between test years.

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

A. Yes, there has been low to moderate growth of approximately 3% to 3.5% per year in the system since the last rate case. The service area was affected, like most of Arizona, by the recession after our last test year, although growth appears to have picked back up in the past year or so, but not to the levels we saw in 2001 – 2006. Since the last test year, we have not added any water capacity, but did expand our wastewater treatment capacity at the PVWRF.

Q. WHY IS LPSCO FILING FOR NEW RATES AT THIS TIME?

A. There are several reasons. First, some of our operating expenses have increased, including property taxes and depreciation. Second, the Commission has, in the past, expressed concern that some of Liberty's utilities waited too long to file rate cases, so we are trying to keep rates current and rate hikes manageable by following a fairly regular rate case cycle. Third, during the last rate case, we were

granted an 8.01% ROE, which to my knowledge was the lowest such ROE granted in the nation during that time period, and since Decision No. 72026 none has been lower. In the Company's research it could not find any other ROEs awarded lower than 8.01%.[2]

Q. WHY IS THE 8.01% ROE GRANTED IN THE LAST CASE A PROBLEM FOR THE UTILITY?

A. A return on equity issued by the Commission should represent a rate that is comparable to other similar investments in similar markets. In this case, it should be similar to other ROE's granted, adjusted for financial risk, to utilities throughout the United States. This is because capital markets look to invest in all states, not just Arizona. Therefore, utilities in Arizona must be attractive enough as an investment opportunity to attract capital. Capital doesn't just "show up" because you want it. Capital has to be "earned" or attracted. An 8.01% ROE was not comparable to other similar investments when authorized in December 2010. A low ROE makes it difficult to attract capital and make investments in utility infrastructure. One significant aspect of this case for LPSCO will be to get an ROE granted that is competitive in the US marketplace. Mr. Bourassa explains the Company's ROE request of 10.00% more thoroughly in his testimony.[3]

Q. ANY OTHER REASONS FOR THE RATE CASE?

A. Finally, we have seen an overall decline in water usage per residential customer since the last rate case. This decline was not anticipated in the rate design during the prior case, even though a tiered rate design was implemented to encourage water conservation, going from two to three tiers. I believe this tiered design did help reduce water usage, but that has had a negative impact on the Company's

[2] Indiana PUC Case No. 43114 and 43114-S1, November 20, 2007.

[3] Direct Testimony of Thomas J. Bourassa – Cost of Capital at 1 – 4.

revenue and, in turn, earnings. While this usage decline might have been offset by growth, that growth is not guaranteed to occur, and if it doesn't, it can put the Company in a position where it will be unable to earn its authorized rate of return. Mr. Bourassa addresses this usage decline in detail in his direct testimony.[4]

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

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

Q. WHAT DO YOU MEAN, MR. SORENSEN?

A. In our last decision, the Commission adopted Staff's rate design, a rate design that put approximately 69% of our revenue recovery in the commodity charge. By relying so heavily on volumetric charges, we were exposed to and did in fact suffer significant revenue erosion. This has helped leave the Company in the position of under-earning on its invested capital as Mr. Bourassa also addresses more completely in his testimony.[5]

Q. DID ANYTHING ELSE COME OUT OF THE PRIOR RATE CASE?

A. Yes, there were two compliance items that LPSCO was required to complete. First, LPSCO was required to file the Company's capitalization policy and update the Commission in its next general rate case.[6] The Company filed its capitalization policy with the Commission on February 7, 2011. Since then, LPSCO and its others sister companies have continued to strengthen internal controls and

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[4] Direct Testimony of Thomas J. Bourassa – Rate Base, Income Statement, and Rate Design at 12 – 13.
[5] *Id.*
[6] Decision 72026 at 82:19-23.

processes to assure continued compliance with the policy. Second, LPSCO was authorized to incur long-term debt from the Water Infrastructure Financing Authority (WIFA) to pursue a solar capital project.[7] For business reasons LPSCO has not pursued the project at this time and therefore has not incurred the long-term debt.

Q. ANY OTHER REASON THIS RATE CASE IS IMPORTANT?

A. LPSCO takes great pride in providing important services to the community with its water and wastewater services. We continue to strive to offer customers water service that even with the rate increase costs customers less than one penny per gallon for water that meets or exceeds all state and federal requirements. While no customers are ever excited for rate increases, Liberty Utilities takes seriously the feedback it received from customers and Commissioners during the last rate case; our stakeholders prefer smaller, more gradual rate increases rather than large, infrequent increases. The table below illustrates how drastic the differences are in this rate case compared to LPSCO's prior rate application.

LPSCO	Docket No. 09-0103, et al. Rate Increase Request	Instant Case Rate Increase Request
Water Percent Increase	116%	20%
Water ¾" Customer Impact per month	$23	$5
Wastewater Percentage Increase	79%	7%
Wastewater Flat Customer Impact per month	$22	$3

[7] *Id.* at 82:24-28.

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

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

A. Yes. Since the last rate case, LPSCO has replaced the roof on our Town Well Reservoir, expanded the PVWRF from 4.1MGD to 5.1MGD, and continued to invest significant capital into the ongoing maintenance of the water and wastewater systems, including, but not limited to items such as collection and distribution mains, meter replacements, additional safety equipment, pump replacements and betterments, and SCADA improvements and expansion in coverage.

A. TOWN WELL RESERVOIR

Q. YOU MENTIONED THAT THE COMPANY REPLACED THE ROOF ON THIS RESERVOIR. CAN YOU PLEASE EXPLAIN THE PROJECT?

A. Our Town Well Reservoir has approximately 6.1MG of water storage capacity, and was originally constructed in 1966. This represents approximately 60% of the water storage for the LPSCO system. In late 2010, we had some preliminary visual inspections done on the reservoir due to its age. Until we completed the 4MG Airline reservoir in 2008, this was not possible because we couldn't take the Town Well Reservoir out of service and continue to provide water service to our customers.

In early 2011, we had an outside structural engineer inspect the reservoir roof for structural integrity, and that engineer's report said that the 45-year-old roof structure had reached the end of its useful life. It needed to be replaced. The challenge in doing this project was that we can only take the reservoir out of service during our low water use months of November through February. We performed the design and engineering for the project earlier in 2012, and

performed the construction during November and December 2012. The reservoir was back online providing service to customers on December 28, 2012. In addition to the roof replacement, we improved the ventilation, repaired the roof support structure, repaired cracks in the floor structure, and replaced hand rails. The total cost of the project was a little under $1M

Q. DID THIS PROJECT INCREASE CAPACITY OF THE SYSTEM?

A. No, it did not affect the capacity of the system. It was necessary system rehabilitation of an asset that had reached the end of its functional life.

Q. IS THE PROJECT AND THE ASSOCIATED RESERVOIR IN GENERAL PROVIDING SERVICE TO EXISTING CUSTOMERS?

A. Yes. The rehabilitated Town Well Reservoir is now providing service to our customer base, and is used and useful in the provision of service.

B. <u>PALM VALLEY WATER RECLAMATION FACILITY</u>

Q. YOU ALSO REFERENCED THAT THE COMPANY EXPANDED THE PALM VALLEY WATER RECLAMATION FACILITY (PVWRF). CAN YOU PLEASE EXPLAIN THE PROJECT AND THE NEED FOR THIS EXPANSION?

A. As of the end of our last test year, our plant was permitted at 4.1MGD capacity. Since that time, we have operated as high as 3.9MGD during March 2011, exceeding 90% of our plant capacity, and during the test year had a peak month average flow of 3.54MG during November 2012, representing 86% of our rated plant capacity. As such, we needed to expand capacity. We engaged an engineer we'd worked closely with in the past and one who has a history of "value engineering." We worked with the County to arrive at a design that would allow us to expand by 1MGD to 5.1MGD by adding a disk filter, additional UV units, five blowers, a Salnes Unit, replacing the aeration system, and installing floating

decanters in the SBRs, among other system enhancements. The total cost for the project was approximately $5.5M, including permitting, design, construction, and capitalized internal labor and overhead.

Q. HOW WAS THIS EXPANSION FUNDED?

A. The vast majority of the funding for this plant expansion was provided by developers, more specifically by Westcor, which is constructing a regional mall, with expected completion in 2016. In a complaint brought by the developer against LPSCO, the matter was settled before the Commission and Westcor paid LPSCO approximately $4.9M for wastewater treatment capacity for its mall and related projects. These funds are included as AIAC in our application.

Q. WHEN WAS THE PLANT COMPLETED?

A. The plant was substantially complete at the end of December 2012. There were some outstanding punch list items to be completed, and the County will require some post implementation operational data and testing prior to issuing the final AOC. We expect these punch list items will be completed in the second quarter of 2013.

Q. IN YOUR OPINION, IS THIS PLANT PROPERLY INCLUDED IN THE COMPANY'S RATE BASE IN THIS CASE?

A. Yes, given the historical flows of wastewater through the plant and the general planning guidelines of ADEQ, which I understand to be design/planning no later than reaching 80% capacity and construction commencing no later than 90% capacity, combined with a reasonable planning horizon of five years for a wastewater treatment plant, this plant is reasonably considered used and useful in the provision of service to customers and should be included in rate base in this case.

C. PVWRF EQUALIZATION BASIN – POST TEST YEAR

Q. ARE THERE ANY OTHER SIGNIFICANT PROJECTS YOU WOULD LIKE TO DISCUSS?

A. Yes, during the expansion project, we had to drain each of the SBRs to install the floating decanters and aeration systems. This provided us with an opportunity to do a thorough inspection of the SBR tanks for the first time since initial construction in 2002. During one of his inspections, our third party structural engineer noticed some signs of erosion in a connecting "tunnel" between the SBR tank and the equalization basin (EQ Tank). He crawled through that tunnel to further inspect it, and when he reached the opening into the EQ Tank, he noticed that there were visible signs of the concrete ceiling having eroded away, exposing the structural beams to the naked eye. The engineer was able to enter from another location after we lowered the levels of the EQ Tank, and observe more deterioration on the ceiling. However, until all punch list items are competed, the EQ Tank cannot be completely drained and bypassed, allowing the proper, thorough inspection of the EQ Tank that is needed to determine the full extent of the issue. This will be done in March 2013. Once that is done, we will quickly develop the action plan to rehabilitate the ceiling and any structural components that need replacing, and execute that project. We anticipate completing this in the third or fourth quarter of 2013, and are requesting in this application that this project be included as post test year plant. We have used a placeholder cost of $1M for the project in our application in NARUC Account 380 with an associated retirement estimate of $300,000, but until the full extent of the issue is known, a better estimate can't be provided. We will update the parties as the case progresses.

D. OPERATING EXPENSES

Q. HAVE THERE BEEN ANY SIGNIFICANT CHANGES IN OPERATING EXPENSES SINCE THE LAST TEST YEAR?

A. First, property taxes have risen significantly compared with those costs authorized in our last case. Our last case had about $460k included in operating expenses for property taxes, but we incurred $1.2M during the year ended December 31, 2012, an increase of almost $750,000. The property taxes are discussed further in Mr. Krygier's testimony as he proposes an accounting deferral mechanism related to property tax expense going-forward.[8] Second, as discussed earlier in my testimony, LPSCO made significant capital investments and those investments generated during greater depreciation expense than incurred during the Test Year.

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

A. At Liberty Utilities, we are always conscious of the cost of service we provide to our customers, and we remain constantly aware that our customers will eventually pay for every dollar we incur in operating costs and capital expenditures. As such, we constantly evaluate our operations to see if there are better and/or less expensive ways to do things, without sacrificing quality of service to our customers. Since the last test year, LPSCO made several significant cost savings changes to operations, and I'd like to highlight a couple of those.

First, beginning in mid-2009, LPSCO began injecting low levels of CO2 into the water during the arsenic removal process and installed an in-line PH analyzer, thus allowing us to monitor and adjust the PH levels and thus making our arsenic media more effective. In 2011 we also upsized the bowls on some of our airline wells, increasing pumping capacity at our associated wells. This allowed us more flexibility in utilizing lower cost wells first in delivering water during non-

[8] Direct Testimony of Christopher D. Krygier ("Krygier Dt.") at 16 – 19.

peak periods. These practices allowed the media in the Town Well arsenic treatment facility to be used for a much longer life and reduced the chemical costs for the water utility significantly.

Second, when we replaced the aforementioned pumps, we participated in an APS rebate program that partially paid for these pumps since they were much more efficient than their predecessors. The more efficient pumps reduced our power consumption, which resulted in reduced power costs for the utility when compared with our 2008 authorized costs.

Additionally, we have executed on several other cost savings initiatives, a few of which are briefly mentioned below:

- Expansion of SCADA system, reducing staff hours and overtime;
- Participated in APS Peak Solutions program, receiving a $14k check in 2012 for our ability to reduce power load during certain high-demand times at APS's request; and
- Expanded the operators' roles to include more repair work that previously had been done by outside contractors.

Finally, as I will more fully describe below, we changed our service disconnect program for non-payments. This allowed us to keep bad debt expense as a percent of test year revenues at or below 2008 figures even in a challenging economy, while simultaneously enhancing customer satisfaction, all due to the reduced number of actual disconnects.

IV. COMPLIANCE, CONSERVATION, CUSTOMER SERVICE AND CUSTOMER SATISFACTION

Q. WHAT IS LPSCO'S COMPLIANCE STATUS?

A. To the best of my knowledge, we are in compliance with all ADEQ, ADWR, ADOR, and ACC rules and regulations regarding the provision of water and

wastewater services in the State of Arizona. We take compliance with regulations very seriously and, if ever there is an issue, we will take immediate steps to correct the problem. Liberty Utilities has a strong compliance program led by our Operations staff and reviewed by our Environmental Health and Safety staff. We take our stated Company values of "Care, Quality, Responsibility, Service, Community and Family" very seriously, and regulatory compliance is a key aspect of adherence to those values.

Q. WHAT IS THE LOST AND UNACCOUNTED FOR WATER RATE IN THE LPSCO SYSTEM?

A. For the test year, the water loss rate was 9.2%, which is below the 10% guidance I am familiar with from both ADWR and ACC Staff. While we don't appear to have a water loss "problem," we have a diverse water distribution infrastructure in that many of the mains in the old sections of Litchfield Park are extremely old by Arizona standards, some dating back to the 1920s and 1930s. There are sections of water distribution mains, and sewer collection mains that would benefit from a more structured replacement program as Mr. Krygier will address in his testimony on DSIC/CSIC.[9]

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

A. The Company voluntarily committed to 10 ADWR BMP's before the last rate case as well as confirmed that commitment as part of our last rate case. We have complied with both ADWR and ACC requirements regarding those BMPs. Some examples of conservation efforts include the prominent display of conservation brochures and flyers in our customer accessible office, and quarterly

[9] Krygier Dt. at 6 – 15.

conservation based newsletters that are sent to all customers as a bill insert. Customers who receive e-bills are provided a link which directs them to our website in order to view the quarterly conservation newsletter on-line. We also pride ourselves in getting out into the community and meeting with our customers to encourage conservation. Additionally, we offer and promote free landscape audits to our customers where we inspect their timers, landscaping, drop systems, etc. and counsel them on ways to conserve water.

Q. SO THE COMPANY ENGAGES IN COMMUNITY OUTREACH PROGRAMS?

A. Yes, as part of our Company Core Values, we encourage employees to be part of the community in which we serve, and embrace community programs and events that are of interest to them. For example, each year Liberty Water (now Liberty Utilities) sponsors and staffs a water booth at the Litchfield Park/Kiwanis Run, a 1 mile, 5k and 10k race event held each March, where we hand out water to race participants. We also participate in the annual Litchfield Park Splash Bash, the Fall Carnival, and Christmas in the Park celebrations. At the Christmas in the Park celebration, we bring in snow for the local children to play in. At many of the events, we present people with conservation information, and tie it back to the theme by stating that we should conserve water to ensure we always have it in an emergency situation. We do these things not because we have to, but because we believe it provides better overall customer service and satisfaction, and increases the opportunities to gather feedback from our customers about our service and their perceptions. During 2012, in addition to the aforementioned annual events, we held a water conservation workshop, an irrigation workshop, an open house at our wastewater treatment plant, presented to children during their summer break library program, and had a booth at the 25 year anniversary for Litchfield Park.

Finally, community outreach and engaging with our customers is so important we track this as a metric and measure our success against various goals.

Q. HOW DOES THE COMPANY MEASURE CUSTOMER SATISFACTION?

A. We speak with our customers when they call or come into our office, or when our operators have the opportunity to chat with customers while in the field performing their duties, and, as highlighted above, through our involvement in community events. This is our "informal" way of soliciting feedback. We also take a more formalized approach of having a third party (Luth Research of San Diego, CA) conduct an annual customer satisfaction survey each August. This survey randomly selects about 1,000 customers from across our various Liberty utilities, and asks them approximately 22 questions in a 10 to 20 minute phone survey. These results are then analyzed by management, and are turned into an action plan to try to improve areas of need identified by the survey.

This survey was first conducted in August 2009, and each year since. I have attached the section of the 2012 survey related to LPSCO as **Exhibit GS-DT1**. For 2012 the overall satisfaction score was down. We believe that this was very much attributable to the rate increases, including phasing-in of rates and the subsequent/ongoing surcharge our customers experienced in 2011 through mid-2013.

Additionally, we have met each of the past three years with Commission Staff – Consumer Services group, not only to review the survey results, but also share other things we might be doing to provide excellent customer service. During these meetings, we also seek input from Staff as to how they believe we can better improve our service.

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

A. Certainly. During our 2010 meeting, we mentioned to Staff that we were piloting a program at LPSCO to improve our disconnect process for non-payment of utility service. We explained to Staff that, if successful, this pilot would be rolled-out to our other utilities. Our view was that the worst experience of providing utility service, and being a customer of utility service, was the process of disconnecting utility service for non-payment. This takes a toll on both our employees in the field and the customer service offices, and has a significant impact on the customer whose service is being terminated. So, we decided there must be a better way and set out to improve the process and minimize the number of shutoffs that have to occur.

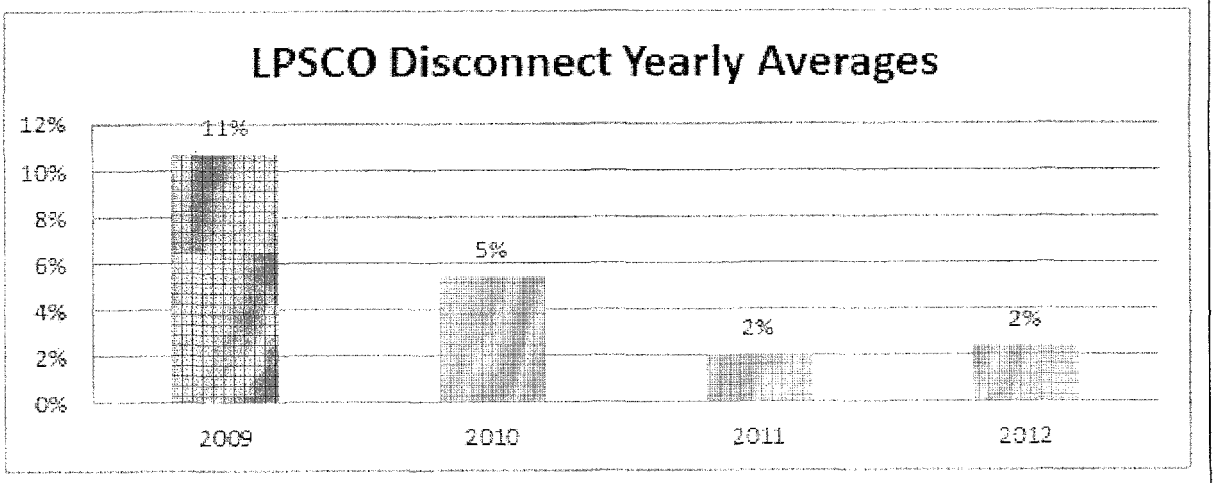
Our course of action was a simple one. We decided that, approximately five days after sending the required disconnect communication to our customers, we would personally call those customers who had not yet responded, as a courtesy, to explain the situation and their options. Also, for those customers we were unable to reach by telephone and resolve the non-payment matter, approximately two days before disconnect we placed door tags at their home as another way of reminding them payment was due and requesting that they contact our customer service representatives prior to the scheduled disconnect date.

Q. WAS THIS SUCCESSFUL?

A. Much more than we ever hoped. Before implementing the test process at LPSCO, we had some concerns about how customers would view our attempts and ultimately whether such simple gestures would really have a significant impact. We weren't sure if they'd view our reminder calls to them as "harassing" collection calls, or as they were intended – a courtesy call to avoid the disconnect from

occurring. Because of concerns such as this, our CSRs were instructed to be very courteous and accommodating in speaking with customers. I believe that because we took this type of approach, the pilot at LPSCO, and ultimately the rollout at our other utilities, was very successful.

Prior to this program commencing in March 2010, the 2009 average percent of disconnect notices that resulted in an actual service disconnection was 11%. After making a few fairly simple, courteous changes to our process, that figure has dropped to right around 2% during the 2012 test year.



Q. WHAT IS YOUR ASSESSMENT OF THESE RESULTS?

A. I find those to be amazing results, and I believe our customers appreciate the courteous, cooperative approach. Nobody wants their water shut off, so we work with customers to minimize the chances of that happening to them. I know that informally our CSRs have received many "thank you" comments and calls for the approach we have taken, and that helps LPSCO to avoid unnecessary negative interactions with our customers.

Finally, if a customer expresses that they are having difficulty in making payments, our CSRs are empowered to establish a work-out plan to catch them up,

and the customer is also made aware of our Low Income Tariff whereby they can receive reduced rates if eligible for the program. The great news is that not only do we provide our customers with improved and kinder service, but in the long run, this approach will reduce bad debt expense in our operating costs, and reduce the overtime our Operators incur as a result of disconnecting and then reconnecting services for non-payment issues.

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

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

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

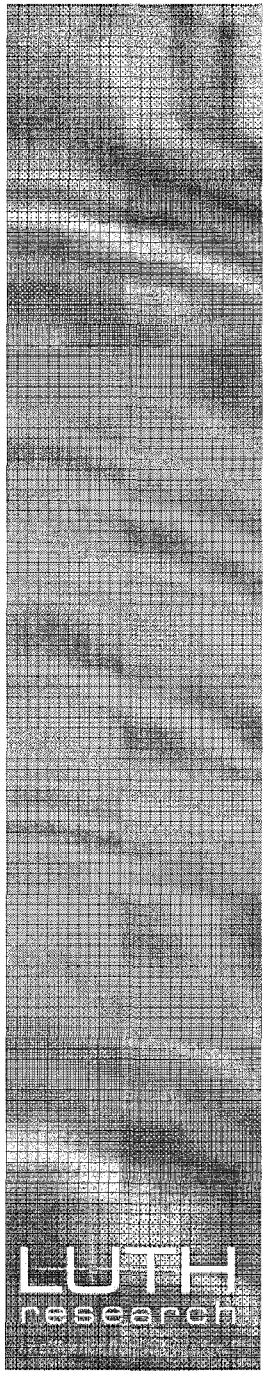
A. Yes.

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

GREG SORENSEN
DIRECT TESTIMONY

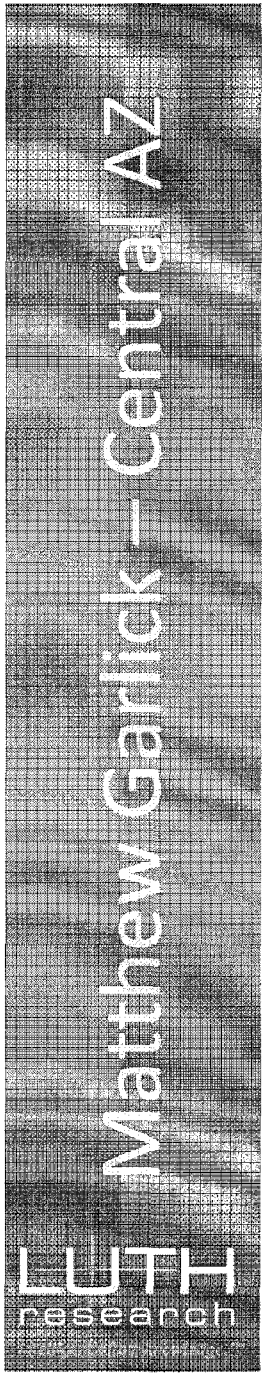
FEBRUARY 28, 2013

EXHIBIT GS – DT1



Business Manager: Matthew Garlick

CENTRAL ARIZONA (LPSCO)



OVERALL SERVICES AND COMPANY

Matthew Garrick – Central AZ

LUTH research

Company Evaluation – Overall Satisfaction with Services

Nearly half (45%) of the Central Arizona consumers were *Very satisfied* with the services they received. An additional 32% indicated that they were *Somewhat satisfied*.

Those who have lived in the area for less than 5 years gave a significantly higher top two box satisfaction score (85% *Very/somewhat satisfied*).

NOTE: New question for 2012, tracking data unavailable.

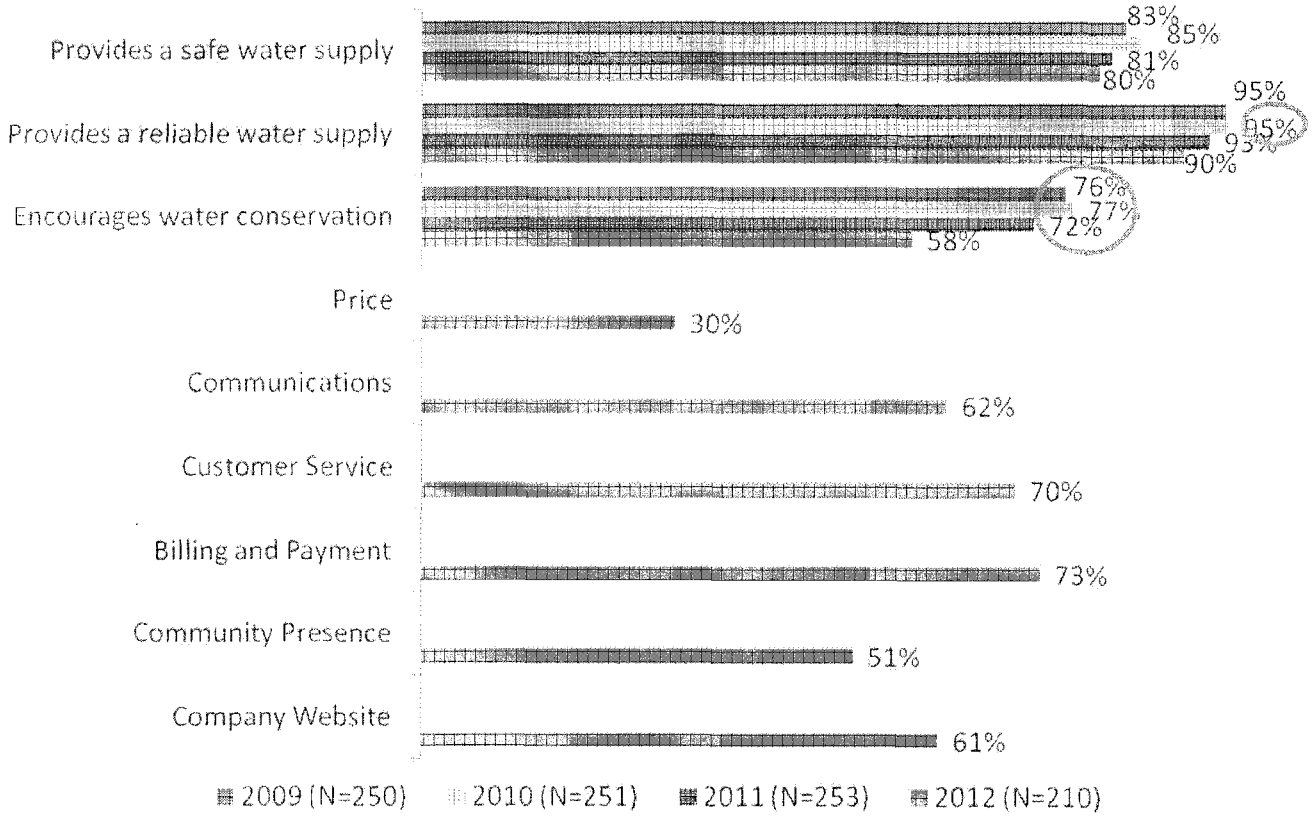
Q1. On a scale of 1 to 5, where 1 means "very dissatisfied" and 5 means "very satisfied", how satisfied are you with the services you are receiving from Liberty Utilities?

Company Evaluation – Satisfaction

Respondents agreed that their water service facility *Provides a reliable water supply* (90%, top 2 box agree/strongly agree). However, this continued a downward trend and was significantly lower than the 2010 score. More than three-fourths (80%) felt Liberty Utilities *Provides a safe water supply*.

Areas of concern, meaning those factors with the lowest satisfaction scores, were *Price* at 30% and *Community Presence* at 51%.

Top 2 Box Scores (4,5): 5 = Very Satisfied

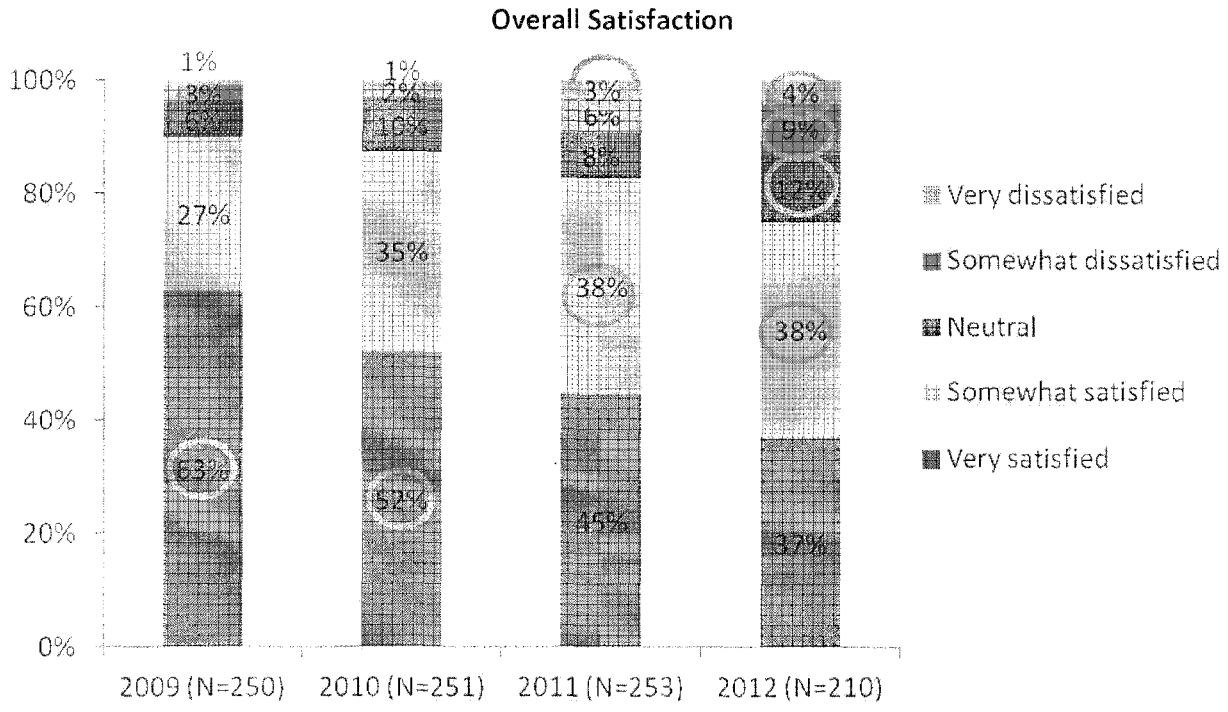


NOTE: 2012 survey offered 'NA' as a response option, a change from previous years. N/A was not included in the tables.
NOTE: Orange circled data indicates significant increases compared to other year(s).
Q2. Please rate Liberty Utilities in the following areas by using a 5-point scale with 5 being "Very Satisfied" and 1 being "Very Dissatisfied".

Company Evaluation – Overall Satisfaction

Satisfaction with Liberty Utilities overall was positive with 74% of respondents stating they were *Somewhat/Very satisfied*. However, this was down significantly from 2011 (83%), continuing a negative trend since 2009.

Five year or less residents reported a significantly higher satisfaction score (82%).



NOTE: Orange circled data indicates significant increases compared to other year(s).

Q3. Overall, how satisfied are you with Liberty Utilities?

Company Evaluation – Overall Satisfaction

Those *Somewhat/Very satisfied* with the provider were so because they have *Never had a complaint* (32%) and *Reliable/Receive services paid for* (8%). However, 26% of satisfied respondents stated that they felt the *Cost is too high*. While no significant changes were found from 2011 to 2012, *Reliable/Receive services paid for* and *Service is satisfactory/good/excellent* remain significantly under their levels from 2009.

Not surprisingly, *Cost is too high* (89%) was the main reason why respondents were dissatisfied (*Not satisfied at all/Somewhat dissatisfied*).

Suggestions for Improvements – 2012	2009 Total	2010 Total	2011 Total	2012 Total	Difference from 2011
Why Satisfied	N=225	N=219	N=209	N=156	
Never had a problem/complaint	33%	39%	39%	32%	-7%
Cost is too high/rate increases	6%	14%	18%	26%	7%
Reliable/Receive services paid for/No service interruptions	20%	6%	6%	8%	2%
Service is satisfactory/good/excellent	14%	7%	8%	6%	-2%
Good/friendly/courteous customer service	5%	10%	4%	6%	2%
No problems with billings/payments	2%	0%	2%	5%	3%
Prompt, considerate repair service	4%	2%	2%	5%	3%
Why Not Satisfied	N=9*	N=8*	N=23*	N=28*	
Cost is too high/rate increases	0%	38%	83%	89%	7%
Poor/unfriendly/uncaring customer service	44%	13%	0%	11%	11%
Water is cloudy/contaminated/poor quality/hard	0%	13%	17%	7%	-10%
Billing is confusing/unclear/uninformative	0%	13%	0%	7%	7%
Poor community relations/communication/public relations	0%	0%	0%	4%	4%
Good/friendly/courteous customer service	0%	0%	0%	4%	4%

NOTE: Data in grey shaded cells are significantly higher than 2012.

**Small sample size*

Q3B. Being as specific as possible, why did you say you are [INSERT FROM Q3] with Liberty Utilities?

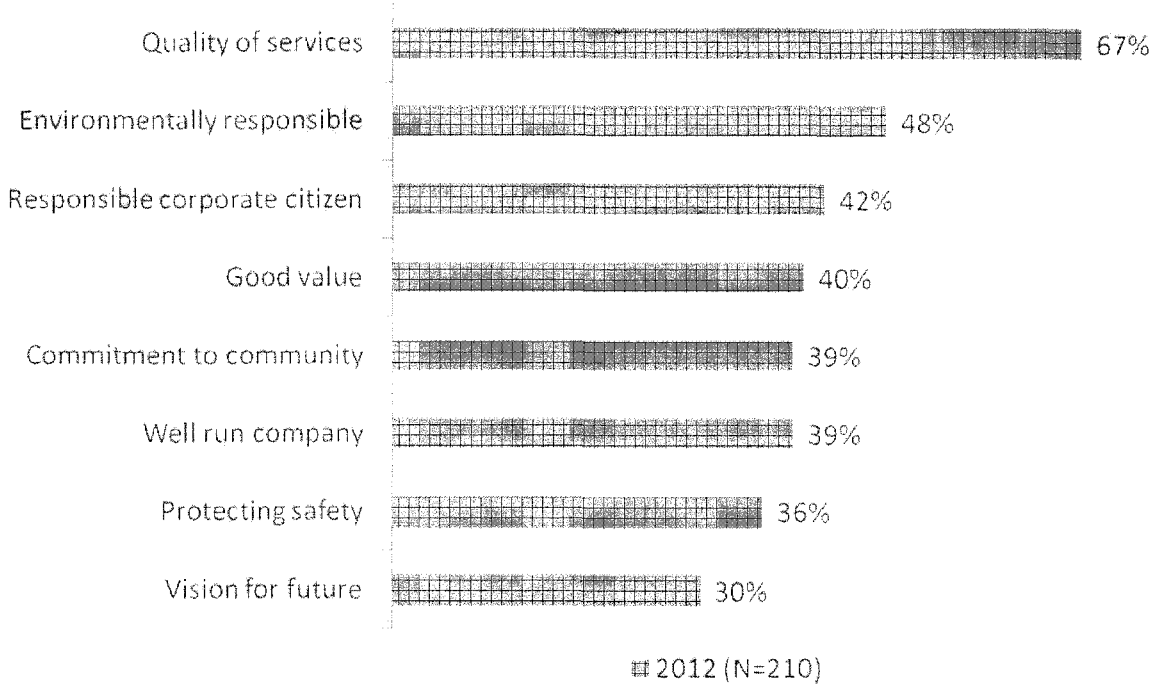
LUTH research

Company Evaluation – Key Indicators

Two thirds (67%) of Central Arizona customers felt positively about the *Quality of services* Liberty Utilities is providing.

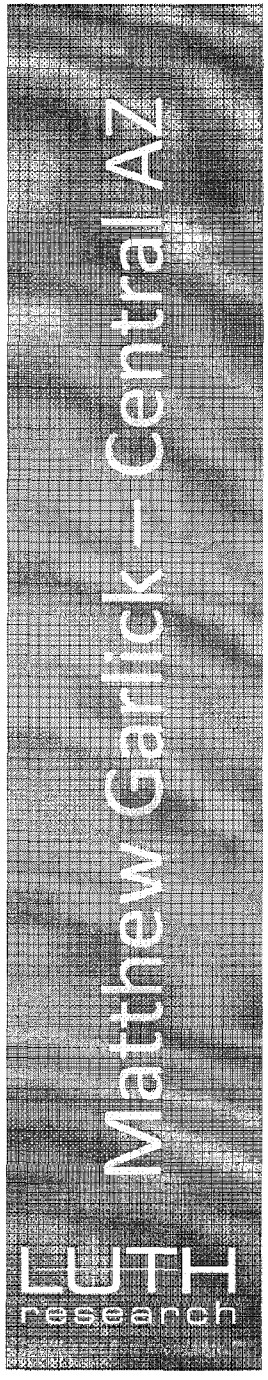
Respondent scores indicated that Liberty Utilities should look to improve many aspects of their services, especially in terms of *Vision of future* (30%) and *Protecting safety* (36%).

Top 2 Box Scores (4,5): 5 = Excellent



NOTE: New question for 2012, tracking data unavailable.

Q5A1-8. Based on a scale from 1 to 5 where 1 is "Poor" and 5 is "Excellent", please rate how good a job Liberty Utilities does on each of the following items:



CUSTOMER SERVICE

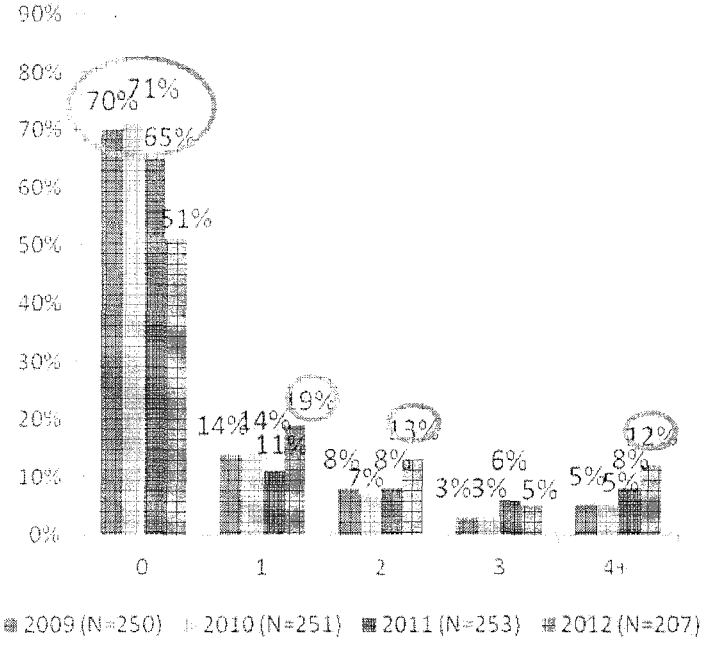
Customer Service – Calls & Visits

Nearly half of respondents (49%) indicated they had called the business office at least once while, which was significantly higher than past years. In terms of visiting the office, only 21% indicated that they had done so at least once.

Among those who had contact, either by phone and/or office visit, the mean number of interactions did not change significantly from 2011 (2.19 calls in 2012 vs. 2.41; 2.28 office visits in 2012 vs. 1.83).

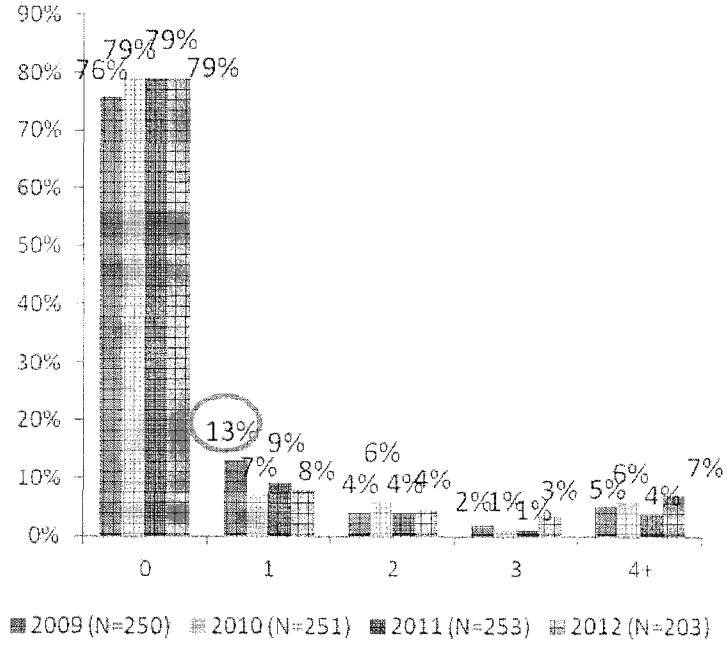
Times Called Business Office

Among Those Who Have Called Within Last Year	2009	2010	2011	2012
	1.97	2.03	2.41	2.19



Times Visited Business Office

Among Those Who Have Visited Within Last Year	2009	2010	2011	2012
	1.79	1.93	1.83	2.28



NOTE: Orange circled data indicates significant increases compared to other year(s).

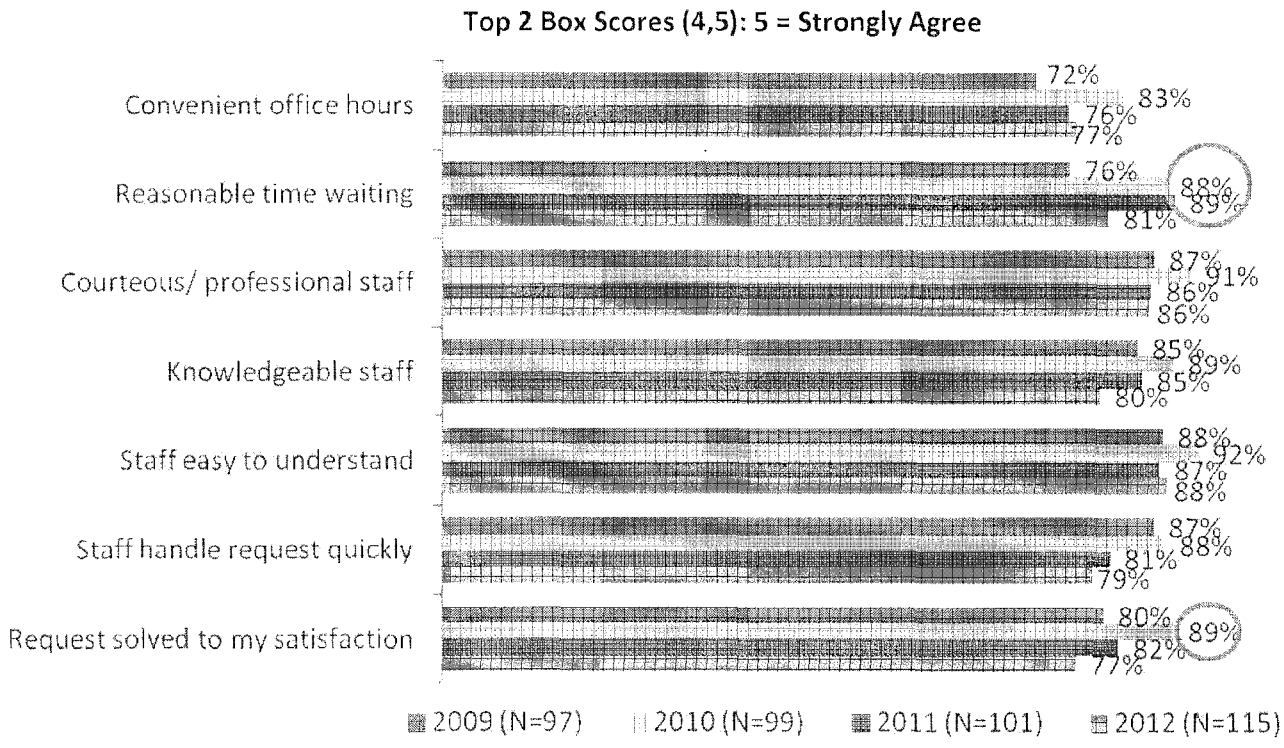
Q6. To the best of your recollection, how many times have you called *or visited an office of* Liberty Utilities within the last year?

Matthew Garrick – Central AZ

LUTH research

Customer Service – Satisfaction

Among those customers who reported they had contact with customer service in the last year, satisfaction was strong (77%+ top two box scores) and typically on par with 2011 scores. However, the score for *Reasonable time waiting* had fallen significantly in the past year.



NOTE: Orange circled data indicates significant increases compared to other year(s).

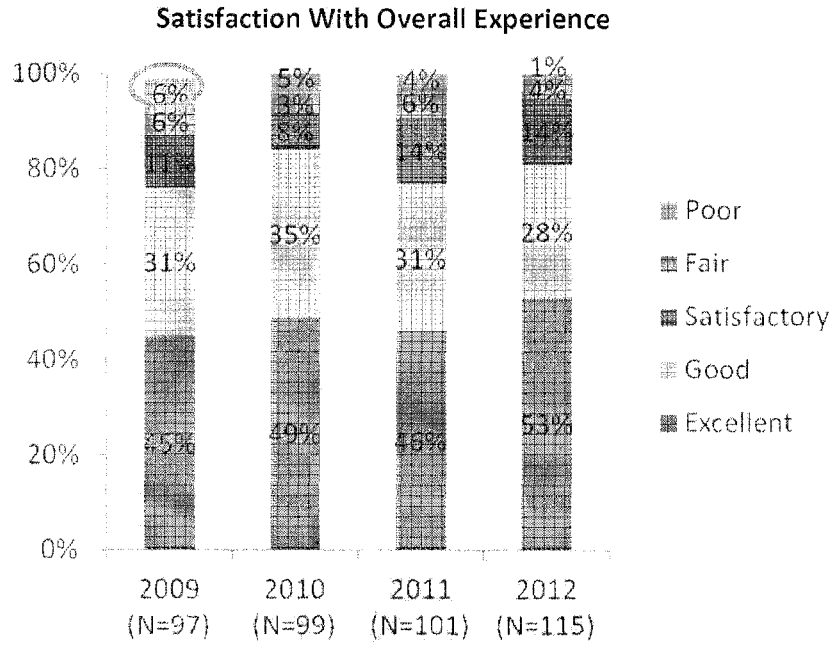
Q7a-g. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements about Liberty Utilities customer service. If you have called *or visited an office* more than once within the last year, please think only about your last contact with Liberty Utilities.

Matthew Garlick – Central AZ

LUTH research

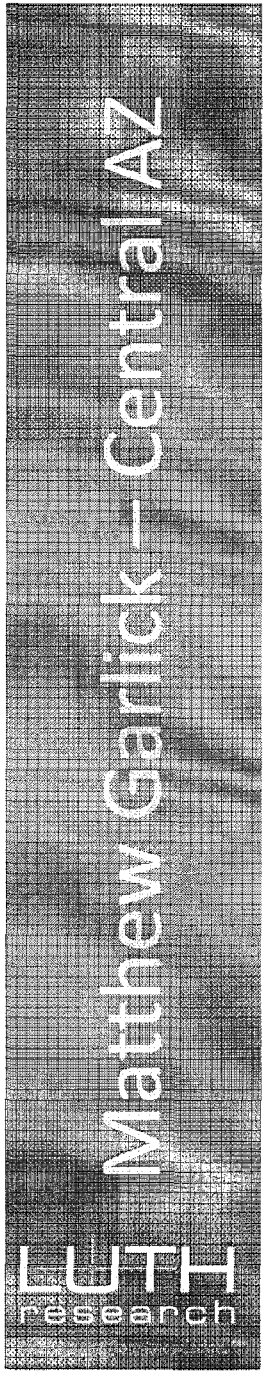
Customer Services – Overall Experience

Most respondents (81%) rated the overall customer service experience as *Good/Excellent*.



NOTE: Orange circled data indicates significant increases compared to other year(s).

Q8. Overall, how would you rate your experience with the customer service you received? If you have called or visited the office more than once in the last year, please think only about your last contact with Liberty Utilities.



CUSTOMER BILLING

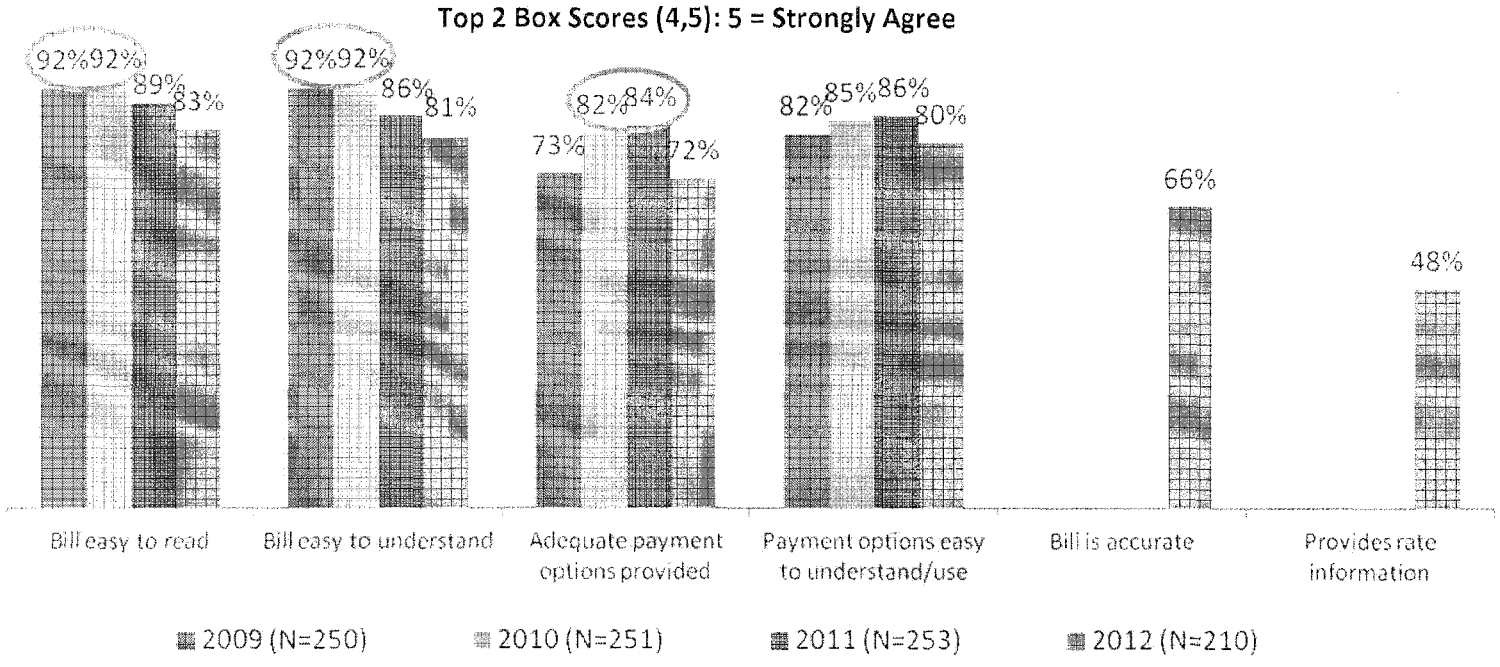
Matthew Garrick – Central AZ

LETH research

Customer Billing – Satisfaction

Despite slightly lower scores as compared to 2011, customer satisfaction with billing remained relatively strong for *Bill easy to read* (83%) and *Bill easy to understand* (81%). However, satisfaction with *Adequate payment options* (72%) fell significantly.

Less than half (48%) were satisfied with *Provides rate information.*



NOTE: New phrases for 2012, tracking data unavailable.

NOTE: Orange circled data indicates significant increases compared to other year(s).

Q9A-F. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements.

Matthew Garlick – Central AZ

LUTH research

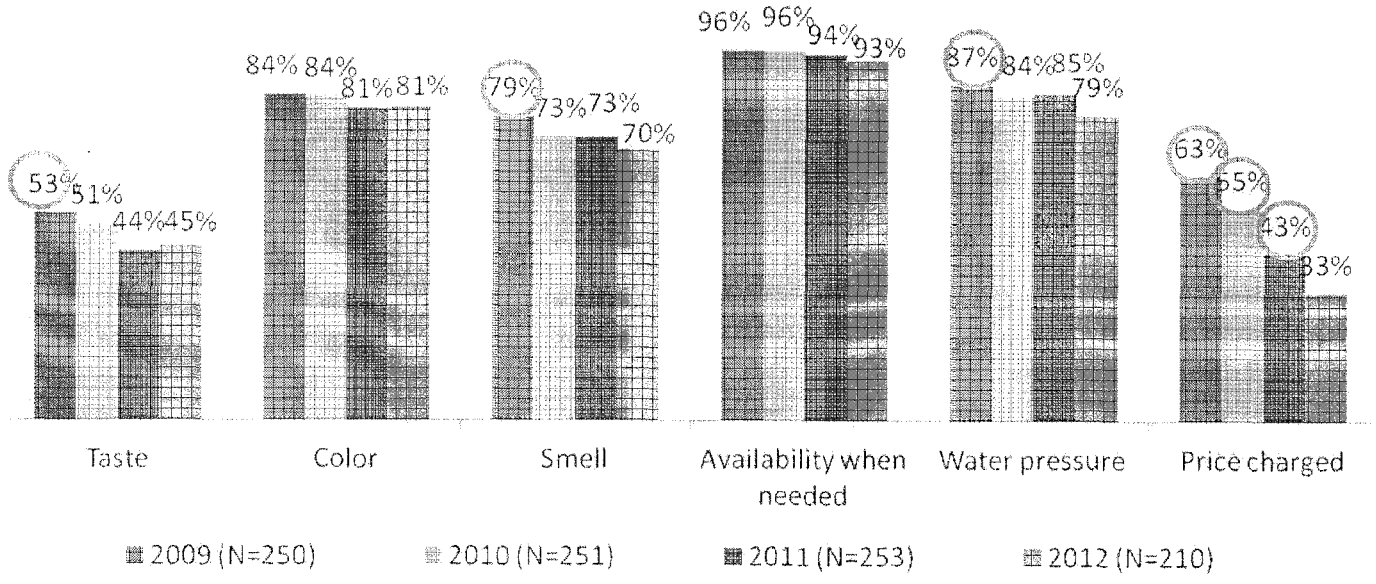
WATER SERVICE METRICS

Water Services – Satisfaction

Respondents continued to be most satisfied with the water *Availability when needed*, with 93% giving it a 4 or 5 (where 5 = Very satisfactory). Other highly rated aspects of water service were *Color* (81%) and *Water pressure* (79%).

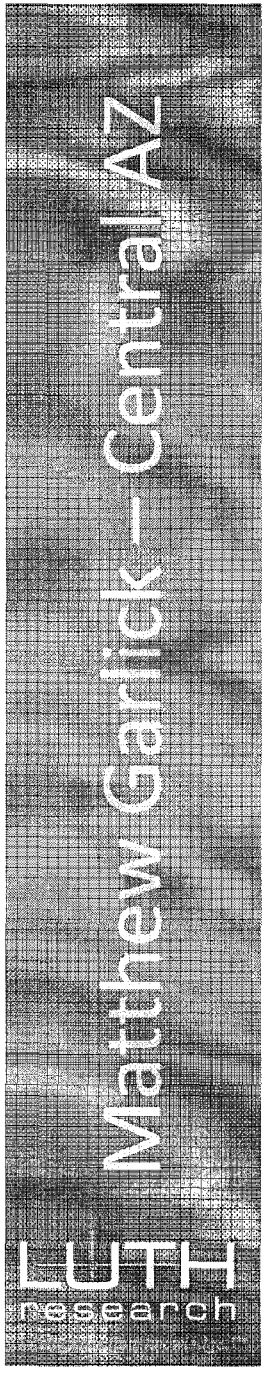
Results for *Taste, Smell, Water pressure,* and *Price charged* all continued downward trends and were significantly lower than their 2009 scores. *Price charged* (33%) was especially low, down significantly from 2011.

Top 2 Box Scores (4,5): 5 = Very Satisfactory



NOTE: Orange circled data indicates significant increases compared to other year(s).

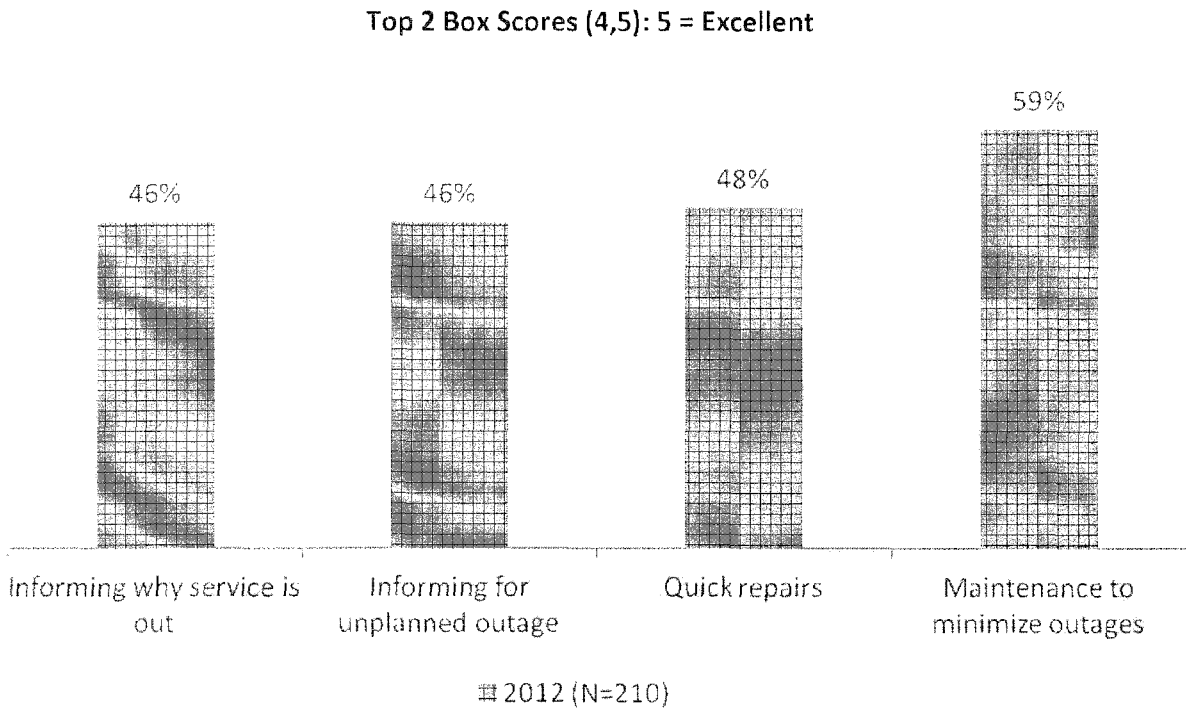
QSOUTH01. Please rate your water services in the following areas by using a 5-point scale with 5 being "Very Satisfactory" and 1 being "Not Satisfactory At All".



SERVICE OUTAGE

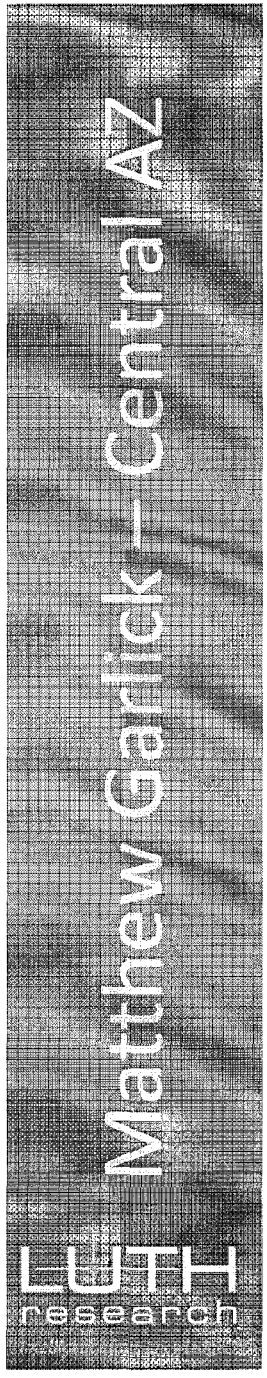
Water Services – Service Outage

While more than half (59%) were satisfied with *Maintenance to minimize outages*, far fewer were satisfied with *Informing why service is out* (46%), *Informing for unplanned outage* (46%), and *Quick repairs* (48%).



NOTE: New question for 2012, tracking data unavailable.

Q10. Thinking about all of your experiences with Liberty Utilities, please rate how good a job they do on each of these items on a scale from 1 to 5, where 1 is "Poor" and 5 is "Excellent".



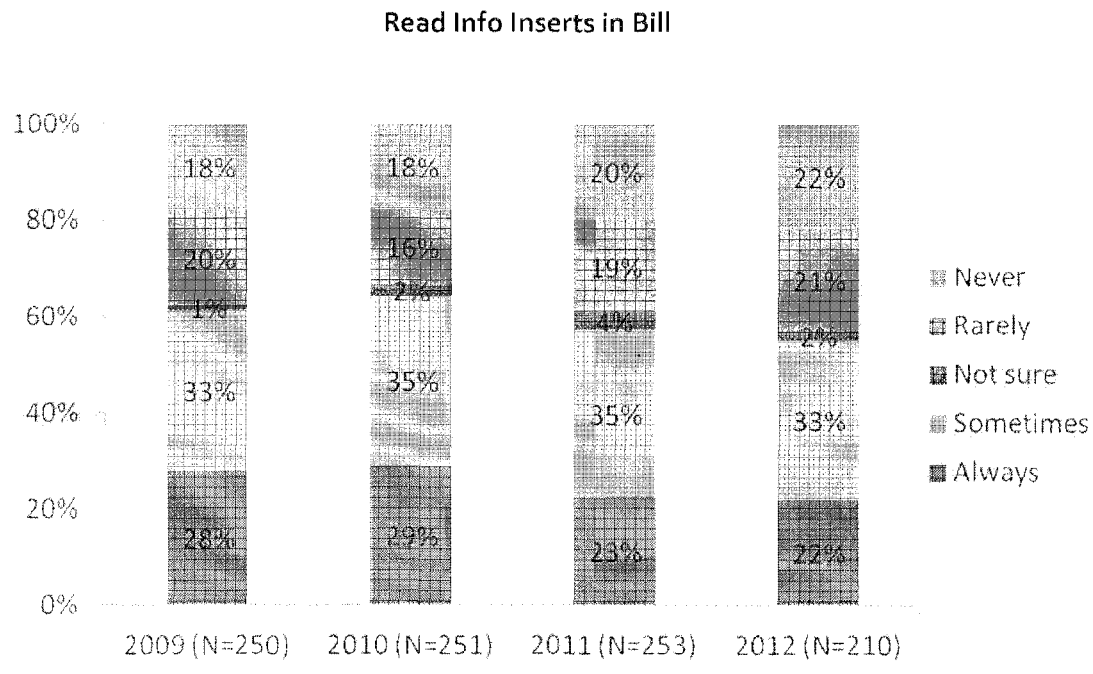
COMMUNICATION

Matthew Gardick – Central AZ

LUTH research

Customer Billing – Information/Services

Half of respondents (55%) stated they read the information inserts in their bill *Sometimes* or *Always*. A slight downward trend from 2010 can be seen.

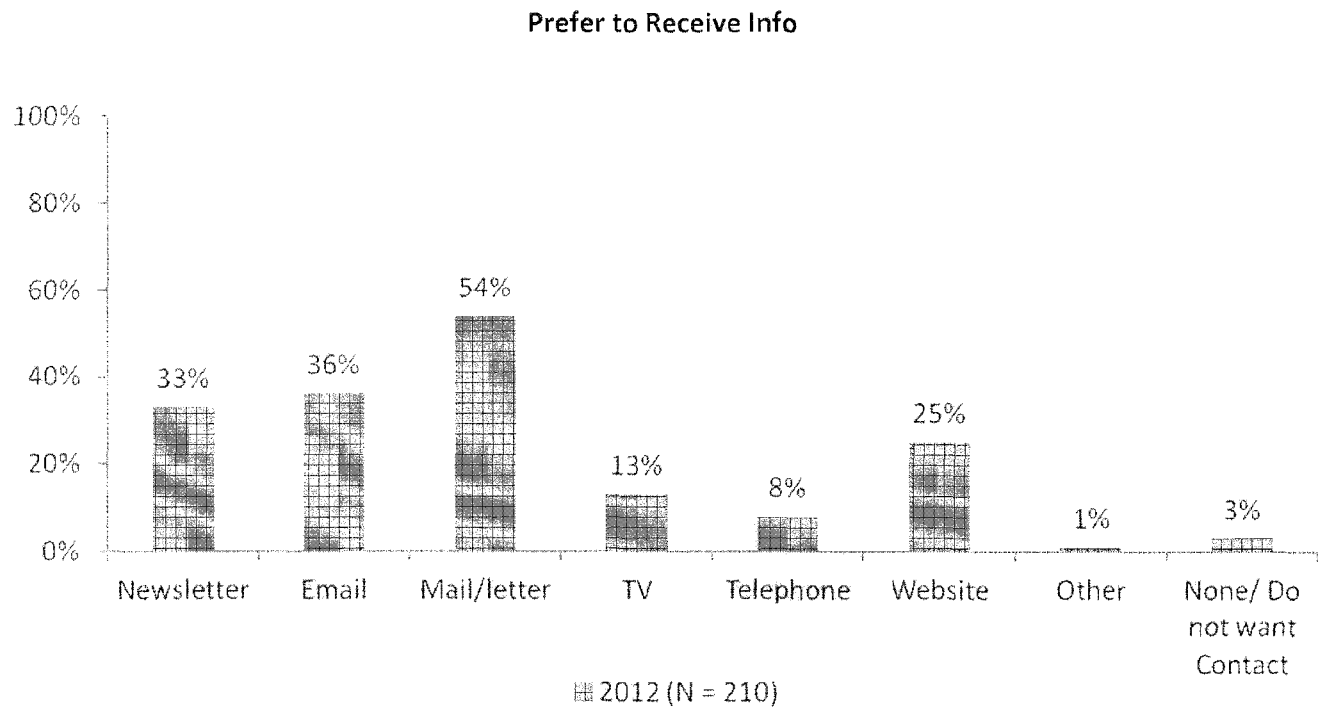


Q11. How often do you read the informational inserts included in your bill?

Customer Billing – Information/Services

Central Arizona respondents would prefer to receive information from Liberty Utilities via *Mail/letter* (54%), *Email* (36%), and *Newsletter* (33%).

While *Mail/letter* was preferred more *by 6+ year residents* (63%), *Email* was cited more by Hispanics (75%), 18-44 years (48%), 45-64 years (39%), and resident 5 years or less (44%).



NOTE: New question for 2012, tracking data unavailable.

Q12. How would you like to receive information from Liberty Utilities? Please select all that apply.

Matthew Gartick – Central AZ

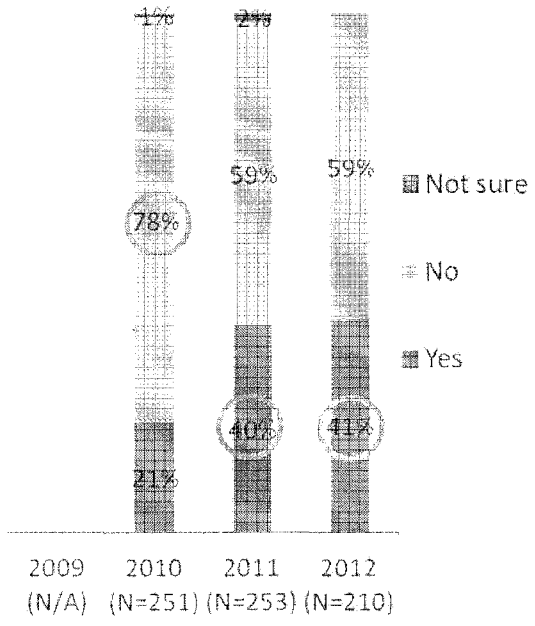
LUTH research

Website – Online Services

More than a third of respondents (41%) in Central Arizona indicated they had accessed the website. Website visitation levels were significantly higher for 18-44 years (63%), 45-64 years (40%), and resident 5 years or less (51%).

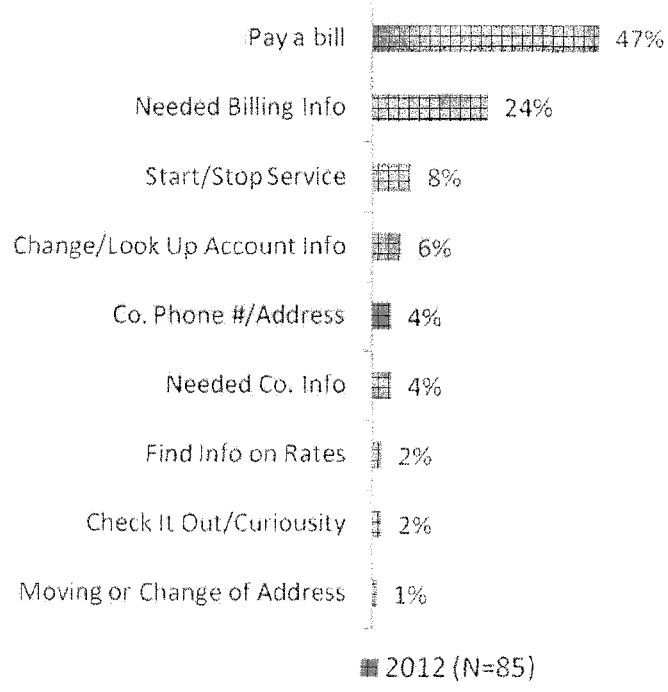
The website was visited primarily to *Pay a bill* (47%), followed distantly by *Needed billing info* (24%).

Accessed Website



NOTE: Orange circled data indicates significant increases compared to other year(s).

Why Visit Website

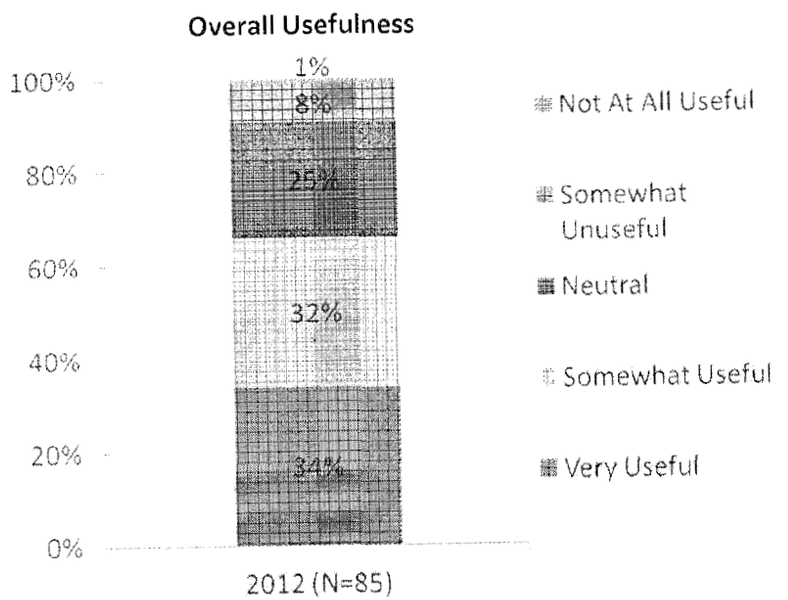


NOTE: New question for 2012, tracking data unavailable.

Q13. Have you visited the Liberty Utilities website within the past year?
Q14. For what reasons did you visit the website?

Website – Overall Usefulness

Two-thirds (66%) of Central Arizona respondents indicated that the website was *Somewhat/Very useful*. There were no significant differences by sub-group.



NOTE: New question for 2012, tracking data unavailable.

Q15. Please rate the usefulness of Liberty Utilities website using a scale from 1 to 5, where 1 is "not at all useful" and 5 is "very useful".

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Attorneys for Litchfield Park Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01427A-13-_____
IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-01428A-13-_____

DIRECT TESTIMONY OF
CHRISTOPHER D. KRYGIER

February 28, 2013

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christopher D. Krygier, and my business address is 12725 W. Indian School Road, Suite D101, Avondale, AZ 85392.

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

A. On behalf of applicant Litchfield Park Service Company, which is generally known as "LPSCO".

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Liberty Utilities, which is the parent company for LPSCO, as the Utility Rates and Regulatory Manager. To keep things simple, I will refer to the two entities as Liberty and LPSCO in my testimony.

Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AS THE UTILITY RATES AND REGULATORY MANAGER?

A. I am responsible for the water and wastewater rate cases and public utility regulation for Liberty's utility holdings in Arizona, Texas, Arkansas and Missouri.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. Before working for Liberty, I was employed by American Water Works, Inc. for approximately six years in a variety of capacities. Generally though, while at American Water, I worked in Financial Planning and Analysis, Rates, Regulatory Compliance and Capital Programs.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. In 2006, I completed my Bachelor of Science in Economics from the W.P. Carey School of Business at Arizona State University. In 2010, I completed my Master of Business Administration with an emphasis in Finance also from ASU.

I also possess several utility related certifications. First, I am a Certified Rate of Return Analyst as designated by the Society of Utility and Regulatory

Financial Analysts. Second, I am a Level 1 Water Treatment Operator as designated by the Arizona Department of Environmental Quality. Third, I am designated a Level 1 Water Distribution Operator by the Arizona Department of Environmental Quality. I also attended the NARUC Water Utility Rate School in 2008 and Center for Public Utilities Rate School in 2012.

Lastly, I am a Certified Management Accountant as designated by the Institute of Management Accountants ("IMA"). The IMA's mission is to provide a forum for research, practice development, education, knowledge sharing, and the advocacy of the highest ethical and best business practices in management accounting and finance.

Q. HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER PUC?

A. Yes, my written testimony has been filed in Rio Rico Utilities Inc.'s rate case, Docket No. WS-02676A-12-0196, which is now pending before the Arizona Corporation Commission ("ACC" or "Commission"). I also provided written testimony in Docket No. 2010-0313 before the Hawaii Public Utilities Commission on behalf of my previous employer.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The primary purpose of my testimony is to introduce and discuss four separate proposals that Liberty requests approval of in this LPSCO rate case:

- A Distribution System Improvement Charge ("DSIC") and a Collection System Improvement Charge ("CSIC");
- a Purchased Power Adjustor Mechanism ("PPAM");
- a Property Tax Accounting Deferral; and
- a Balanced Rate Design.

Q. DO THESE PROPOSALS SHARE A COMMON THEME OR GOAL?

A. Yes, absolutely – rate gradualism.

Q. WHAT DO YOU MEAN BY "RATE GRADUALISM", MR. KRYGIER?

A. Rate gradualism is a goal of ratemaking. Rate gradualism focuses on the importance of price stability and minimization of unanticipated, dramatic changes in rates, the latter generally known as "rate shock". Rate gradualism is premised on the notion that customers will benefit from small incremental increases in utility rates by avoiding and minimizing the impacts and economic consequences of periodic but unpredictable large increases in those rates. I will discuss this in more detail in the next section of my testimony before I discuss each of the specific proposals.

Q. HOW DO THE FOUR PROPOSALS YOU ARE MAKING IN THIS CASE HELP PROMOTE RATE GRADUALISM?

A. Approval of the requested ratemaking treatment will result in reasonable rates and a fair opportunity for LPSCO to achieve its authorized rate of return during the period the rates approved in this case will be in effect. Given a fair opportunity to earn our authorized return, customers benefit because we remain financially healthy and incented to invest, yet we should not have to rush in seeking large increases in LPSCO's costs for utility service. I will discuss these benefits in more detail in my discussion of each of the four proposals.

Q. WILL YOU BE ADDRESSING ANY OTHER AREAS?

A. Yes, I will also support LPSCO's request to make minor language modifications to its current water and wastewater tariffs.

II. RATE GRADUALISM

Q. WHERE DID THE IDEA OF RATE GRADUALISM ORIGINATE?

A. It seems to me to be the logical extension of the teachings of James C. Bonbright. Professor Bonbright wrote in "Principles of Public Utility Rates":

> By and large, the task of ratemaking or rate regulation is that of adapting utility rates to a larger economic environment, including a universe of non-utility prices and wages.[1]

In their everyday lives, customers do not generally see large increases in their income (whether from work or from retirement plans, Social Security, etc.) Rather, they see small, incremental changes in their income. The kind of rate gradualism underlying Professor Bonbright's teachings matches utility rate changes to that larger economic reality. In other words, rate gradualism helps customers by allowing them to match gradual increases in water or sewer rates to expected gradual increases in prices and wages. That customers would prefer rate gradualism is not surprising.

Q. DO YOU HAVE ANY EVIDENCE TO SHOW THE PREFERENCE OF CUSTOMERS?

A. A 2012 poll showed that over 89 percent of respondents indicated they prefer smaller, more frequent rate increases instead of larger, less frequent increases.[2] As a simple example, rate gradualism would advocate for annual increases of two percent per year, versus a single rate increase at the end of the second year of six percent. The Commission can also take notice of the fact that it has heard the same thing at countless public meetings where customers state that they are better able to

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[1] Principles of Public Utility Rates, James C. Bonbright, Columbia University Press (1961), Part One: "Basic Standards of Reasonable Rates," Chapter II: "The Public Interest as the Assumed Goal of Rate Making," Section: "Public-Interest or Social-Welfare Criteria of Reasonable Rates," Paragraph 6, Page 29 of the 1961 edition.

[2] "Poll Results: 9 out of 10 Arizonans Support Shift in Utility Rate Hike Approach", October 3, 2012, copy attached hereto as **Exhibit CDK-DT1**.

adjust to smaller changes in their household budget. Ensuring that utility bills gradually change over time provides customers with the ability to adjust to the bills. This was certainly the message that the Commission sent Liberty in the last LPSCO rate case.

Q. WHAT HAPPENED IN THE LAST RATE CASE?

A. The Commission was very critical of LPSCO for having put too much plant in while staying out too long between rate cases, creating the need for a large increase. In fact, the Commission penalized LPSCO for it by reducing its return on equity at LPSCO's prior rate case: "[o]ur determination of LPSCO's authorized return on equity in this case reflects our concern with the overall magnitude of the requested increase, which is primarily due to the Company's unilateral decision to delay filing a rate application for approximately eight years..."[3]

Q. IS THAT WHY LIBERTY IS NOW ESPOUSING "RATE GRADUALISM"?

A. Not entirely. After Liberty's prior LPSCO rate case, Liberty received significant feedback from customers regarding the rate case process. The overwhelming feedback from customers was that they prefer small, more frequent rate increases rather than large, unpredictable rate increases. This, coupled with the reduced ROE, was certainly a clear reminder that rate gradualism is one of the many factors that should be considered when setting rates for a water or wastewater utility. Under these circumstances and for the reasons stated in my testimony, Liberty supports rate gradualism and the regulatory tools that promote such policy objectives. Liberty views the DSIC mechanism and other proposals set forth in my testimony as critical steps in achieving gradual changes in the Arizona regulated

[3] Decision No. 72026 (December 10, 2010) at 61:10-12.

water/wastewater utility sector that would provide a mutual benefit to utilities, customers, and the Commission.

Q. ANY OTHER REASONS LPSCO IS CONCERNED ABOUT RATE GRADUALISM?

A. Yes. Customer care is a critical component of LPSCO and its parent company's business philosophy. Customers are the central focus of all business operations. Customer care is so important that several of our performance metrics for business success are defined by how Liberty works with customers, such as how quickly our customer service representatives answer phone calls and how many community events we are hosting. Good customer care should try to foresee and eliminate the potential for future rate shock on customers. However, that said, we can only do so much without the regulators. We can only present proposals that foster rate gradualism. It is up to the Commission to approve them.

Q. BESIDES RATE GRADUALISM, WHAT OTHER BENEFITS DO CUSTOMERS DERIVE FROM LPSCO'S POLICY PROPOSALS?

A. LPSCO's customers experience other benefits from the Company's policy proposals. As an example, continuing to replace infrastructure to ensure system reliability is a customer benefit. Additionally, ensuring that water continues to meet or exceed all state and federal mandates is important as customers want to feel confident that water and wastewater services are safe.

III. LIBERTY'S POLICY PROPOSALS

A. Proposal Number 1 - DSIC AND CSIC

Q. IS LPSCO SEEKING APPROVAL OF A DSIC AND A CSIC?

A. Yes. The Distribution System Improvement Charge or DSIC is a surcharge mechanism that promotes rate gradualism by encouraging utilities to replace water infrastructure. DSICs and Collection System Improvement Charge, or CSIC, the

wastewater version, originated in Pennsylvania where aged infrastructure led to increasing operational challenges that impacted system reliability. In turn, the large capital investments needed to repair and replace this aging infrastructure drove more frequent rate cases with larger rate increase requests.

Q. EXCUSE ME MR. KRYGIER, BUT BEFORE WE GO ANY FURTHER, CAN YOU PROVIDE A LAYMAN'S DESCRIPTION OF ONE OF THESE SYSTEM IMPROVEMENT CHARGES?

A. Certainly. In simple terms, under this surcharge mechanism, a return on investment in new plant that occurs between rates cases will be provided through a separate charge on the customer's bill. Now, before that return will be realized, there will be a review process by parties to the case to make sure that the new plant is complete and in service and to verify the cost of the plant. Additionally, only certain types of plant (identified by specific NARUC account) qualify for recovery. Finally, the additional revenue the Company can realize through this charge is capped.

Q. THANK YOU. SO A DSIC IS HOW THE PENNSYLVANIA COMMISSION RESPONDED TO THE PROBLEM OF MORE FREQUENT RATE CASES SEEKING LARGE INCREASES?

A. Yes, by approving a DSIC mechanism that balanced the needs and interests of customers and utility companies.[4] In referring to a DSIC surcharge mechanism, the Chairman of Pennsylvania's PUC testified that "[t]hese surcharges ensure the <u>least possible rate impact on customers</u> by spreading out over time the cost of replacing and enhancing Pennsylvania's utility infrastructure."[5]

---

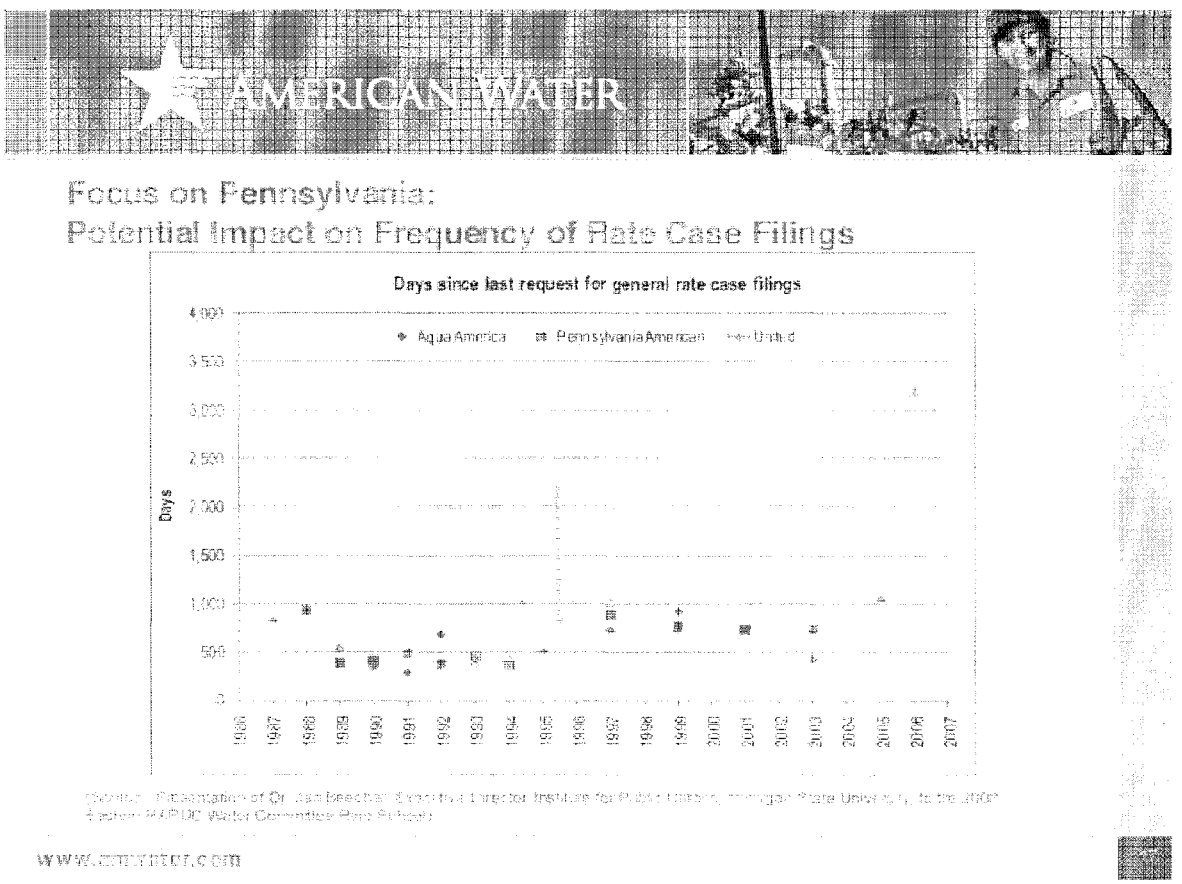
[4] My discussion of the DSIC applies equally to the CSIC so I will not refer to both unless necessary.

[5] Pennsylvania Public Utility Chairman Robert F. Powelson testifying before the Pennsylvania House of Representatives Consumer Affairs Committee. 28 April 2011. (emphasis added).

The DSIC was designed to allow utility customers to have not only the benefits of rate gradualism, but also improved system reliability, which means fewer failures and outages and a decreased risk of water quality issues, while at the same time providing the utilities sufficient rate recovery to make the investments required to ensure the continuous provision of safe, reliable, and adequate water and sewer service.

Q. WAS THE DSIC A SUCCESS?

A. Yes, it was an overwhelming success. As indicated in the graph below, after the DSIC was implemented, rate increase frequency for Pennsylvania's largest water utilities dropped dramatically.



Q. WHY IS LIBERTY SEEKING A DSIC FOR LPSCO IN THIS RATE APPLICATION?

A. For two reasons. The first reason is rate gradualism, which I have discussed in detail above. The DSIC mechanism is a tool that perfectly matches the philosophy that small incremental rate increases are better than irregular large increases.

Second, as outlined in a report by Keogh Engineering Inc. ("Keogh Report"), attached as **Exhibit CDK-DT2**, LPSCO will require substantial capital improvements in the near future, primarily concentrated around pipe replacements. The Keogh Report outlines over $25M of improvements needed to ensure continued system reliability. In turn, these capital improvements will necessitate future rate increase requests. But the DSIC is something we can do now to lessen the amount of future rate increase requests.

Q. MR. KRYGIER, HOW DO YOU RESPOND TO THOSE THAT SAY THIS IS ALL "NON-TRADITIONAL" RATEMAKING?

A. The Commission has approved similar adjustment mechanisms for gas and electric companies. I do not see how something could be traditional for a public service corporation providing electricity but not for one providing water. It is also clear that customers desire utility rates to increase in reasonable levels from year to year. There is nothing more traditional than trying to give ratepayers what they want.

Q. BUT DOESN'T THE COMMISSION NEED MORE ANALYSIS FIRST?

A. No more so than will be done in this case. The Commission has been considering a DSIC-type mechanism since the water workshops in the late 1990's. Staff issued a report examining the issue over thirteen years ago and further Commission study occurred during the 2011 water workshop process. All of the stakeholders - industry, Utilities Division Staff, and RUCO participated and evaluated the merits of DSICs (among other things). Additionally, the Commission just sent Arizona

Water Company's ("AWC") request for a DSIC back for further analysis in a second phase of the proceeding. That case is on a fast track, scheduled to be decided in June 2013, just a few months after we file this case.[6] The time for LPSCO to implement this proven, customer-friendly rate gradualism mechanism is now – before the next construction cycle, before the next EPA-driven water quality standards, and before the next rate case cycle.

Q. YOU TESTIFIED THAT OTHER ARIZONA UTILITIES UTILIZE SIMILAR MECHANISMS TO PROMOTE RATE GRADUALISM. CAN YOU PROVIDE EXAMPLES?

A. The best example is APS, which has at least seven separate DSIC-like surcharge mechanisms. The APS surcharge mechanisms are listed in Table 1.

Table 1			
Company	**Mechanism**	**Date Adopted**	**Description**
APS	Power Supply Adjustor	April 2005	• Recovers cost difference between actual power costs • Includes forward-looking and historical information
APS	Renewable Energy Surcharge	May 2008	• Recovers costs related to renewable initiatives
APS	Demand-Side Management Adjustment Clause	April 2005	• Recovers costs related to energy efficiency and DSM programs
APS	Environmental Improvement Surcharge	July 2007	• Recovers retroactively costs related to environmental upgrades not fully recovered through base rates
APS	Retail Line Extension Fees	February 2008	• Mechanism collects dollars spent for new distribution construction at beginning of project
APS	Transmission Cost Adjustor	April 2005	• Recovers FERC-approved transmission costs related to retail customers
APS	FERC Formula Rates	2008	• Recovers transition costs based on historical costs per FERC Form 1

Similar approaches are in place for, at least, Unisource Energy, Tucson Electric Power, Unisource Gas, and Southwest Gas, among others.

[6] *See* Docket No. W-01445A-11-0310.

Some of these have been in place since 2005. Four of the mechanisms are tied directly to infrastructure-driven costs (renewables, energy efficiency/DSM, environmental improvements, and retail line extensions). As detailed in the report written by Arizonans for Responsible Water Policy, these seven adjustors cover seven percent of total APS revenue.[7]

Q. HAVE THESE ADJUSTERS HAD AN IMPACT ON THE MAGNITUDE OF RATE INCREASES FOR APS?

A. It would appear so. APS's last rate case was filed in 2011 and requested an increase of only 3.3 percent. Water and sewer companies almost never seek such small increases, but then, water and sewer providers have not had similar adjuster mechanisms. Given that the benefits of rate gradualism can flow equally to water companies and our customers, it is hard to see why our industry should not also have these mechanisms in place.

Q. HAS THE COMMISSION APPROVED SEPARATE SURCHARGE MECHANISMS FOR WATER/SEWER UTILITIES?

A. Yes, on a number of occasions. Two notable and recent examples include the Arsenic Cost Recovery Mechanism ("ACRM") Surcharge and the Central Arizona Project ("CAP") Surcharge.

Q. HAVE THE ACRM OR CAP SURCHARGES EVER BEEN A SIGNIFICANT POINT OF CONTENTION FOR CUSTOMERS?

A. Not to my knowledge.

Q. HOW WILL CUSTOMERS BENEFIT FROM A DSIC MECHANISM?

A. The DSIC promotes rate gradualism and helps minimize customer rate shock. DSICs provide a means for the Commission to move Arizona utility rates in line

[7] **Exhibit CDK-DT4.**

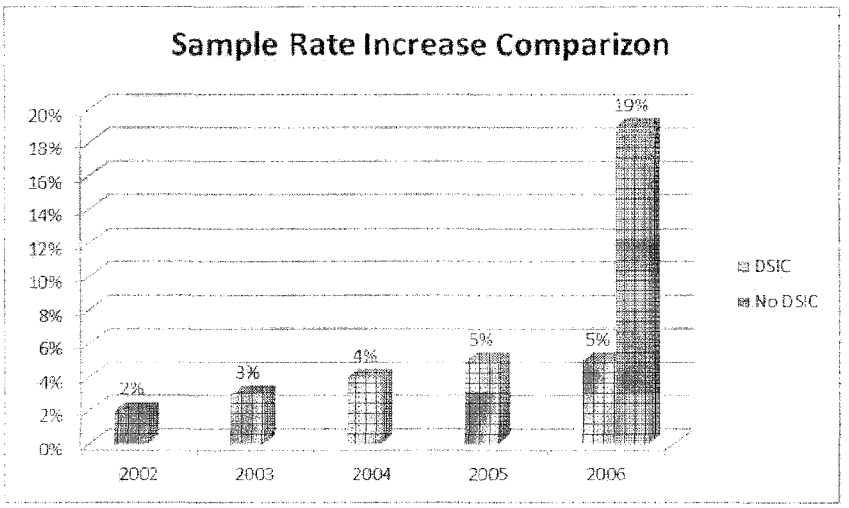
with the larger economic reality. Although most customers are unfamiliar with the intricacies of utility ratemaking, they know that gradualism better matches their reality.

Customers also benefit from the reduced chance of system outages caused by aging mains and pipes. A presentation outlining these risks was presented by Graham Symmonds of Global Water and is attached to my testimony as **Exhibit CDK-DT3**.[8] In sum, a DSIC maintains system reliability by replacing the oldest infrastructure in the water/sewer system sooner. Replacing aged infrastructure means customers will experience continued safe, reliable service.

Finally, healthy utilities with stable rates will better attract capital and be in a better position to provide adequate and reliable service at a reasonable cost.

Q. CAN YOU PROVIDE AN EXAMPLE OF HOW DSIC WILL FACILITATE RATE GRADUALISM?

A. Yes. Displayed below is a generic sample graph contemplating how a mechanism like the requested DSIC can facilitate gradual rate increases over a steady period of time.



[8] DSICs, Water Loss and Human Health, Graham Symmonds, January 2011.

The short columns represent a hypothetical rate increase with a DSIC mechanism in place. As I've discussed, the DSIC surcharge lends itself to small annual increases. The tall column indicates the current world of water utilities, coming in less frequently for larger rate hikes.

Q. HOW WOULD THE PUBLIC INTEREST BE SERVED BY A DSIC MECHANISM?

A. First, preservation of scarce resources. The Commission spends a great amount of time and resources processing and adjudicating water and wastewater rate cases. By reducing the magnitude of rate increases, the complex and contested nature of so many rate cases should decrease, making it easier to set new rates in a predictable manner.

Second, as I have discussed at length already, a DSIC helps avoid rate shock. As stated in the Arizonans for Responsible Water Policy letter:

> These adjustor mechanisms...smooth out rate increases for Arizona's electricity customers and avoid 'rate shock'; and they allow those utilities to better manage their capital costs by engaging in smaller, routine investments rather than packing all such investments into test years.[9]

In fact, the Commission Staff urged adoption of the APS Rate Case Settlement in Docket No. 11-0224 using the exact same reasons:

> APS's customers will have the benefit of rate stability...while also providing the Company with adequate revenue to enable it to provide safe and reliable electric service.[10]

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[9] *See* Arizonans for Responsible Water Policy Reform Letter (filed July 30, 2012 in *ACC Generic Investigation*, Docket No. W-00000C-06-0149) at 3.

[10] *See* Staff's Opening Brief (filed February 29, 2012 in *APS Rate Case*, Docket No. E-01345A-11-0224) at 12:14-16.

Q. YOU MENTIONED THAT THE DSIC IS LIMITED TO CERTAIN NARUC ACCOUNTS. WHICH ONES?

A. Yes. The first step is to determine which NARUC plant accounts qualify for recovery. LPSCO proposes the following NARUC accounts for the water and sewer divisions.

	Water	Sewer
Mains	309, 331	360, 361, 375
Services	333	363, 366
Meters	334	364, 365, 367
Hydrants	335	N/A

Second, the annual recovery cap on each customer bill has to be set. LPSCO proposes an annual cap of 3% of annual revenues. The 3% would be based on authorized revenue from the rate filing and essentially place a limit on the amount of capital investment that could be recovered through a DSIC filing.

Third, the actual paperwork forms to implement a filing have to be created. I will discuss this shortly.

Fourth and finally, annual deadlines for filing need to be established. LPSCO proposes the anniversary date of the latest general rate case.

Q. MR. KRYGIER, YOU HAVE TESTIFIED AT SOME LENGTH CONCERNING THE CUSTOMER BENEFITS OF A DSIC MECHANISM, AND REGARDING THE PUBLIC INTEREST. HOW DOES THE DSIC BENEFIT LPSCO?

A. A DSIC mechanism benefits LPSCO in several ways. First, as I have testified at length, a DSIC mechanism benefits our customers by smoothing out future rate

increase requests. Customers also benefit from a system that remains reliable at reasonable cost. Happy customers are good for business.

Second, LPSCO can implement a gradual capital expense program for needed pipe replacements. Under the normal, build-then-file a rate case approach, Liberty, like all utilities, invests capital in large chunks and then waits a very long time to begin recovery on and of its investment.

Third, LPSCO will have a more fair and adequate opportunity to earn its authorized rate of return. That's good for business too because it allows us to pay a fair return and continue to attract necessary capital. This is why we see a DSIC as a win-win for all stakeholders.

Q. THANK YOU. YOU MENTIONED PAPERWORK INVOLVED WITH A DSIC FILING?

A. Yes, in a white paper entitled "Moving Beyond Rate Shock & Regulatory Lag," Arizonans for Responsible Policy included a sample filing which included 11 schedules that LPSCO would complete in any DSIC filing. Copies of those schedules are attached to my testimony as **Exhibit CDK–DT4**.

Q. DO YOU HAVE ANYTHING ELSE TO ADD REGARDING LIBERTY'S DSIC REQUEST FOR LPSCO?

A. In the simplest terms, for less than a cost of a Big Mac at McDonalds, customers can be ensured safe, reliable service and the avoidance of rate shock; the Commission can reduce the frequency of rate cases, thereby freeing up resources; and LPSCO can continue to replace its oldest infrastructure and promote more gradual rate increases in future rate applications.

B. Proposal Number 2 - Property Tax Accounting Deferral

Q. WHAT IS LPSCO PROPOSING IN REGARDS TO PROPERTY TAX REGULATORY ASSET DEFERRALS?

A. LPSCO proposes a regulatory asset or liability to recover or refund property tax rates that are greater than property tax rates experienced in the test year. The creation of a regulatory asset and liability protects customers and the utility by ensuring this volatile cost is neither under-recovered nor over-recovered.

Q. WHY IS LPSCO PROPOSING THE PROPERTY TAX DEFERRAL IN THIS CASE?

A. As evidenced by comparing the property tax expense in this test year versus the prior test year, property taxes increased significantly. This significant increase contributed, in part, to LPSCO not recovering its cost of service during the test year.

Q. HOW DOES A PROPERTY TAX DEFERRAL BENEFIT LIBERTY?

A. The Company will have a greater chance to recover its cost of service.

Q. WHAT ARE THE CUSTOMER BENEFITS OF A PROPERTY TAX ACCOUNTING DEFERRAL?

A. Customers benefit because if the Company experiences a significant increase in property taxes as it has over the past few years, the Company can defer coming in for a rate increase sooner. Said differently, holding all other variables constant (operating expenses, rate base investment, etc.), a customer benefits because the Company can refrain from filing another rate case driven by systematic increases in property tax expense.

Q. HAS THE COMMISSION APPROVED ACCOUNTING DEFERRALS FOR WATER OR SEWER UTILITIES IN THE PAST?

A. Yes, the Commission has authorized numerous such accounting deferrals. A current example is LPSCO's accounting deferral for TCE costs. LPSCO defers these costs on the balance sheet and then requests recovery in subsequent rate cases. Two other examples at many utilities are the deferrals of rate case expense and debt financing costs.

Q. WHY IS A PROPERTY TAX ACCOUNTING DEFERRAL GOOD COMMISSION POLICY?

A. A property tax deferral is another tool in the toolbox to facilitate a utility having the opportunity to recover its cost of service while also protecting customers against more frequent rate cases.

Q. ARE PROPERTY TAXES TYPICALLY REQUIRED TO BE PAID BY UTILITIES?

A. Yes, any utility that owns property is required to pay property taxes. Property taxes are part of the utility ratemaking process in every rate application.

Q. TO WHAT EXTENT CAN UTILITIES CONTROL PROPERTY TAX EXPENSE?

A. Almost none. We could appeal any assessment, a costly and risky undertaking, but beyond that we have little recourse. In the last APS rate case,[11] property taxes were viewed as volatile expenses that put the utility at risk of not recovering its cost of service. In this rate case, as evidenced on LPSCO's E2 schedules attached to Mr. Bourassa's testimony, property tax increased over $740k since the 2008 Test Year.

[11] Docket No. E-01345A-11-0224.

Q. WHAT DID THE COMMISSION DO TO HELP APS MITIGATE THE CHALLENGE OF RISING PROPERTY TAXES?

A. The Commission recognized the challenges experienced by APS and granted APS a property tax deferral account.

Q. WILL LPSCO CONSIDER OTHER OPTIONS BESIDES THE TYPE OF DEFERRAL GRANTED TO APS?

A. Yes, LPSCO would consider another scenario of using a property tax pass through to more closely match the expenses to rate recovery but at this time is proposing the property tax deferral.

Q. HOW DOES THE PROPERTY TAX DEFERRAL WORK?

A. The property tax deferral has three primary conditions. First, LPSCO shall be allowed to defer for future recovery, in accordance with the provisions of Accounting Standards Codification 980 (formerly SFAS No. 71), the amounts of Arizona property tax expense above or below the test year levels ultimately authorized in the instant case.

Q. ABOVE OR BELOW?

A. Yes. There is no reason customers should not experience a decrease if property tax rates go down relative to the test year.

Q. THANK YOU. WHAT IS THE SECOND CONDITION OF THE PROPERTY TAX DEFERRAL?

A. In the next LPSCO general rate case, LPSCO will propose an amortization period to recover or refund the amount of property tax deferral that exists at the time of the next general rate case filing.

Q. WHAT IS THE THIRD CONDITION OF THE PROPERTY TAX DEFERRAL?

A. Staff and parties to future rate proceedings have the right to review the property tax deferrals for reasonableness and prudence.

Q. CAN YOU SUMMARIZE LPSCO'S REQUEST FOR A PROPERTY TAX ACCOUNTING DEFERRAL?

A. LPSCO proposes an accounting deferral to protect customers and the Company from continued increases in property taxes. Suggested ordering language follows:

> It is ordered that LPSCO is authorized to defer as a regulatory asset (liability) on its balance sheet, incremental property tax expense greater (lesser) than the test year level expense authorized for the water and wastewater divisions of the utility. LPSCO shall file for recovery of these regulatory assets (liabilities) on its balance sheet in the next general rate case for each division.
>
> It is further ordered that LPSCO shall annually docket by March 31 an update on the amount of the regulatory asset deferral.

C. <u>Policy Proposal Number 3 - Purchased Power Pass Through Adjustment Mechanism ("PPAM")</u>

Q. WHAT IS A PPAM?

A. A PPAM is another regulatory tool that furthers rate gradualism. It is designed to ensure that utilities have an opportunity to recover the cost of purchased power in rates. It is consistent with the desire to promote rate gradualism voiced by this Commission.

Q. HOW DOES A PPAM BENEFIT CUSTOMERS?

A. By gradually increasing rates as power costs increase rather than piling up large dollar increases and seeking recovery of all costs at once. Purchased power is, along with labor, one of LPSCO's top five largest expense items. However, the

cost is largely outside our control. In fact, to a great degree, the Commission decides what we pay for power as it sets the rates for the power providers, except SRP.

Q. HAS A PPAM EVER BEEN USED BEFORE IN THE STATE OF ARIZONA?

A. Yes, AWC used to have a PPAM for many of its utilities.[12] An example of the PPAM tariff is attached to my testimony as **Exhibit CDK-DT5**. Additionally, APS, Tucson Electric Power, and Unisource Energy have PPAMs. Each company is allowed to flow through increased costs annually. It is interesting to note that electric utilities have been granted this mechanism despite the following facts:

1. They own generating resources that allow them to mitigate the amount, and the time of day/year in which they purchase power;
2. They employ large, professional trading staffs whose sole purpose is to manage these costs; and
3. They actively trade in the power markets as both a buyer and a seller.

Water companies have none of these abilities, resources, staffs, or economic incentives and opportunities. We are captive customers whose rates are set by the Commission. In fact, the Commission approved APS Settlements in the past two rate cases that each included double-digit rate hikes for water pumping tariffs. For the Commission to allow electric utilities to have PPAMs (with the three organizational elements highlighted above) while denying PPAMs for water companies is, with all due respect, simply unfair.

[12] Decision No. 55069 (June 20, 1986).

Q. BUT HAVEN'T STAFF AND RUCO SUCCESSFULLY ARGUED THAT PURCHASED POWER IS NOT SUFFICIENTLY VOLATILE TO WARRANT AN ADJUSTER?

A. That's my understanding. However, and again, respectfully, that argument does not make sense given the Commission's history of adjustor mechanisms for electric utilities. If power is volatile enough for the power company to need an adjuster that adjusts the rates we pay them in the first place, that same volatility is just being passed on to us. We are just asking for the same thing the Commission gives the power companies so we can ameliorate the same impacts.

Q. WELL, WHAT ABOUT THE SINGLE ISSUE RATEMAKING ARGUMENT?

A. I am not a lawyer but if it is legal for the electric providers I can't imagine why it would not be for water and sewer. Besides, we are approving the PPAM in a rate case.

Q. HOW WOULD THE PPAM WORK?

A. Attached to my testimony is **Exhibit CDK-DT6**. This exhibit contains LPSCO's November 2012 Arizona Public Service Company bills and associated tariffs. We propose to provide the Commission with copies of the electric provider tariffs and with our monthly bills. This will allow the Commission to verify our power costs and develop an annualized power expense. If at any point thereafter the electric provider changes our rates, we will provide the Commission with copies of the new tariffs, a demonstration of the change in terms of actual dollars and percentage change, and with pro-forma and actual bills demonstrating the effect of the new tariffed rates. The Commission would then have 30 days to review that filing and adjust the power expense to reflect the new rates. Obviously, the power expense

could increase or decrease based on the new tariffed rates and any conservation or power-shifting measures we have emplaced.

Q. CAN YOU SUMMARIZE LPSCO'S REQUEST REGARDING THE PPAM?

A. Yes. LPSCO requests the ability to implement a PPAM tariff to recover the increasing costs of purchased power in its utility systems.

D. <u>Proposal Number 4 – Balanced Rate Design</u>

Q. WHAT IS LPSCO PROPOSING IN REGARDS TO RATE DESIGN?

A. LPSCO proposes the Commission adopt a balanced rate design to benefit customers and the Company while ultimately achieving rate gradualism. In particular, LPSCO would like the Commission to adopt a fixed charge of approximately 40 percent of the revenue requirement, with the remaining revenue being spread in a more balanced manner across the rate tiers instead of being concentrated in the highest consumption tiers. Finally, the Commission should set a near-term goal through a policy statement of water and sewer utilities fixed charge ratio's reaching the 50 percent threshold of the revenue requirement with a reasonable balance between the volumetric tiers.

Q. WHERE ARE THE SPECIFIC CALCULATIONS YOU PROPOSE?

A. The specifics are covered in Mr. Bourassa's testimony. My discussion focuses on the policy reasons why a balanced rate design is critical.

Q. WHY IS RATE DESIGN SO IMPORTANT?

A. Rate design is an often misunderstood aspect of utility ratemaking. Rate design is the step after a revenue requirement has been determined. Think of the revenue requirement as the total balloon. Rate design is how the air in the balloon is allocated between different customer classes to ensure the utility recovers all of the revenue it is authorized, i.e., rate design. If the balloon doesn't fill up, the utility doesn't recoup all of the revenue it is authorized creating a revenue shortfall.

Q. WHAT RISKS OCCUR IF A UTILITY EXPERIENCES A REVENUE SHORTFALL?

A. If a utility continually under collects the amount of revenue it is authorized, it will have to return to the Commission more often for additional rate increases. The Commission even recognized this in a recent AWC matter.[13] In that case the Commission expressed its understanding "that a consistent pattern of declining usage, and the diminished revenues that follow, could jeopardize AWC's ability to recover its cost of service, which is contrary to the best interests of AWC, AWC's customers, and the Commission."[14]

Q. SO A PROPER RATE DESIGN CAN HELP AVOID A REVENUE SHORTFALL?

A. Exactly.

Q. WHAT HAS THE COMMISSION IMPLEMENTED TO AVOID REVENUE SHORTFALLS FOR UTILITIES IN ARIZONA?

A. A few different tools have been implemented. One tool in use for APS and UNS Gas is an LFCR mechanism. Another tool in use at Southwest Gas is revenue decoupling.

Q. DO OTHER TOOLS EXIST?

A. Yes, another tool is to approve a balanced rate design. By balanced, I mean a rate design structured so the utility will have every reasonable chance to collect the revenue requirement approved by the Commission. The characteristics of a balanced rate design include setting a minimum fixed charge ratio of approximately 50 percent of the total revenue requirement and balancing the remaining 50 percent across the consumption tiers. The 50 percent of the revenue

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[13] Decision No. 73736 (February 20, 2013).

[14] *Id.* at 71:3-5.

in the consumption tiers are also vitally important. If not designed reasonably, the revenue balloon won't fill up and the utility under collects its authorized revenue.

Q. CAN YOU SUMMARIZE LPSCO'S REQUEST?

A. The Commission should adopt a policy of fixed charges recovering 40 percent of the revenue requirement with the rest of the tiers being more evenly weighted versus being so dependent on the top tier. Finally, the Commission should set a near-term goal through a policy statement of water and sewer utilities fixed charge ratio's reaching the 50 percent threshold of the revenue requirement with a reasonable balance between the volumetric tiers. To the extent the Commission wants to trade away efficiency in pricing in order to achieve social objectives, it should do so in a more transparent and straightforward manner – by increasing the number of tiers in rate design, and directly changing the low income assistance program.

IV. TARIFF LANGUAGE CLEAN-UP

Q. WHAT IS LPSCO PROPOSING IN THIS CASE REGARDING ITS CURRENT TARIFFS?

A. LPSCO proposes a number of small language and cost "clean-ups" in this rate case to make LPSCO's tariff more consistent with other Liberty owned utility companies.

Q. WHAT ARE THE CHANGES LPSCO PROPOSES?

A. **Exhibit CDK-DT7** is a redlined version of the changes LPSCO proposes. Please note, these changes do not reflect the proposed rates. Please see Mr. Bourassa's H-Schedules. Exhibit CDK-DT7 only reflects the specific tariff language changes the Company proposes.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT1

POLL RESULTS: 9 out of 10 Arizonans Support Shift in Utility Rate Hike Approach
Democrats and Independents More Skeptical about Renewable Energy than Assumed

October 3, 2012

(PHOENIX, AZ) In a statewide survey of more than 4,000 Arizonans; nine out of every ten people surveyed supported the use of small, annual hikes to utility bills instead of larger, but less frequent, rate hikes.

In the survey, people were asked the following question: "When utility bills have to be increased, would you prefer: a) small annual changes, or b) large changes every few years?" Nearly 90% preferred small annual changes. Arizonans for Responsible Water Policy, an Arizona-based trade group representing the companies which provide nearly 900,000 Arizonans water and sewer service, commissioned the poll which was conducted last week.

"A lot has been said about what customers 'really want' from the Corporation Commission," explained Paul Walker, Chairman of Responsible Water. "In the current election, debate after debate centers on the perception that what Arizonans 'want' from the Commission is more solar and wind subsidies. So we evaluated that perspective against our idea; which is that what customers really want is that when rates have to go up customers they have smaller, annual utility rate hikes instead of the current system of large rate hikes every four or five years. The poll results are clear: Arizonans overwhelmingly agree with rate gradualism, and aren't as completely pro-solar as many assumed."

The poll evaluated support for rate gradualism against the most-talked about policy in the race: Solar energy. 4,000 likely voters were asked what they believed about solar energy – surprisingly, only 52% said solar energy is "currently practical and cost-effective," 29% said that solar energy is "not currently practical and cost-effective," and 18% were undecided on solar's merits.

Mr. Walker explained, "what we found is that Arizonans want gradual, manageable changes to their utility bills instead of large, shocking increases every few years. And that view is more widespread and more impactful to people's budgets and their lives than the topic most dominating the debate."

Walker explained the overwhelming results, "The lowest level of support for rate gradualism, in any one county, was 82% support – solar's best result, by county, was 77% support. On average, 89.4% of Arizonans agree with moving toward small, annual changes to utility bills instead of our current approach. Arizonans want a Commission that makes utility rate hikes more manageable – that's the most important issue to our customers."

-30-

Contact Responsible Water: paul@arizonainsight.com

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT2

KEOGH ENGINEERING, INC
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Civil Engineers | Land Surveyors

ENGINEERS COST ESTIMATE SUMMARY

ASSET MANAGEMENT PLAN

LITCHFIELD PARK SERVICE AREA, ARIZONA
VS.
OLD LITCHFIELD PARK, ARIZONA

Engineers Cost Estimate Summary
Asset Management Plan
Litchfield Park Service Area, Arizona
Vs. Old Litchfield Park, Arizona

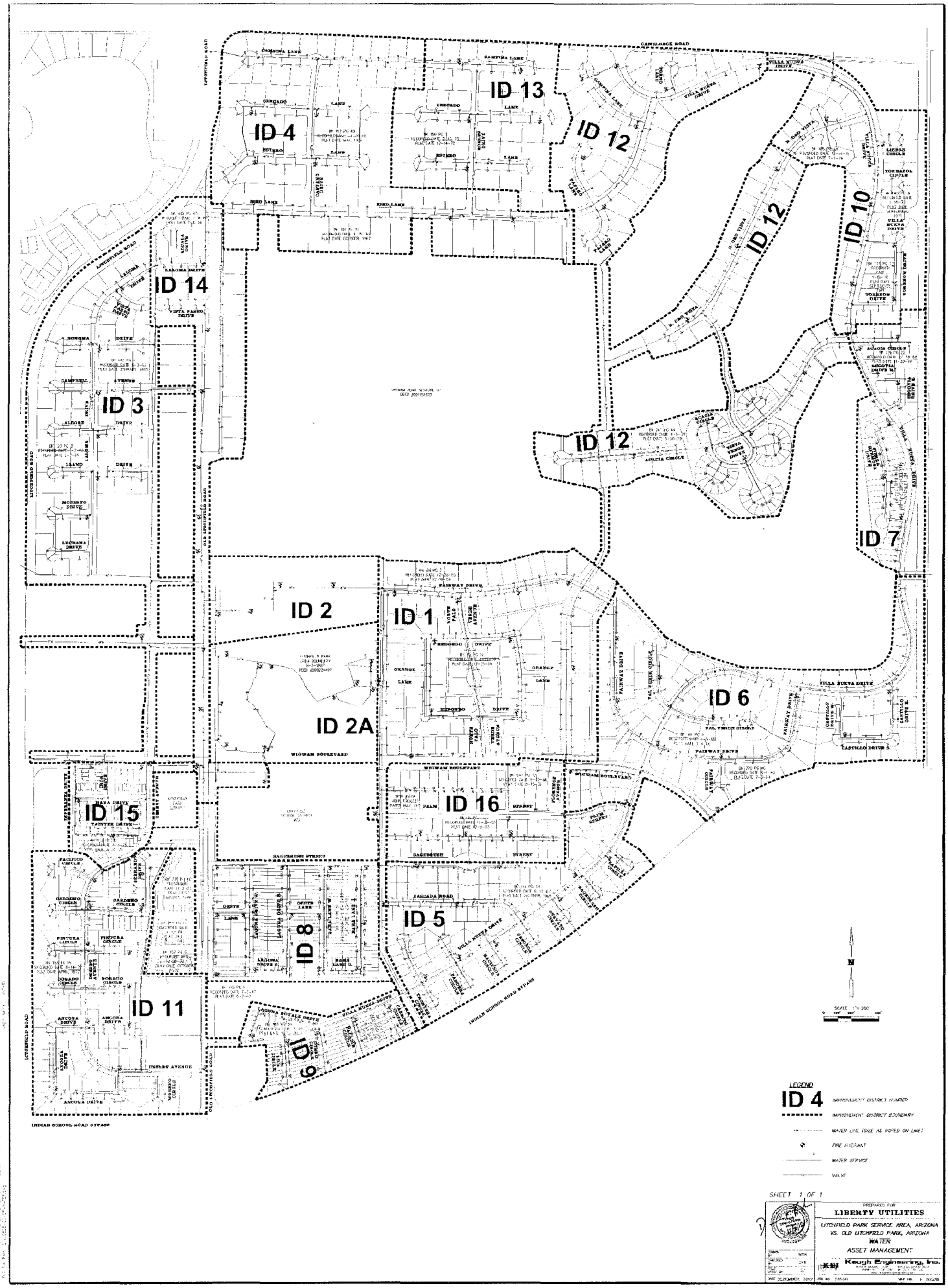
Executive Summary:

An Engineers Cost Estimate has been performed analyzing the cost to replace existing water and sewer infrastructure in Old Litchfield Park, Arizona. The analysis is based on the oldest improvements being removed and replaced first and then progresses to the most recent improvements. Current contractors cost were utilized for the cost estimates.

REGISTERED PROFESSIONAL ENGINEER (CIVIL)
CERTIFICATE NO.
1305
DENNIS FRANK
KEOGH
DATE SIGNED
12/2/12
ARIZONA U.S.A.
EXPIRES 6/30/2013

KEOGH ENGINEERING, INC
Consulting Engineers | Land Surveyors

Keogh Engineering, Inc.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CAMELBACK ROAD
LITCHFIELD ROAD
OLD LITCHFIELD ROAD
INDIAN SCHOOL ROAD STRAPS
WIGWAM BOULEVARD
SAGEBRUSH STREET
FAIRWAY DRIVE
VILLA NUEVA DRIVE
CASTILLO DRIVE S.
ANCONA DRIVE
LAGUNA DRIVE
N
SCALE 1"= 200'
LEGEND
ID 4 IMPROVEMENT DISTRICT NUMBER
IMPROVEMENT DISTRICT BOUNDARY
WATER LINE (SIZE AS NOTED ON LINE)
FIRE HYDRANT
WATER SERVICE
VALVE
SHEET 1 OF 1
PREPARED FOR
LIBERTY UTILITIES
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA
WATER
ASSET MANAGEMENT
Keogh Engineering, Inc.
DATE DECEMBER, 2012

KEOGH Keogh Engineering, Inc.
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Civil Engineers | | and Surveyors

ENGINEERS COST ESTIMATE SUMMARY
ASSET MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

WATER

ID NO.		REPLACEMENT COST
1		$1,361,800.00
2		$293,805.00
2A		$719,886.00
3		$1,907,583.00
4		$1,063,005.00
5		$1,209,436.00
6		$1,597,985.00
7		$455.647.00
8		$1,022,548.00
9		$525,039.00
10		$920,119.00
11		$1,479,202.00
12		$1,920,908.00
13		$554,441.00
14		$1,314,773.00
15		$433,111.00
16		$508,636.00
	TOTAL	$17,287,924.00

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Civil Engineers | Land Surveyors

21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-1 BOOK 66 PAGE 2 RECORDING DATE 12/28/55
BOOK 70 PAGE 10 RECORDING DATE 4/17/56

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	120.0	-0-
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	10850 LF	96.00	$1,041,600.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	11 EA.	2800.000	$30,800.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	10 EA.	3750.00	$37,500.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	112 EA.	800.00	$89,600.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	3 EA.	750.00	$2,250.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	10850	7.00	$75,950.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$84,100.00
		TOTAL	$1,361,800.00

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21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-2 LITCHFIELD PARK ORDER# BOUNDARY 8/3/1987
DEED # 890224497

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	330	120.0	$39,600.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1965 LF	96.00	$188,640.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	5 EA.	2800.000	$14,000.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	4 EA.	3750.00	$15,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	1 EA.	800.00	$800.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	2 EA.	750.00	$1,500.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	2295	7.00	$16,065.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$18,200.00
		TOTAL	$293,805.00

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Civil Engineers | Land Surveyors

21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-2A LITCHFIELD PARK ORDER# BOUNDARY 8/3/1987
DEED # 890224497

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1769 LF	120.0	$212,280.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	3191 LF	96.00	$306,336.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	23 EA.	2800.000	$64,400.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	12 EA.	3750.00	$45,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	7 EA.	800.00	$5,600.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	9 EA.	750.00	$6,750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	750.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	4960 LF	7.00	$34,720.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$44,800.00
		TOTAL	$719,886.00

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21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
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ID-3 BOOK 109 PAGE 2 RECORDING DATE 8/3/65
BOOK 123 PAGE 8 RECORDING DATE 4/7/69

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	5483 LF	120.0	$657,960.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	9214 LF	96.00	$884,544.00
12" G.V.B.&C. REMOVE OLD	8 EA.	4800.00	$38,400.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	21 EA.	2800.000	$58,800.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	10 EA.	3750.00	$37,500.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	80 EA.	800.00	$6,400.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	4 EA.	750.00	$3,000.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	14697	7.00	$102,879.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$118,100.00
		TOTAL	$1,907,583.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
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ID-4 BOOK 101 PAGE 21 RECORDING DATE 1/29/63
BOOK 112 PAGE 49 RECORDING DATE 11/10/66

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1436 LF	120.0	$172,320.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	6510 LF	96.00	$624,960.00
12" G.V.B.&C. REMOVE OLD	5 EA.	4800.00	$24,000.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	12 EA.	2800.000	$33,600.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	6 EA.	3750.00	$22,500.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	76 EA.	800.00	$60,800.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	3 EA.	850.00	$2,550.00
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	1 EA.	750.00	$750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	7946 LF	7.00	$55,622.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$65,903.00
		TOTAL	$1,063,005.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
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ID-5 BOOK 114 PAGE 38 RECORDING DATE 6/12/67

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1643 LF	120.00	$197,160.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	6911 LF	96.00	$663,456.00
12" G.V.B.&C. REMOVE OLD	2 EA.	4800.00	$9,600.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	19 EA.	2800.000	$53,200.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	12 EA.	3750.00	$45,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	125 EA.	800.00	$100,000.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-
12" CURB STOP WITH FLUSHING	0	850.00	-0-

10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	9 EA.	750.00	$6,750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	8554 LF	7.00	$59,070.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$75,200.00
		TOTAL	$1,209,436.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-6 BOOK 111 PAGE 5 RECORDING DATE 4/5/66
BOOK 270 PAGE 46 RECORDING DATE 8/1/84

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4729 LF	120.00	$567,480.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	6584 LF	96.00	$632,064.00
12" G.V.B.&C. REMOVE OLD	10 EA.	4800.00	$48,000.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	13 EA.	2800.000	$36,400.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	12 EA.	3750.00	$45,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	110 EA.	800.00	$88,000.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	2 EA.	850.00	$1,700.00
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	1 EA.	750.00	$750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	11313 LF LF	7.00	$79,191.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$99,400.00
		TOTAL	$1,597,985.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-7 BOOK 114 PAGE 49 RECORDING DATE 7/3/68
BOOK 121 PAGE 22 RECORDING DATE 12/18/68

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2008 LF	120.00	$240,960.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	963 LF	96.00	$92,440.00
12" G.V.B.&C. REMOVE OLD	1 EA.	4800.00	$4,800.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	3 EA.	2800.000	$8,400.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	6 EA.	3750.00	$22,500.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	55 EA.	800.00	$44,000.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	1 EA.	750.00	$750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	2971 LF	7.00	$20,797.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$21,000.00
		TOTAL	$455,647.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-8 BOOK 115 PAGE 1 RECORDING DATE 7/3/67
BOOK 119 PAGE 30 RECORDING DATE 8/12/68

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	269 LF	120.00	$32,280.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	6355 LF	96.00	$610,000.00
12" G.V.B.&C. REMOVE OLD	1 EA.	4800.00	$4,800.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	23 EA.	2800.000	$64,400.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	16 EA.	3750.00	$60,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	174 EA.	800.00	$139,200.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	1 EA.	850.00	$850.00
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	1 EA.	750.00	$750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	6624 LF	7.00	$46,368.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$63,900.00
		TOTAL	$1,022,548.00

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21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-9 BOOK 122 PAGE 17 RECORDING DATE 2/24/69
BOOK 133 PAGE 39 RECORDING DATE 11/2/70

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1286 LF	120.00	$154,320.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2039 LF	96.00	$195,744.00
12" G.V.B.&C. REMOVE OLD	1 EA.	4800.00	$4,800.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	9 EA.	2800.000	$25,200.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	5 EA.	3750.00	$18,750.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	81 EA.	800.00	$64,800.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	1 EA.	850.00	$850.00
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	6 EA.	750.00	$4,500.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	3325 LF	7.00	$23,275.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$32,800.00
		TOTAL	$525,039.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
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ID-10 BOOK 145 PAGE 8 RECORDING DATE 1/10/72
BOOK 145 PAGE 12 RECORDING DATE 1/10/72
BOOK 186 PAGE 48 RECORDING DATE 12/14/76

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2819 LF	120.00	$338,280.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	3699 LF	96.00	$355,104.00
12" G.V.B.&C. REMOVE OLD	4 EA.	4800.00	$19,200.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	11 EA.	2800.000	$30,800.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	7 EA.	3750.00	$26,250.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	55 EA.	800.00	$42,400.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	7 EA.	750.00	$5,250.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	6518 LF	7.00	$45,626.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$57,209.00
		TOTAL	$920,119.00

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ENGINEERS COST ESTIMATE
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LITCHFIELD PARK SERVICE AREA, ARIZONA
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ID-11 BOOK 153 PAGE 15 RECORDING DATE 8/14/72

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2628 LF	120.00	$315,360.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	7832 LF	96.00	$751,872.00
12" G.V.B.&C. REMOVE OLD	4 EA.	4800.00	$19,200.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	22 EA.	2800.000	$61,600.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	12 EA.	3750.00	$45,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	145 EA.	800.00	$116,000.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-
12" CURB STOP WITH FLUSHING	0	850.00	-0-

10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	7 EA.	750.00	$5,250.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	10460 LF	7.00	$73,220.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$91,700.00
		TOTAL	$1,479,202.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-12 BOOK 159 PAGE 1 RECORDING DATE 2/13/73
BOOK 186 PAGE 48 RECORDING DATE 12/14/76
BOOK 211 PAGE 44 RECORDING DATE 4/6/79

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1723 LF	120.00	$205,760.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	12829 LF	96.00	$1,231,584.00
12" G.V.B.&C. REMOVE OLD	1 EA.	4800.00	$4,800.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	26 EA.	2800.000	$72,800.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	16 EA.	3750.00	$60,000.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	55 EA.	800.00	$117,600.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	10 EA.	750.00	$7,500.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	14,552 LF	7.00	$101,864.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$119,000.00
		TOTAL	$1,920,908.00

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-13 BOOK 159 PAGE 1 RECORDING DATE 2/13/73

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1170 LF	120.00	$140,400.00
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2867 LF	96.00	$275,232.00
12" G.V.B.&C. REMOVE OLD	1 EA.	4800.00	$4,800.00
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	7 EA.	2800.000	$19,600.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	5 EA.	3750.00	$18,750.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	41 EA.	800.00	$32,800.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-
12" CURB STOP WITH FLUSHING	0	850.00	-0-

10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	4 EA.	750.00	$3,000.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	4037 LF	7.00	$28,259.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$34,600.00
		TOTAL	$554,441.00

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Civil Engineers | Land Surveyors

21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-14 BOOK 219 PAGE 45 RECORDING DATE 7/8/86

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	120.00	-0-
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	10891 LF	96.00	$1,045,536.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	20 EA.	2800.000	$56,000.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	9 EA.	3750.00	$33,750.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	25 EA.	800.00	$20,000.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-
12" CURB STOP WITH FLUSHING	0	850.00	-0-

10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	3 EA.	750.00	$2,250.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	10891 LF	7.00	$76,237.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$81,000.00
		TOTAL	$1,314,773.00

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21 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-15 BOOK 178 PAGE 22 RECORDING DATE 4/3/75

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	120.00	-0-
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	3387 LF	96.00	$325,152.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	11 EA.	2800.000	$30,800.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	2 EA.	3750.00	$7,500.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	23 EA.	800.00	$18,400.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-
12" CURB STOP WITH FLUSHING	0	850.00	-0-

10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	1 EA.	750.00	$750.00
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	3387 LF	7.00	$23,709.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$26,800.00
		TOTAL	$433,111.00

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21 DECEMBER 2012

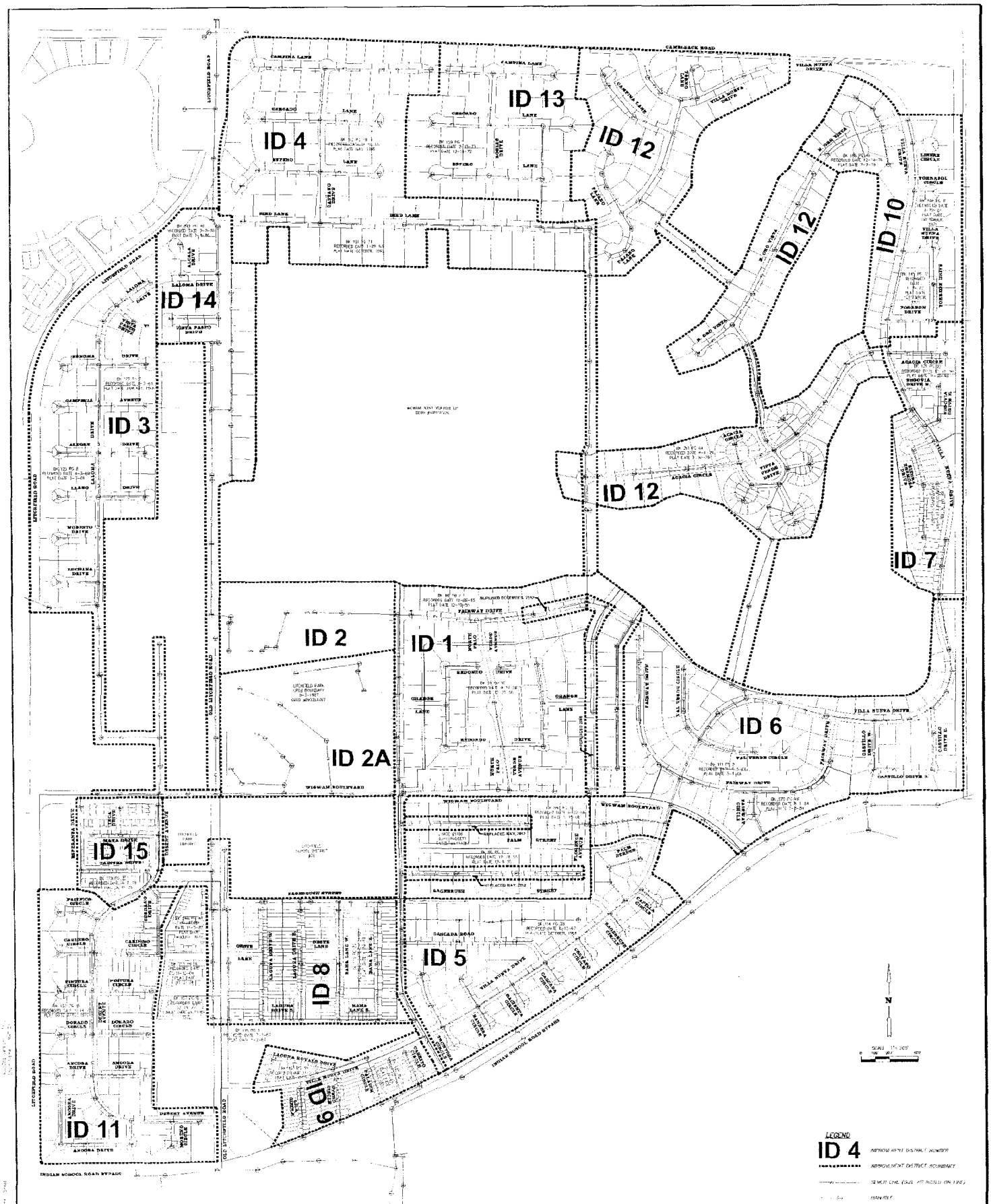
ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, AZ

ID-16 MCR#5108 DATE MAY, 1951
BOOK 66 PAGE 1 RECORDING DATE 12/28/55
BOOK 847 PAGE 12 RECORDING DATE 6/22/06

WATER

ITEM	QUANTITY	UNIT	PRICE
12" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	120.00	-0-
10" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	109.00	-0-
8" DIP CL350 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4562 LF	96.00	$437,952.00
12" G.V.B.&C. REMOVE OLD	0	4800.00	-0-
10" G.V.B.&C. REMOVE OLD	0	3800.00	-0-
8" G.V.B.&C. REMOVE OLD	5 EA.	2800.000	$14,000.00
FIRE HYDRANT ASSEMBLY REMOVE OLD	5 EA.	3750.00	$18,750.00
1" WATER SERVICE REMOVE TO PROPERTY LINE NEW BOX AND METER	62 EA.	800.00	$49,600.00
2" ARR RELEASE VALVE	0	2000.00	-0-
12" PIPE REALIGNMENT	0	6000.00	-0-
10" PIPE REALIGNMENT	0	5000.00	-0-
8" PIPE REALIGNMENT	0	4000.00	-0-

12" CURB STOP WITH FLUSHING	0	850.00	-0-
10" CURB STOP WITH FLUSHING	0	800.00	-0-
8" CURB STOP WITH FLUSHING	0	750.00	-0-
PIPE MAG 390B (CURB STOP WITH FLUSHING)	0	800.00	-0-
ENGINEERING DESIGN STAKING/ INSPECTION	4562 LF	7.00	$31,934.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$36,400.00
		TOTAL	$508,636.00



LEGEND

ID 4 — IMPROVEMENT DISTRICT NUMBER

IMPROVEMENT DISTRICT BOUNDARY

SEWER LINE (SIZE AS NOTED ON LINE)

MANHOLE

TO BE SEWERED

SHEET 1 OF 1

PREPARED FOR

LIBERTY UTILITIES

LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

SEWER

ASSET MANAGEMENT

Keogh Engineering, Inc.

DATE: DECEMBER, 2012 JOB NO. 20528 MAP NO. E-20528

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ENGINEERS COST ESTIMATE SUMMARY
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

SEWER

ID NO.	REPLACEMENT COST
1	$1,181,871.80
2	$ 247,929.15
2A	$ 477,054.15
3	$1,031,274.75
4	$1,082,724.15
5	$ 751,029.30
6	$1,041,964.70
7	$ 334,303.95
8	$ 904,247.50
9	$ 241,551.40
10	$ 429,380.75
11	$ 807,229.80
12	$1,383,339.90
13	$ 395,132.10
14	$ 713,859.25
15	$ 275,814.50
TOTAL	$11,298,777.15

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 1 BOOK 66 PAGE 2 RECORDING DATE 12/28/55
BOOK 70 PAGE 10 RECORDING DATE 4/17/56

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4322 LF	95.00	$410,590.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	5610 LF	71.00	$398,310.00
5' DIA. MANHOLE/REMOVE OLD	21 EA	3800.00	$79,800.00
4' DIA. MANHOLE/REMOVE OLD	17 EA	2900.00	$49,300.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	96 EA	275.00	$26,400.00
AIR TEST SEWER MAIN	9932 LF	0.55	$5,462.60
HYDRO VAC FOR TV INSPECTION	9932 LF	0.55	$5,462.60
HYDRO VAC FOR FINAL	9932 LF	0.55	$5,462.60
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	260 LF	35.00	$9,100.00
TEMP. LIFT STATION/PUMPING	9932 LF	5.00	$49,660.00

ENGINEERING DESIGN STAKING/ INSPECTION	9932 LF	7.00	$69,524
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$72,800.00
		TOTAL	$1,181,871.80

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 2 LITCHFIELD PARK ORDER # BOUNDARY 8/3/1987
DEED #890224497-1955

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1771 LF	95.00	$168,245.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	71.00	-0-
5' DIA. MANHOLE/REMOVE OLD	10 EA	3800.00	$38,000.00
4' DIA. MANHOLE/REMOVE OLD	0	2900.00	-0-
4" SEWER SERVICE REMOVE TO PROPERTY LINE	0	275.00	-0-
AIR TEST SEWER MAIN	1771 LF	0.55	$974.05
HYDRO VAC FOR TV INSPECTION	1771 LF	0.55	$974.05
HYDRO VAC FOR FINAL	1771 LF	0.55	$974.05
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	60 LF	35.00	$2,100.00
TEMP. LIFT STATION/PUMPING	1771 LF	5.00	$8,855.00

ENGINEERING DESIGN STAKING/ INSPECTION	1771 LF	7.00	$12,397.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$15,410.00
		TOTAL	$247,929.15

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 2A LITCHFIELD PARK ORDER # BOUNDARY 8/3/1987
DEED# 890224497-1955

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1311 LF	95.00	$124,545.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2960 LF	71.00	$210,160.00
5' DIA. MANHOLE/REMOVE OLD	3 EA	3800.00	$11,400.00
4' DIA. MANHOLE/REMOVE OLD	14 EA	2900.00	$40,600.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	0	275.00	-0-
AIR TEST SEWER MAIN	4271 LF	0.55	$2,349.05
HYDRO VAC FOR TV INSPECTION	4271 LF	0.55	$2,349.05
HYDRO VAC FOR FINAL	4271 LF	0.55	$2,349.05
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	80 LF	35.00	$2,800.00
TEMP. LIFT STATION/PUMPING	4271 LF	5.00	$21,355.00

ENGINEERING DESIGN STAKING/ INSPECTION	4271 LF	7.00	$29,897.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$29,250.00
		TOTAL	$477,054.15

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 3 BOOK 109 PAGE 2 RECORDING DATE 8/3/65
BOOK 123 PAGE 8 RECORDING DATE 4/7/69

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	838 LF	95.00	$79,610.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	8697 LF	71.00	$617,487.00
5' DIA. MANHOLE/REMOVE OLD	4 EA	3800.00	$15,200.00
4' DIA. MANHOLE/REMOVE OLD	33 EA	2900.00	$95,700.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	71 EA	275.00	$19,525.00
AIR TEST SEWER MAIN	9535 LF	0.55	$5,244.25
HYDRO VAC FOR TV INSPECTION	9535 LF	0.55	$5,244.25
HYDRO VAC FOR FINAL	9535 LF	0.55	$5,244.25
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	300 LF	35.00	$10,500.00
TEMP. LIFT STATION/PUMPING	9535 LF	5.00	$47,675.00

ENGINEERING DESIGN STAKING/ INSPECTION	9535 LF	7.00	$66,745.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$63,100.00
		TOTAL	$1,031,274.75

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 4 BOOK 101 PAGE 21 RECORDING DATE 1/29/63
BOOK 112 PAGE 49 RECORDING DATE 11/10/66

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4894 LF	95.00	$464,930.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4297 LF	71.00	$305,087.00
5' DIA. MANHOLE/REMOVE OLD	15 EA	3800.00	$57,000.00
4' DIA. MANHOLE/REMOVE OLD	11 EA	2900.00	$31,900.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	82 EA	275.00	$22,550.00
AIR TEST SEWER MAIN	9191 LF	0.55	$5,055.05
HYDRO VAC FOR TV INSPECTION	9191 LF	0.55	$5,055.05
HYDRO VAC FOR FINAL	9191 LF	0.55	$5,055.05
8" CLEANOUT	2 EA	1100.00	$2,200.00
SEWER ENCASEMENT	200 LF	35.00	$7,000.00
TEMP. LIFT STATION/PUMPING	9191 LF	5.00	$45,955.00

ENGINEERING DESIGN STAKING/ INSPECTION	9191 LF	7.00	$64,337.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$66,600.00
		TOTAL	$1,082,724.15

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 5 BOOK 114 PAGE 38 RECORDING DATE 6/12/67

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	6068 LF	71.00	$430,828.00
6" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1094 LF	60.00	$65,640.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	20 EA	2900.00	$58,000.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	120 EA	275.00	$33,000.00
AIR TEST SEWER MAIN	7162 LF	0.55	$3,939.10
HYDRO VAC FOR TV INSPECTION	7162 LF	0.55	$3,939.10
HYDRO VAC FOR FINAL	7162 LF	0.55	$3,939.10
8" CLEANOUT	8 EA	1100.00	$8,800.00
SEWER ENCASEMENT	320 LF	35.00	$11,200.00

TEMP. LIFT STATION/PUMPING	7162 LF	5.00	$35,810.00
ENGINEERING DESIGN STAKING/ INSPECTION	7162 LF	7.00	$50,134.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$45,800.00
		TOTAL	$751,029.30

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 6 BOOK 111 PAGE 5 RECORDING DATE 4/5/66
BOOK 270 PAGE 46 RECORDING DATE 8/1/84

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1732	83.00	$143,756.00
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	7766 LF	71.00	$551,386.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	38 EA	2900.00	$110,200.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	113 EA	275.00	$31,075.00
AIR TEST SEWER MAIN	9498 LF	0.55	$5,223.90
HYDRO VAC FOR TV INSPECTION	9498 LF	0.55	$5,223.90
HYDRO VAC FOR FINAL	9498 LF	0.55	$5,223.90
8" CLEANOUT	4 EA	1100.00	$4,400.00
SEWER ENCASEMENT	220 LF	35.00	$7,700.00
TEMP. LIFT STATION/PUMPING	9498 LF	5.00	$47,490.00

ENGINEERING DESIGN STAKING/ INSPECTION	9498 LF	7.00	$66,486.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$63,800.00
		TOTAL	$1,041,964.70

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 7 BOOK 114 PAGE 49 RECORDING DATE 7/3/68
BOOK 121 PAGE 22 RECORDING DATE 12/18/68

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	3003 LF	71.00	$213,213.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	13 EA	2900.00	$37,700.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	64 EA	275.00	$17,600.00
AIR TEST SEWER MAIN	3003 LF	0.55	$1,651.65
HYDRO VAC FOR TV INSPECTION	3003 LF	0.55	$1,651.65
HYDRO VAC FOR FINAL	3003 LF	0.55	$1,651.65
8" CLEANOUT	2 EA	1100.00	$2,200.00
SEWER ENCASEMENT	60 LF	35.00	$2,100.00
TEMP. LIFT STATION/PUMPING	3003 LF	5.00	$15,015.00

ENGINEERING DESIGN STAKING/ INSPECTION	3003 LF	7.00	$21,021.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$20,500.00
		TOTAL	$ 334,303.95

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 8 BOOK 115 PAGE 1 RECORDING DATE 7/3/67
BOOK 119 PAGE 30 RECORDING DATE 8/12/68

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	8150 LF	71.00	$578,650.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	30 EA	2900.00	$87,000.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	226 EA	275.00	$62,150.00
AIR TEST SEWER MAIN	8150 LF	0.55	$4,482.50
HYDRO VAC FOR TV INSPECTION	8150 LF	0.55	$4,482.50
HYDRO VAC FOR FINAL	8150 LF	0.55	$4,482.50
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	280 LF	35.00	$9,800.00
TEMP. LIFT STATION/PUMPING	8150 LF	5.00	$40,750.00

ENGINEERING DESIGN STAKING/ INSPECTION	8150 LF	7.00	$57,050.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$55,400.00
		TOTAL	$ 904,247.50

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 9 BOOK 122 PAGE 17 RECORDING DATE 2/24/69
BOOK 133 PAGE 39 RECORDING DATE 11/2/70

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2096 LF	71.00	$148,816.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	6 EA	2900.00	$17,400.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	107 EA	275.00	$29,425.00
AIR TEST SEWER MAIN	2096 LF	0.55	$1,152.80
HYDRO VAC FOR TV INSPECTION	2096 LF	0.55	$1,152.80
HYDRO VAC FOR FINAL	2096 LF	0.55	$1,152.80
8" CLEANOUT	1 EA	1100.00	$1,100.00
SEWER ENCASEMENT	40 LF	35.00	$1,400.00
TEMP. LIFT STATION/PUMPING	2096 LF	5.00	$10,480.00

ENGINEERING DESIGN STAKING/ INSPECTION	2096 LF	7.00	$14,672.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$14,800.00
		TOTAL	$ 241,551.40

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 10 BOOK 145 PAGE 8 RECORDING DATE 1/10/72
BOOK 145 PAGE 12 RECORDING DATE 1/10/72
BOOK 186 PAGE 48 RECORDING DATE 12/14/76

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4055 LF	71.00	$287,905.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	13 EA	2900.00	$37,700.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	51 EA	275.00	$14,025.00
AIR TEST SEWER MAIN	4055 LF	0.55	$2,230.25
HYDRO VAC FOR TV INSPECTION	4055 LF	0.55	$2,230.25
HYDRO VAC FOR FINAL	4055 LF	0.55	$2,230.25
8" CLEANOUT	3 EA	1100.00	$3,300.00
SEWER ENCASEMENT	140 LF	35.00	$4,900.00
TEMP. LIFT STATION/PUMPING	4055 LF	5.00	$20,275.00

ENGINEERING DESIGN STAKING/ INSPECTION	4055 LF	7.00	$28,385.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$26,200.00
		TOTAL	$ 429,380.75

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 11 BOOK 153 PAGE 10 RECORDING DATE 8/14/72

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	7372 LF	71.00	$523,412.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	29 EA	2900.00	$84,100.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	136 EA	275.00	$37,400.00
AIR TEST SEWER MAIN	7372 LF	0.55	$4,054.60
HYDRO VAC FOR TV INSPECTION	7372 LF	0.55	$4,054.60
HYDRO VAC FOR FINAL	7372 LF	0.55	$4,054.60
8" CLEANOUT	4 EA	1100.00	$4,400.00
SEWER ENCASEMENT	240 LF	35.00	$8,400.00
TEMP. LIFT STATION/PUMPING	7372 LF	5.00	$36,860.00

ENGINEERING DESIGN STAKING/ INSPECTION	7372 LF	7.00	$51,064.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$49,500.00
		TOTAL	$ 807,299.80

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 12 BOOK 159 PAGE 1 RECORDING DATE 2/13/73
BOOK 211 PAGE 44 RECORDING DATE 4/6/79

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1830	83.00	$151,890.00
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	10756 LF	71.00	$763,676.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	54 EA	2900.00	$156,600.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	141 EA	275.00	$38,775.00
AIR TEST SEWER MAIN	12586 LF	0.55	$6,922.30
HYDRO VAC FOR TV INSPECTION	12586 LF	0.55	$6,922.30
HYDRO VAC FOR FINAL	12586LF	0.55	$6,922.30
8" CLEANOUT	3 EA	1100.00	$3,300.00
SEWER ENCASEMENT	360 LF	35.00	$12,600.00
TEMP. LIFT STATION/PUMPING	12586 LF	5.00	$62,930.00

ENGINEERING DESIGN STAKING/ INSPECTION	12586 LF	7.00	$62,930.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$84,700.00
		TOTAL	$ 1,383,339.90

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 13 BOOK 159 PAGE 1 RECORDING DATE 2/13/73

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	3574 LF	71.00	$253,754.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	10 EA	2900.00	$29,000.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	37 EA	275.00	$10,175.00
AIR TEST SEWER MAIN	3574 LF	0.55	$1,965.70
HYDRO VAC FOR TV INSPECTION	3574 LF	0.55	$1,965.70
HYDRO VAC FOR FINAL	3574 LF	0.55	$1,965.70
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	120 LF	35.00	$4,200.00
TEMP. LIFT STATION/PUMPING	3574 LF	5.00	$17,870.00

ENGINEERING DESIGN STAKING/ INSPECTION	3574 LF	7.00	$25,018.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$24,200.00
		TOTAL	$ 395,132.10

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ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 14 BOOK 219 PAGE 45 RECORDING DATE 7/8/86

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	1917	95.00	$182,115.00
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	4508 LF	71.00	$320,068.00
5' DIA. MANHOLE/REMOVE OLD	6 EA	3800.00	$22,800.00
4' DIA. MANHOLE/REMOVE OLD	15 EA	2900.00	$43,500.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	25 EA	275.00	$6,875.00
AIR TEST SEWER MAIN	6425 LF	0.55	$3,533.75
HYDRO VAC FOR TV INSPECTION	6425 LF	0.55	$3,533.75
HYDRO VAC FOR FINAL	6425 LF	0.55	$3533.75
8" CLEANOUT	2 EA	1100.00	$2,200.00
SEWER ENCASEMENT	140 LF	35.00	$4,900.00
TEMP. LIFT STATION/PUMPING	6425 LF	5.00	$32,125.00

ENGINEERING DESIGN STAKING/ INSPECTION	6425 LF	7.00	$44,975.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$43,700.00
		TOTAL	$ 713,859.25

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20 DECEMBER 2012

ENGINEERS COST ESTIMATE
ASSETT MANAGEMENT PLAN
LITCHFIELD PARK SERVICE AREA, ARIZONA
VS. OLD LITCHFIELD PARK, ARIZONA

ID- 15 BOOK 178 PAGE 22 RECORDING DATE 4/3/75

SEWER

ITEM	QUANTITY	UNIT	PRICE
12" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	95.00	-0-
10" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	0	83.00	-0-
8" PVC SDR-35 REMOVE OLD PIPE REMOVE ASPHALT/REPLACE	2530 LF	71.00	$179,630.00
5' DIA. MANHOLE/REMOVE OLD	0	3800.00	-0-
4' DIA. MANHOLE/REMOVE OLD	11 EA	2900.00	$31,900.00
4" SEWER SERVICE REMOVE TO PROPERTY LINE	34 EA	275.00	$9,350.00
AIR TEST SEWER MAIN	2530 LF	0.55	$1,391.50
HYDRO VAC FOR TV INSPECTION	2530 LF	0.55	$1,391.50
HYDRO VAC FOR FINAL	2530 LF	0.55	$1,391.50
8" CLEANOUT	0	1100.00	-0-
SEWER ENCASEMENT	100 LF	35.00	$3,500.00
TEMP. LIFT STATION/PUMPING	2530 LF	5.00	$12,650.00

ENGINEERING DESIGN STAKING/ INSPECTION	2530 LF	7.00	$17,710.00
PERMIT/REVIEW FEE (7% CONST.)	LS	LS	$16,900.00
		TOTAL	$ 275,814.50

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

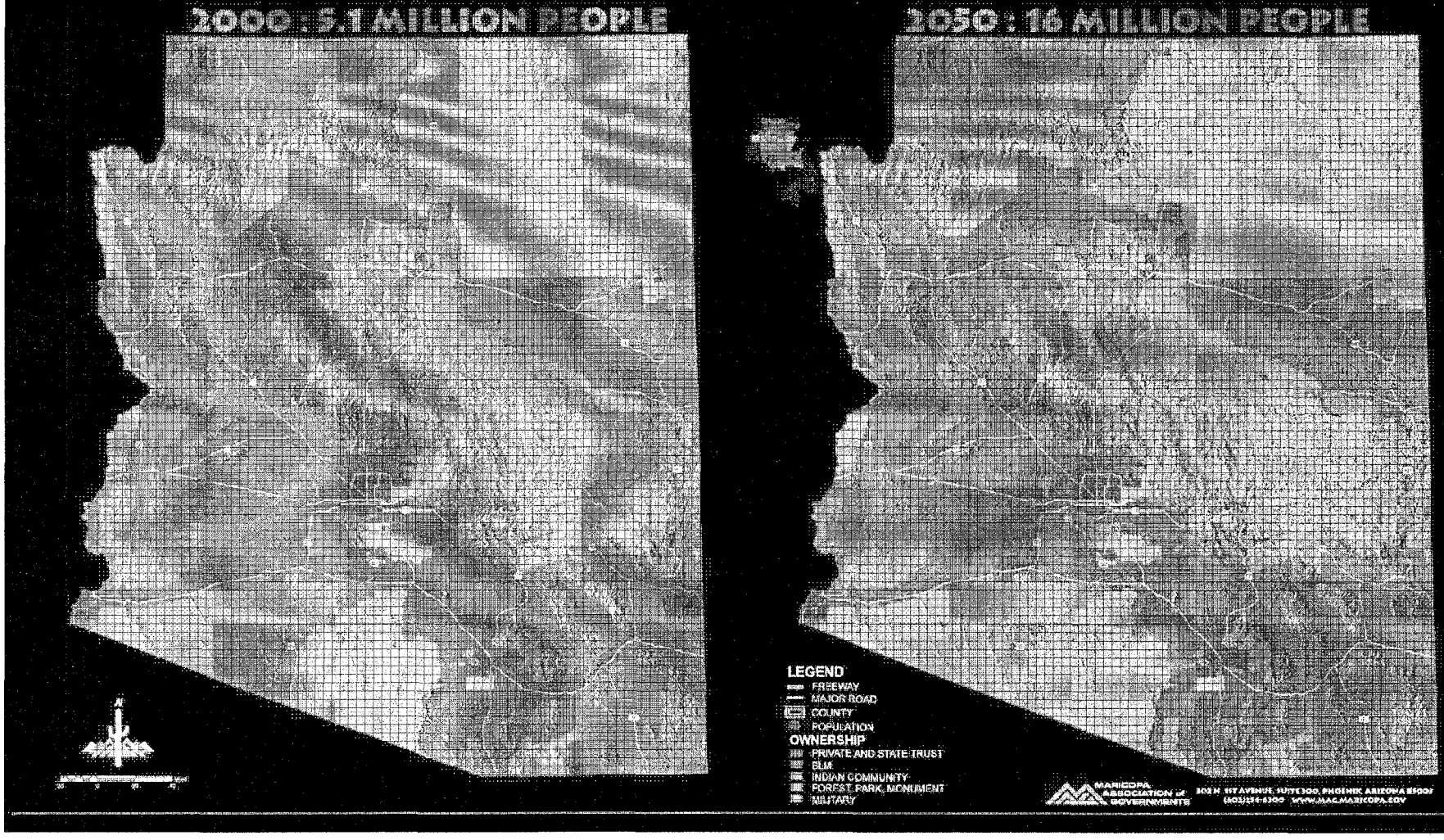
EXHIBIT CDK – DT3

DSICs, Water Loss and Human Health

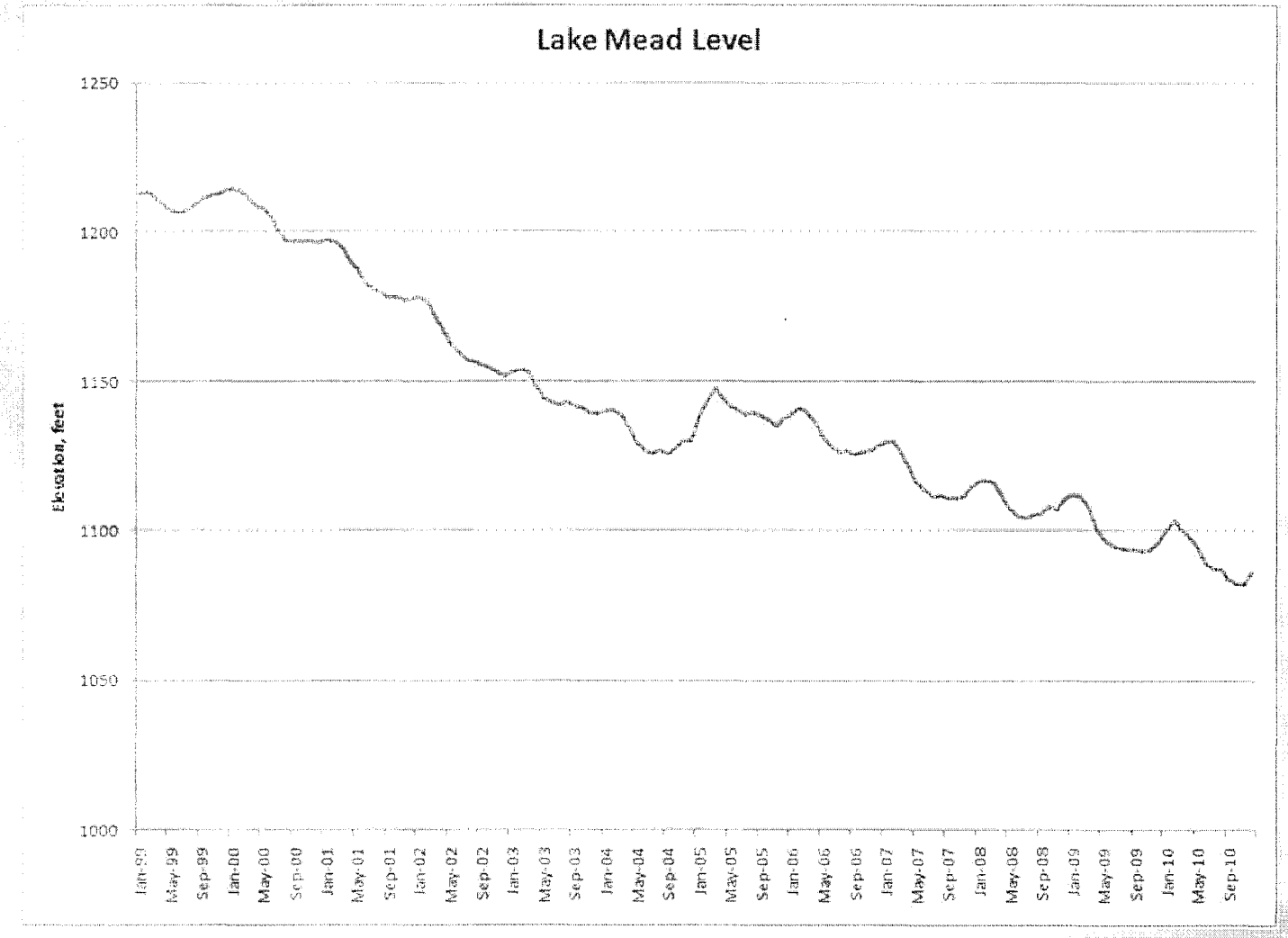
Graham Symmonds
Global Water

GLOBAL WATER

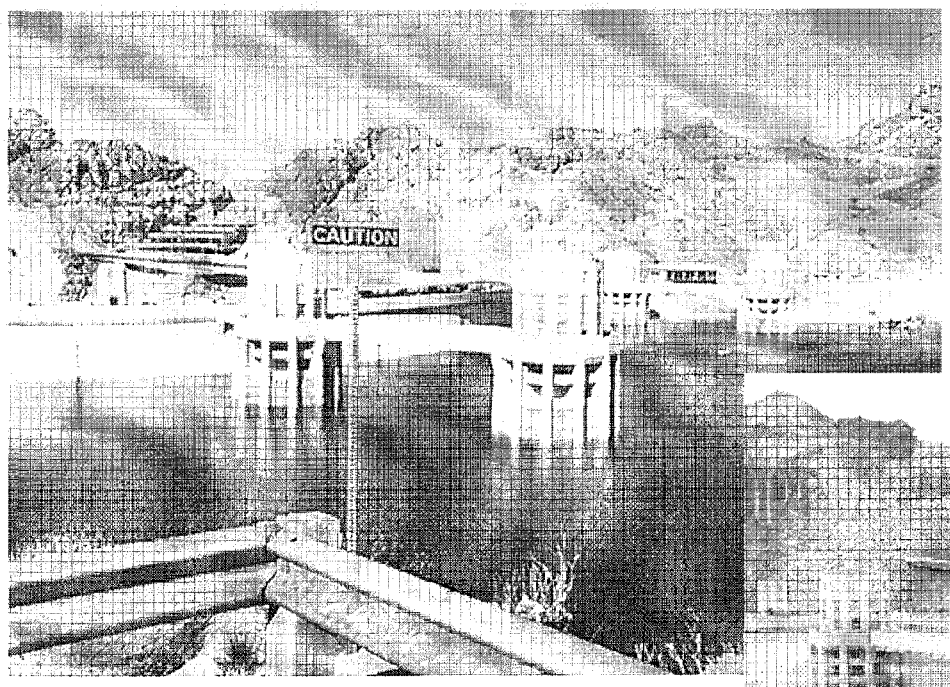
ARIZONA'S FUTURE

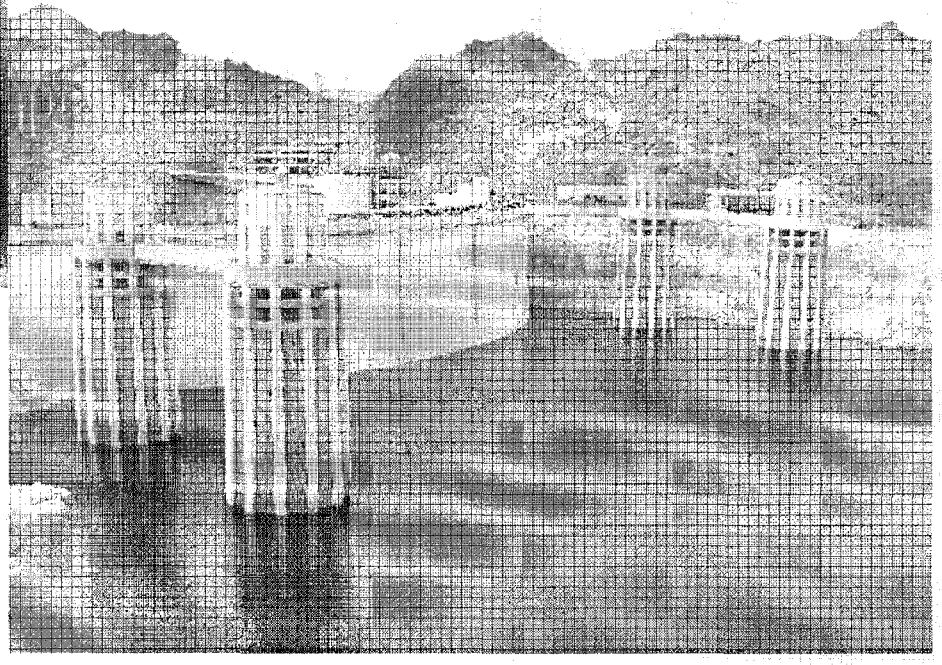


GLOBAL WATER



US Bureau of Reclamation, LAKE MEAD AT HOOVER DAM, ELEVATION (FEET)
http://www.usbr.gov/lc/region/g4000/hourly/mead-elv.html accessed 4 Jan 11.





GLOBAL WATER

Distribution System Health

- Function of:
  - Age
    - Increasing
  - Water quality
    - pH, hardness, iron, manganese, etc
  - Soil characteristics
    - pH, corrosivity etc
  - Pipe material
    - Wood, cast iron, lead, ductile iron, AC, PVC etc
  - Pressure & Flow
    - High pressure, transients etc

75,000 Sanitary Sewer Overflows

Wastewater Collection Systems

- 3–10 billion gallons of untreated wastewater discharged annually.
- up to 3,700 illnesses annually are due to exposure to recreational water contaminated by sanitary sewer overflows.
- In 1989, sanitary sewer overflows in Cabool, Missouri, contaminated drinking water distribution lines, causing 243 cases of diarrhea and 4 deaths.
- In 1993, direct contact with a discharge of untreated sewage in Ocoee, Florida, resulted in 39 cases of hepatitis A.

USEPA, Addressing the Challenge Through INNOVATION, Office of Research and Development National Risk Management Research Laboratory

240,000 water main breaks
1.7 trillion gallons lost per year

Drinking Water Distribution systems

- The number of breaks increases substantially near the end of the system's service life.
- Large utility breaks in the Midwest increased from 250 per year to 2,200 per year during a 19-year period.
- In 2003, Baltimore, Maryland, reported 1,190 water main breaks (> 3/day).
- National cost of $2.6 billion per year.

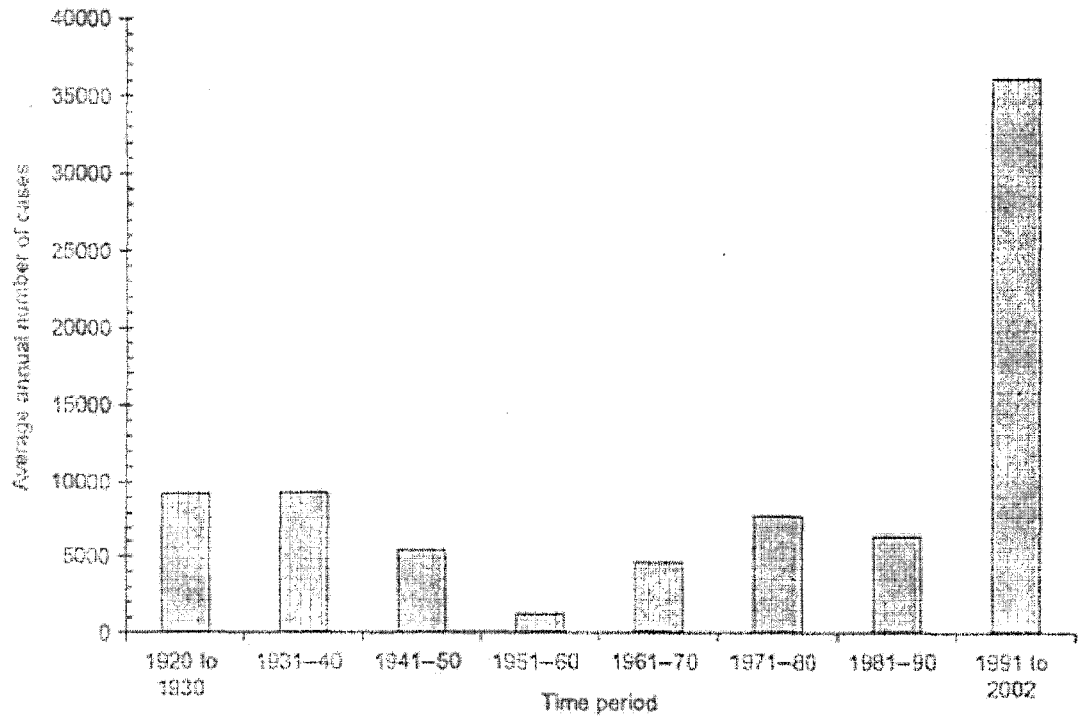
USEPA, Addressing the Challenge Through INNOVATION, Office of Research and Development National Risk Management Research Laboratory

Water Loss

- 1.7 trillion gallons per year (USGS)
  = 5.2 million acre-feet
- Lake Mead holds 28.537 million acre-feet (at elevation 1221.4 ft) (BOR)

Distribution systems lose the equivalent of Lake Mead every 5 years

Water-Borne Disease Outbreaks

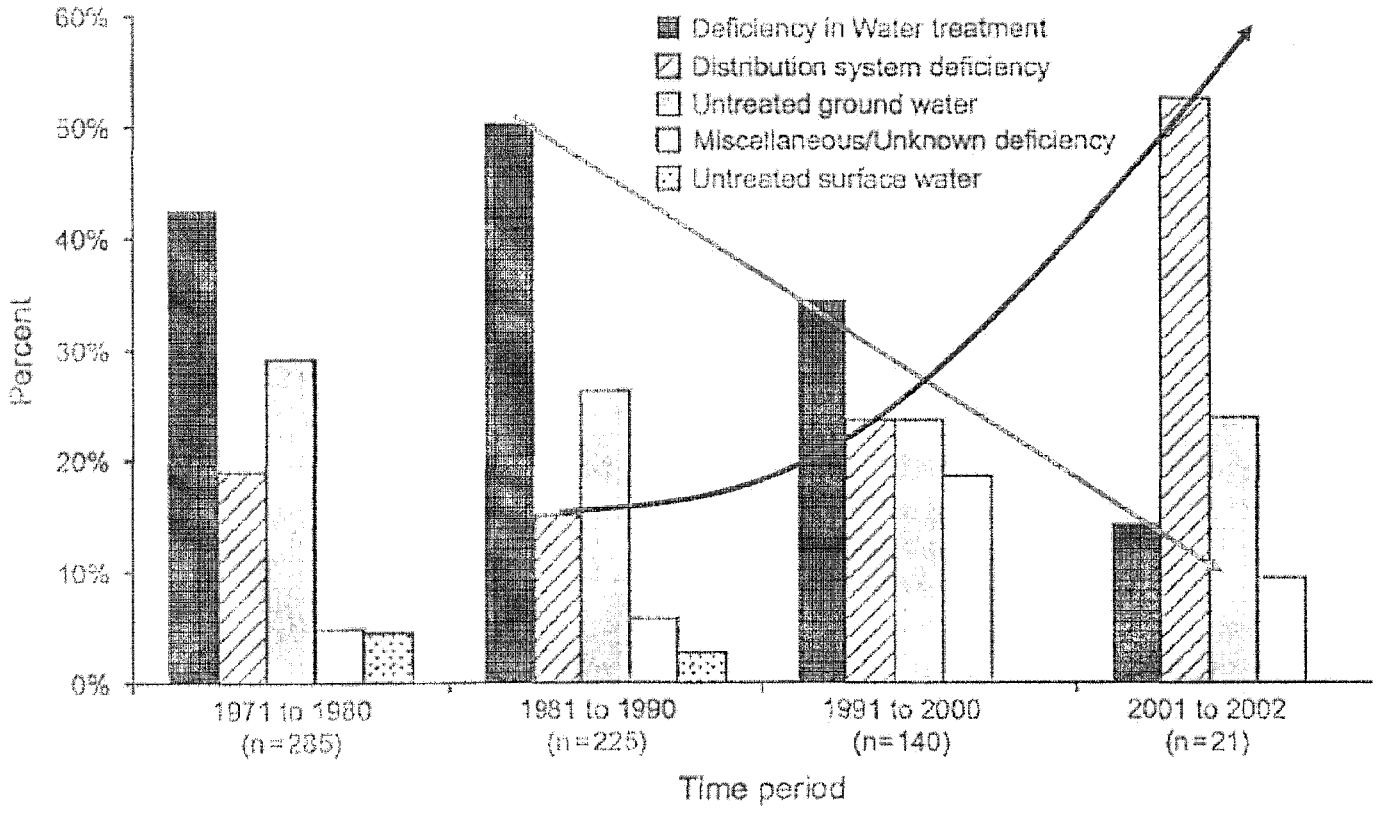


M.F. Craun, et al., Waterborne outbreaks reported in the United States, J. Wat. Health 4(Suppl. 2), 19–30, 2006.

Distribution Systems

- Out of sight, out of mind
- SDWA regulates 91 contaminants
- SDWA is based on regulating water delivered to the distribution system (point of compliance is the EPDS)
  - Only 3 rules require monitoring in the distribution system:
    - LCR
    - TCR
    - D/DBPR

Sources of Water-Borne Disease Outbreaks



M.F. Craun, et al., Waterborne outbreaks reported in the United States, J. Wat. Health 4(Suppl. 2), 19–30, 2006.

Incidents of Water-Borne Disease Outbreaks

- Very strong association of water-borne disease outbreaks with reporting of loss of pressure at the home tap.
- Most of the reported episodes of pressure loss were associated with disruption of the water supply and are likely to be related to burst water mains.

Paul R. Hunter et al., Self-Reported Diarrhea in a Control Group: A Strong Association with Reporting of Low-Pressure Events in Tap Water, Clinical Infectious Diseases 2005; 40:e32–4

Why?

Why?

GLOBAL WATER

Why?

- Fecal coliform bacteria were detected in 43% of water samples and 50% of the soil samples taken immediately adjacent to water mains.
- 56% of these samples were also positive for viruses.

Karim, Abbaszadegan, LeChevallier "Potential for pathogen intrusion during pressure transients". J of American Water Works Association 2003:95:134-46

DSICs

- Provide a regulatory incentive to institute a management program
- Encourages best management practices and collection system/distribution system optimization
- Overall decrease in emergency O&M
- Overall decrease in instantaneous CAPEX

Regulatory Constructs to Ensure Efficiency

- Metrics:
  - Main failures per mile
  - Sewer overflows
  - Water Loss
    - GPHMI
    - Approach UARL
  - Outages
    - SAIDI/SAIFI
    - CAIDI/CAIFI

Regulatory Constructs to Ensure Efficiency

- SAIDI/SAIFI
  - System Average Interruption Duration Index

$$\text{SAIDI} = \frac{\text{sum of all customer interruption durations}}{\text{total number of customers served}}$$

  - System Average Interruption Frequency Index

$$\text{SAIFI} = \frac{\text{total number of customer interruptions}}{\text{total number of customers served}}$$

- CAIDI/CAIFI
  - Customer Average Interruption Duration Index

$$\text{CAIDI} = \frac{\text{sum of all customer interruption durations}}{\text{total number of customer interruptions}} = \frac{\text{SAIDI}}{\text{SAIFI}}$$

  - Customer Average Interruption Frequency Index

$$\text{CAIFI} = \frac{\text{total number of customer interruptions}}{\text{total number of customers who had at least one interruption}}$$

GLOBAL WATER

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT4

Moving Beyond Rate Shock & Regulatory Lag
How Distribution and Collection System Improvement Charges benefit customers, investors, and regulators.

October 2012

Abstract

Arizonans for Responsible Water Policy is a trade group whose members serve nearly one million people in Arizona. Our members operate water and wastewater systems in over 60 communities and have been actively involved in every water commission and study group in the state over the past 30 years.

In this paper, Responsible Water looks at the arguments used against DSICs and the wastewater form, the CSIC. We find that the arguments used against DSICs are often disingenuous, frequently hyperbolic, and in the end do not reflect the simple fact that well-regulated DSIC programs reduce rate case filings, streamline the regulatory process so that utility commissioners can focus on larger policy issues instead of "firefighting", and DSICs provide customers with manageable rate adjustments that almost never exceed a few dollars a month.

We close the paper with a recommended process for implementing and regulating DSICs, and by providing sample schedules for utilities' use in DSIC implementation.

Authors

Tom Broderick, Director, Rates, EPCOR Water, 28 years water and electricity regulation and finance

Ron Fleming, V.P., Arizona, Global Water Resources, 8 years in utility operations

Bill Garfield, President, Arizona Water Company, 30 years in utility operations

Joe Harris, V.P. & Treasurer, Arizona Water Company, CPA, 30 years in utility operations

Chris Krygier, Manager, Rates & Regulation, Liberty Utilities, MBA, 5 years in utility operations

Joel Reiker, V.P., Rates & Revenues, Arizona Water Company, MBA, 13 years in utility regulation and operations

Paul Walker, Chairman of Responsible Water, President at Insight Consulting, MBA, 12 years in utility regulation, analysis, and consulting

Note: Throughout the paper we use the DSIC and "Distribution System Improvement Charge" to include the CSIC or "Collection System Improvement Charge" which is the wastewater utility version of the DSIC.

Distribution System Improvement Charges

("DSIC")

For over 13 years, the Arizona Corporation Commission has considered and denied implementing Distribution System Improvement Charges (and the equivalent for sewer utilities, the Collection System Improvement Charge) for the water and wastewater utilities it regulates DSICs and CSICs are used in a dozen other states, from California to Pennsylvania, and time and again have been proven to reduce the frequency of rate cases, lower the size of rate hikes, and incent a smoother and more consistent infrastructure replacement program that deals with aging and failing infrastructure.

Organizations like Food & Water Watch have attacked DSICs. RUCO and others have mischaracterized DSICs. Organizations like NARUC and the Council of State Governments have endorsed DSICs.[1] The Commission has supported the end goals of DSICs for the state's largest utilities while denying them to the water industry.

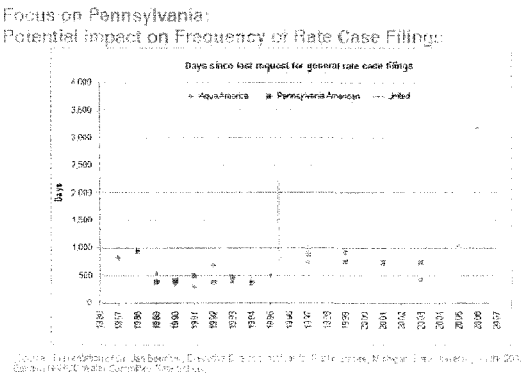
The end goals of DSICs echo the Commission's support for APS Settlements, i.e., "that APS's customers will have the benefit of rate stability…while also providing the Company with adequate revenue to enable it to provide safe and reliable electric service."[2] The end goals of a DSIC are:

- Reduced rate case frequency and cost,
- Smaller rate hikes and increased rate stability,
- Improved infrastructure, and an
- Improved regulatory climate for investment.

This paper explores the benefits of DSICs and contrasts the Commission's supportive positions with regard to energy utilities against its opposition to DSICs for water utilities and closes by recommending a procedural process for DSICs and a set of 11 schedules that the Commission could easily adopt as a template and begin moving Arizona towards a more reliable and sustainable water future.

<u>It is inarguably true that DSICs reduce the frequency of rate cases, and the size of rate hikes.</u>

The gold vertical arrow in the middle of the graph denotes the start of Pennsylvania's DSIC era – as one can see, rate cases are less frequent. This means less rate case expense for the company, the customers, and the Commission; increased efficiency as the Commission deals with continuing staffing and budget pressures; and ultimately the customers benefit as rates become stable with gradual and manageable increases.



[1] NARUC Resolution, February 24, 1999; NARUC Best Practice Resolution, July 27, 2005; Council of State Governments, Publications of Suggested State Legislation, 1999.

[2] See, e.g., Staff's Opening Brief, APS Rate Case, 11-0224, Page 12, Lines 14-16

Regulatory lag leads to larger rate hikes and creates "rate shock."

Some argue that regulatory lag is a "benefit" to customers because it provides them the use of infrastructure without them having to pay for that infrastructure. But that is only the 'seen' aspect of the economics of utility investment, the 'unseen' aspect is that there is no such thing as a free lunch: With lag, those assets will go into rate base in one fell swoop – and the customers are always shocked and upset when that bill comes due because it includes several years' of plant investment. How many thousands of water customers have to ask the Commission the same question ("why does my bill have to go up by so much at one time?") before it realizes that the supposed regulatory lag benefit is, in fact, worse for customers.

Under a DSIC approach, plant would not "stack up" for the next rate case – it would incrementally flow into rates, the model used by Arizona's cities and municipal water providers. This incremental approach, which some call rate gradualism, is also the basis for APS, TEP, and Unisource recovering their investment in renewable energy, transmission, and pollution control flow through their adjustor mechanisms – each of which is based on utility plant.

Customers overwhelmingly support small, annual rate adjustments instead of large, infrequent ones.

Responsible Water commissioned a poll of 4,000 Arizonans in September of 2012 – in that poll we asked "when utility rates have to go up, would you prefer: 1) small annual changes, or b) large changes every few years?" **89.4% of Arizonans said they preferred rate gradualism – small annual changes.** This approach has the least impact on their household budget and allows them to adjust to cost increases as they occur instead of bundling several years' of those increases into one large hike.

The impact to customer rates from DSICs is small and manageable for customers, and reduces rate hike request size and frequency. Actual DSIC adjustor surcharges from around the nation:

AMERICAN WATER

DSIC Charges – Examples of Approximate Impact on Typical Customer Bill

State	DSIC MAX (% of revenues)	Typical Avg. Monthly Residential Bill	MAX DSIC Surcharge Per Month	% Current Surcharge	Current Surcharge Per Month
IL	5%	$40.33 (Peoria)	$2.02	0.00%*	$0.00
IN	5%	$30.53	$1.53	2.49%	$0.76
OH	3% filing 3 filings between rate cases	$36.07 (Franklin Co)	$1.05 (each yr for 3 yrs)	0.00%	$0.00
MO (St Louis Co)	10%	$21.50	$2.15	2.10%	$0.45
NY	Capped at $5 million over routine spend	$46.99	x	x	$0.35
PA	7.50%	$42.64	$3.20	2.44%	$1.04

* Surcharges worked into general rates pursuant to general rate cases

www.amwater.com

In particular, let's focus on Pennsylvania; the state most aggressively trying to consolidate and reform its water industry. It has gone from regulating and overseeing 500 water companies to 125 in under a decade and is on its way to 50 companies.[3] In that most pro-investor state, the DSIC surcharge is averaging $1.04 a month.

[3] Arizona Regulatory Reports, Issue 11-4, August 5, 2011, "*Time for Action – Regulatory Leadership Can Create A Better Future*"

DSICs, like other adjustors for known and measurable costs, are not single issue ratemaking.

The other criticism is that while DSICs provide for gradualism, they risk "single issue ratemaking." This is interesting when contrasted with the Commission's support of APS settlements that include a host of adjustor mechanisms, each largely based on ensuring "that APS's customers will have the benefit of rate stability…while also providing the Company with adequate revenue to enable it to provide safe and reliable electric service."[4]

It is worth highlighting that APS' non-fuel and non-power related adjustor-based revenues are nearly two and a half times larger than the DSIC proposal offered by Responsible Water. Arizona Public Service (far and away the largest utility in Arizona) provided Responsible Water with the following information regarding their estimates of bill adjustor amounts (excluding fuel and power costs which we will describe later in the paper.)

APS Adjustors (Excluding Fuel and Power)	% of APS 2011 Revenues [$2.992 BN]	Estimated Annual Impact
Demand Side Management[5]	2.2%	$66 MM
Retail Transmission Cost[6] Adjustor[7]	2.5%	$76 MM
Renewable Energy[8]	2.4%	$71 MM
Lost Fixed Cost Revenue[9]	0.2%	$7 MM
Non-fuel/Non-Power Adjustors	**7.3%**	**$220 MM**

In addition to those adjustors, APS was provided with post-test year plant adjustments to rate base in both its 2009 and 2012 Rate Case Settlements. In dollars, and as a percent of rate base, APS saw significant Commission steps to reduce regulatory lag on its investments into plant:

APS Plant Adjustments	% of APS Rate Base [$8.167 BN]	Rate Base Added
Four Corners[10]	3.4%	$279 MM
2012 Post-TY Plant[11]	1.4%	$116.3 MM
Solar Transfer from Renewable Surcharge to Base Rates[12]	2.8%	$226.7 MM
Total Post-TY Rate Base Adjustments, 2012	**7.6%**	**$622 MM**

[4] Staff's Opening Brief, APS Rate Case, 11-0224, Page 12, Lines 14-16
[5] Data provided to Responsible Water from APS
[6] Data provided to Responsible Water from APS
[7] Data provided to Responsible Water from APS
[8] Data provided to Responsible Water from APS
[9] These numbers were provided to Responsible Water from APS – however, the 2012 APS Settlement allows APS to flow up to 1% of its revenues thru the LFCR, which would raise its annual impact from APS' $7 MM figure, to $29 MM.
[10] Data provided to Responsible Water from APS.
[11] Data provided to Responsible Water from APS.
[12] APS 2012 Settlement, Docket No. 11-0224, "Renewable Energy Projects Transferred from the Renewable Energy Surcharge ('RES') to Base Rates," Attachment D to Settlement, Page 1 of 1.

This of course leaves out the question of the APS power and fuel supply adjustor. The so-called PSA has been supported by many parties, including Commission Staff, RUCO, and APS as being essential given the size and importance of fuel and power supply costs.

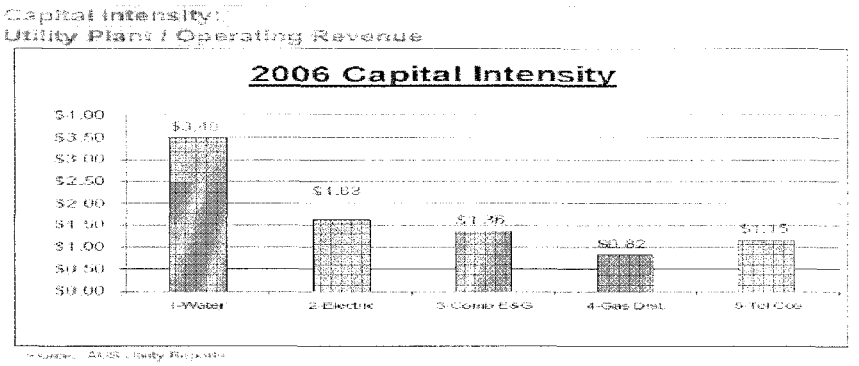
The PSA is provided to APS (and other electric utilities in Arizona) despite the fact that those utilities have abilities that no water company has with regard to power costs: Electric utilities can purchase power in a competitive market, we cannot. And electric utilities can sign long-term contracts with different providers, we cannot. Which entirely raises the question of: Why does the Commission deny power supply adjustor requests from water companies while simultaneously: a) approving double-digit price hikes in water pumping tariffs, *and* b) preventing water companies from having electric choice and competition?[13]

In trying to estimate the "value" of the PSA, there seems to be only one number that is meaningful – APS can pass thru changes in its power and fuel costs of up to $0.004/kWh.[14] APS' retail sales were 28,210,326,000 kWh in 2011.[15]

Therefore, APS' 2012 Settlement provides it with the opportunity to pass thru PSA adjustments of $112MM per year – based on $2.992BN of revenues **APS' PSA alone could add an additional 3.7% per year to customer bills.**[16]

Despite the fact that the DSICs proposed by Responsible Water would be limited to 3% of revenues for normally operating systems, and 7% for systems facing critical infrastructure demands, those who oppose DSICs argue that adjustors that improve investor attitudes are not in the public interest when they apply to water companies. From the bases of consistency and relative impact, opposition to the DSIC cannot be squared with support for the adjustors and post-test year plant adjustments granted to energy companies like APS.

When compared with APS' Commission-approved adjustors and post-test year plant adjustments, the DSIC is miniscule – but relativity and consistency aren't the only reasons to implement a DSIC policy. Water and wastewater utilities face a much higher degree of capital intensity than electric utilities:



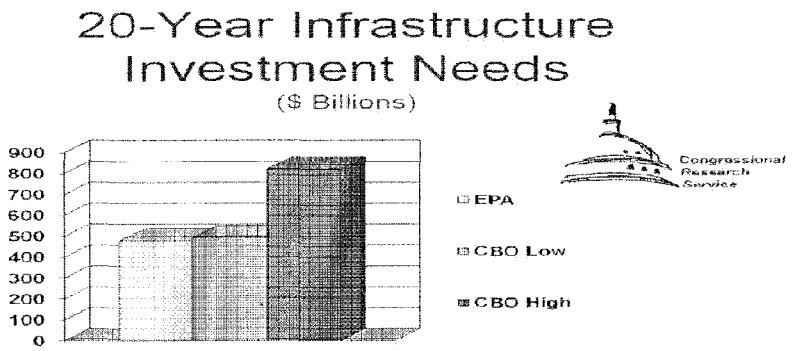
[13] This is a question that will be explored in future studies by Responsible Water.

[14] APS 2012 Settlement, Docket No. 11-0224, "Power Supply Adjustor Plant of Administration," Attachment C to Settlement, Page 1 of 20, Section 1.

[15] APS' 2011 Renewable Energy Standard Compliance Report dated March 20, 2012, Page 3, Footnote 10 which says "Based on 2011 retail sales of 28,210,326 MWH." Our calculation is as follows: 1,000 kWh = 1 MWH. Thus 28,210,326 MWH = 28,210,326,000 kWh. 28,210,326,000 * $0.004 = $112,842,304.

[16] $112,000,000 / $2,992,000,000 = 3.74%

That increased capital intensity faces a major challenge: the increasing need for capital to repair and replace infrastructure that has been in the ground for decades. **While we often think of Arizona as a young state, it's worth noting that a water main put in the ground when Ronald Reagan took office is now fully depreciated and is entering old age and facing line break and water loss issues.** In fact, across the U.S. the need for water and wastewater investment has been studied by the EPA and the Congressional Budget Office, with each finding at least $25 billion a year in capital needs:



Surcharge mechanisms, like the DSIC, don't guarantee earnings, they encourage investment.

A primary attack on the DSIC is based on the theory that it "ensures" companies earn their ROE. Claiming that a DSIC would "ensure" ROEs in Arizona is simply incorrect; DSICs reduce the amount of ROE under-recovery by reducing regulatory lag. To do that, a DSIC provides a return on invested capital in the form of used and useful plant – thus while revenues increase under a DSIC, so has investment in used and useful plant and the only return allowed is the rate of return on used and useful plant. It is not mathematically possible to guarantee ROE earnings by allowing rate of return recovery on invested capital.

This opposition to the DSIC stands in contrast to Commission support for APS settlements since 2009 in which the improvement in investor attitudes resulting from adjustors was cited as a public benefit. For example, Commission Staff argued in the APS 2012 rate case that a reason for its support was that "[t]he proposed Settlement Agreement builds on the progress made in APS's last rate case by including provisions designed to improve the Company's financial condition so that it can compete in attracting capital for investments to meet the needs of its customers."[17]

RUCO supported the series of APS Settlements and the adoption of numerous adjustors by arguing that "a stable rate base with the ability for the Company to remain financially healthy through changes in its adjustors is in the public interest."[18] Commission Staff then cited and highlighted that RUCO position as a reason why the Commission should support the APS 2012 Settlement.[19,20]

[17] Staff's Opening Brief, APS Rate Case, 11-0224, Page 10, Lines 19-23
[18] Transcript, APS, 11-0224, at Pg. 130
[19] Staff's Opening Brief, APS Rate Case, 11-0224, Page 12, Lines 9-10
[20] See also, Dec. No. 73183, May 2012, at Page 18, Lines 21.5 thru 25.5

RUCO and Staff's concern should extend to the water industry: For the period, 2006-2010, the average earned ROE of the Class A Responsible Water companies was only 1.96%.[21]

Finally, this argument misstates the very nature of risk: by reducing regulatory lag for used and useful plant investments, the Commission does not reduce risk compensated for in ROE. According to the text books Commission Staff relies upon, risk is related to *variability* of operating income, not the *level* of operating income.[22]

A DSIC increases revenues by an amount that is directly based on additional fixed costs that are actually incurred. A DSIC does not reduce the variability of operating income, which varies mainly as a result of fluctuating sales (e.g. weather) and variable costs (e.g. power, chemicals). Reducing the amount of regulatory lag (and as a result the level of under-recovery) does not equate to a reduction in the variability of operating earnings. And it certainly doesn't reduce the variability of that portion of operating earnings that Staff would claim is "systematic," or "non-diversifiable," and therefore affects the cost of capital.

We are not suggesting that the Commission turn a blind eye to earnings; in fact our proposed DSIC schedules provide explicit data on earnings.

The argument that ROEs must be cut in "exchange" for DSICs is one-sided and asymmetrical.

An ROE is the incentive for an investor to take on risk – the possibility of making a return on her investment impels an investor to put capital at risk. So, it is important to clearly understand what "risk" means from an investment perspective: According to Harry Markowitz, the father of the Efficient Market Hypothesis which led to, among other things, the Capital Asset Pricing Model (CAPM), "Efficient portfolios minimize that 'undesirable thing' called variance while simultaneously maximizing that 'desirable thing' called getting rich… That is what Markowitz meant when he introduced the concept of variance to measure risk, or the uncertainty of return."[23]

But in the past several years, the average return for the class A water companies which comprise Responsible Water has been 1.96% - while allowed ROE's in Arizona over that period averaged 9.60%.[24]

In Arizona, the variance between what water utilities actually earn and what utilities are authorized to earn is staggering. It is that variance, Markowitz's "risk" that has led several investment analysts to rank the state among the worst in the nation for utility investment.[25]

Furthermore, regulatory lag, in an environment of rising infrastructure-related costs, will cause a utility to under-recover its cost of service. The Commission has never added a premium to a utility's authorized ROE to account for regulatory lag (i.e. the fact that the utility likely will not earn its cost of capital under the traditional ratemaking framework in Arizona the "historic test year"). **Mechanisms that are designed to reduce regulatory lag, such as the DSIC, do not warrant a downward adjustment to the authorized ROE, as such a reduction would defeat the purpose of the DSIC (reducing regulatory lag) and render it useless.**

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[21] Data provided by Desert Mountain Analytical Services

[22] See, for example, Emery, Douglas R., Finnerty, John D. *Principles of Corporate Finance with Corporate Applications*, (1991), Pages 157 - 158.

[23] Peter L. Bernstein, *Against the Gods: The Remarkable Story of Risk*, (1998), Page 256

[24] Data provided by Desert Mountain Analytical Services; and Insight Consulting

[25] See, e.g., Janney Montgomery Scott, "Introducing the Janney RCI" (2011); and also, S&P, "Assessment of US Regulatory Climates" (2008, 2010)

Behind all these arguments, there seems to be a general attitude among some parties that if water utilities recover their costs of service (including a return on invested capital), the Commission has somehow failed. This is in contrast with the Commission's decisions to allow APS to recover revenues through adjustors, and over half a billion dollars of post-test year plant adjustments in the explicit interest of minimizing APS' earnings variability and making APS better able to serve customers.

Reducing the ROE in exchange for DSIC approval eliminates the benefit of DSICs and increases "Rate Shock" challenges.

Some suggest that if water companies receive DSICs they should be required to accept lower ROEs – this is premised on a) the misunderstanding of what risk is (i.e., variability in returns), and b) the theory that utility ratemaking is a zero-sum game in which anything improving a utility's financial condition has to be tied to something that harms its financial condition. In the end, the zero-sum approach means that the Commission will never improve financial conditions, because the lost revenue resulting from a reduced ROE in a general rate case could be greater than any potential revenues resulting from a subsequent DSIC filing (depending on the utility's rate base and operating revenues).

A utility in need of a DSIC is likely riskier.

To the extent a utility is faced with an infrastructure crisis (i.e. the need to replace large amounts of infrastructure), and is therefore in need of a DSIC, it is *more* risky, and warrants a higher ROE to enable it to attract capital on reasonable terms for the purpose of replacing such infrastructure. Complicating matters is the fact that the interest coverage requirements required by lenders and contained in bond indentures, which can be as high as 2.5 times total interest expense, are remnants of the days before volumetric and tiered rates were in effect. These coverage requirements and other covenants have not been adjusted to accommodate the newer conservation rate structures with declining revenues over time or the increasing burden of infrastructure replacement programs. (See "The Pendulum Swing of Revenue Stability and Conservation" Journal AWWA, Aug. 2010, p. 26) As a result, potential lenders are less likely to loan significant amounts of money to water utilities with low authorized ROEs, historical test years, and conservation-based rates.

Proposed DSIC Process - Overview.

One of the key challenges in implementing a new policy is the question of how to do so – Responsible Water proposes the following process as a proper beginning for the implementation of DSICs. Without question, over time the Commission, the customers, and the regulated utilities will identify opportunities and ways to improve the process. With biennial workshops on water policy, the Commission should include a review of this and other processes.

Proposed DSIC and CSIC Process

1. Utilities shall apply for and obtain generic approval of a DSIC or CSIC in the context of a rate case.

2. Once approved generically, DSICs and CSICs shall not have annual adjustments greater than either 3% or 7% of annual revenues. Utilities requesting 7% annual caps must show that the infrastructure replacement needs in the affected utility require an investment of greater than 50% of existing rate base in less than a five-year period; or greater than 100% over a ten-year period.

3. Each utility granted a DSIC shall comply with the following process and requirements:
    a. To initiate a DSIC or CSIC adjustment, the utility shall file Schedules (See Attached) which show the following:
        i. DSIC-eligible plant installed through the period for which recovery is sought, by NARUC account type;
        ii. Proposed surcharge for all DSIC-eligible plant;
        iii. Prior year DSIC collections and Over/ Under collected amounts;
        iv. Balance sheet before and after DSIC plant inclusion;
        v. Income statement before and after DSIC surcharge inclusion;
        vi. Revenue requirement calculations;
        vii. Surcharge Calculation;
        viii. Construction Ledger;
        ix. Earnings test;
        x. Typical bill analysis.
    b. As part of its DSIC adjustor filing, the utility shall make readily available documentation which shows the following:
        i. Approval Of Construction and Invoices for DSIC-eligible plant installed;
        ii. DSIC-eligible plant and projects the utility plans to install in the then-current year , by NARUC account type;
        iii. Actual and estimated in-service dates for said plant.
    c. Concurrent with its DSIC adjustor filing, the utility shall notify customers of its proposed DSIC adjustment and its potential impact on rates; the notice shall include information on how to contact the Commission's consumer services section and how to contact the utility for more information.

4. The adjustor is automatically effective within 30 days of receipt of the DSIC adjustor filing, unless Staff notifies the utility whether it believes it needs more time to review or issue a report or if a hearing is required to adjudicate the DSIC proposal.
    a. If a hearing is required, it shall be completed within 45 days, and a ROO shall be issued within 45 days of the conclusion of the hearing(s). The Commission shall issue an order at the next open meeting.

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Balance Sheet
As of December 31, 20XX

Line No.		(A) SYSTEM
1	ASSETS BUILT IN PAST YEAR BY NARUC ACCOUNT	
2	329 SUPPLY MAINS	
3	Project Name & Location	
4	Gross Utility Plant	
5	Less: Accumulated Depreciation	
6	Net Utility Plant	$ -
7	332 DISTRIBUTION AND TRANSMISSION MAINS	
8	Project Name & Location	
9	Gross Utility Plant	
10	Less: Accumulated Depreciation	
11	Net Utility Plant	$ -
12	333 SERVICES	
13	Project Name & Location	
14	Gross Utility Plant	
15	Less: Accumulated Depreciation	
16	Net Utility Plant	$ -
17	334 METERS	
18	Project Name & Location	
19	Gross Utility Plant	
20	Less: Accumulated Depreciation	
21	Net Utility Plant	$ -
	TOTAL DSIC PLANT	$ -
	LESS: ACCUMULATED DEPREGIATION	$ -
22	NET DSIC PLANT	$ -
23	AUTHORIZED WACC, DECISION NO.	
24	DSIC SURCHARGE	$ -
	AUTHORIZED ROE, DECISION NO.	
	EARNED ROE WITH SURCHARGE	

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Balance Sheet
As of December 31, 20XX

I-Balance Sht

Line No.		[A] TOTAL COMPANY	[B] REGION	[C] DISTRICT
1	ASSETS			
2				
3	UTILITY PLANT			
4	Gross Utility Plant	$ -		
5	Less: Accumulated Depreciation	-		
6	Net Utility Plant	$ -		
7				
8	CURRENT ASSETS			
9	Cash on Hand and In Banks	-		
10	Investments and Special Deposits	-		
11	Accounts Receivable	-		
12	Materials & Supplies	-		
13	Other	-		
14	Total Current Assets	$ -		
15				
16	DEFERRED DEBITS	$ -		
17				
18	TOTAL ASSETS	$ -		
19				
20				
21	LIABILITIES			
22				
23	CAPITALIZATION			
24	Common Stock	-		
25	Capital Surplus	-		
26	Retained Earnings	-		
27	Common Stockholders Equity	$ -	$ -	$ -
28	Long-Term Debt	-	-	-
29	Total Capitalization	$ -	$ -	$ -
30				
31	CURRENT LIABILITIES			
32	Notes Payable	-		
33	Accounts Payable	-		
34	Accrued Expenses	-		
35	Other	-		
36	Total Current Liabilities	$ -		
37				
38	DEFERRED CREDITS			
39	Advances for Construction	-		
40	Contributions in Aid of Construction	-		
41	Deferred Income Taxes	-		
42	Other	-		
43	Total Deferred Credits	$ -		
44				
45	TOTAL CAPITAL AND LIABILITIES	$ -		
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				

I-Balance Sht

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Income Statement
As of December 31, 20XX

2-Income Stmt

Line No.		[A] TOTAL COMPANY	[B] SYSTEM
1			
2	OPERATING REVENUE	$ -	$ -
3			
4	OPERATING EXPENSES		
5	Operation and Maintenance	-	-
6	Depreciation	-	-
7	Taxes-Other than Income	-	-
8	Income Taxes	-	-
9	Total Operating Expenses	$ -	$ -
10			
11	OPERATING INCOME	$ -	$ -
12			
13	OTHER (INCOME) AND DEDUCTIONS		
14	Other (Income) - Net	-	-
15			
16	Interest on Long-Term Debt	-	-
17	Other Interest and Amortization	-	-
18	Total Interest	$ -	$ -
19			
20	Total Other (Income) and Deductions	$ -	$ -
21			
22	NET INCOME	$ -	$ -
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
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2-Income Stmt

ABLE WATER COMPANY
Docket No. W-00000X-00-0000X
Earnings Test
As of December 31, 20XX

Line No.		[A] DISTRICT
1		
2	REVENUE	
3	Total Operating Revenue	$ -
4		
5	OPERATING EXPENSES	
6	Operation and Maintenance	-
7	Depreciation	-
8	Taxes Other than Income	-
9	Income Taxes	-
10	Total Operating Expenses	$ -
11		
12	OPERATING INCOME/(LOSS)	$ -
13		
14	RATE BASE - O.C.L.D. (Includes DSIC Plant)	$
15	(Sch. 7, Ln. 33)	
16		
17	RATE OF RETURN - O.C.L.D	%
18	(Ln. 12 / Ln. 14)	
19		
20	AUTHORIZED RATE OF RETURN	%
21	(Decision No. _____)	
22		
23	OPERATING MARGIN	%
24	(Ln. 12 / Ln. 3)	
25		
26	Interest Expense - Net	$ -
27		
28	INEREST COVERAGE	
29	[(Ln. 12 + Ln. 9) / Ln. 26]	
30		
31	Other (Income) and Deductions	$ -
32		
33	Equity Ratio	
34	(Decision No. _____)	
35		
36	Allocated Equity	
37	(Ln. 14 x Ln. 33)	
38		
39	RETURN ON EQUITY	%
40	[(Ln. 12 - Ln. 26 - Ln. 31) / Ln. 36]	
41		
42	AUTHORIZED RETURN ON EQUITY	
43	(Decision No. _____)	
44		
45		
46		
47		
48		
49		
50		
51		
52		
53		
54		
55		

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Rate Review
As of December 31, 20XX

4-Rate Review

[A]

DISTRICT A

Line No.		Per Dec. No. XXXXX	12 Mos. Ending 12/31/2011	DSIC Increase	Adjusted with DSIC
1					
2	REVENUE				
3	Total Operating Revenue	$ -	$ -	$ -	$ -
4					
5	OPERATING EXPENSES				
6	Operation and Maintenance	-	-	-	-
7	Depreciation	-	-	-	-
8	Taxes Other than Income	-	-	-	-
9	Income Taxes	-	-	-	-
10	Total Operating Expenses	$ -	$ -	$ -	$ -
11					
12	OPERATING INCOME/(LOSS)	$ -	$ -	$ -	$ -
13					
14	RATE BASE - O.C.L.D.	-	-		-
15	(Sch. 7, Ln. 33)				
16					
17	RATE OF RETURN - O.C.L.D				
18	(Ln. 12 / Ln. 14)				
19					
20	AUTHORIZED RATE OF RETURN				
21	(Decision No. 71845)				
22					
23	OPERATING MARGIN				
24	(Ln. 12 / Ln. 3)				
25					
26	Interest Expense - Net	$ -	$ -	$ -	$ -
27					
28	INEREST COVERAGE				
29	[(Ln. 12 + Ln. 9) / Ln. 26]				
30					
31					
32					
33	Equity Ratio				
34	(Decision 71845)				
35					
36	Allocated Equity	$ -	$ -	$ -	$ -
37	(Ln. 14 x Ln. 33)				
38					
39	RETURN ON EQUITY				
40	[(Ln. 12 - Ln. 26) / Ln. 36]				
41					
42	AUTHORIZED RETURN ON EQUITY				
43	(Decision No. 71845)				
44					
45	THREE FACTOR RATIO	-			
46					
47					
48					
49					
50					
51					
52					
53					
54					
55					

4-Rate Review

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Revenue Requirement
As of December 31, 20XX

Line No.		[A] DISTRICT
1	TEST YEAR DATA	
2		
3	Eligible DSIC Plant in Service	
4	Accumulated Depreciation	
5	(Sch. 8, p. 1)	
6	Eligible DSIC Plant Rate Base	$ -
7	Required Rate of Return	
8		
9	Required Operating Income	$ -
10	(Ln. 6 x Ln. 7)	
11	Revenue Conversion Factor	
12		
13	Revenue Requirement - Return on Eligible DSIC Plant	$ -
14	(Ln. 9 x Ln. 11)	
15		
16	Depreciation on Eligible DSIC Plant	
17	(Sch. 8, p. 1)	
18		
19	Total Revenue Requirement	$ -
20	(Ln. 13 + Ln. 16)	
21		
22	Total Operating Revenue	$ -
23		
24	Maximum increase cap	
25		
26	Maximum Increase	$ -
27	(Ln 22 X Ln 24)	
28		
29	Total Revenue Requirement: lesser of Ln19 or Ln 26	$ -
30		
31		
32		
33		

Line No.		DISTRICT Current Rates Decision No.	Proposed Rates DSIC	Proposed Rates Total [B + C]
34				
35				
36				
37				
38				
39				
40	5/8 X 3/4-INCH RESIDENTIAL METER			
41	Basic Service Charge	$	$	$
42	Commodity Rate (Per M Gallon)	$	$	$
43	0 - X,000 Gallons	$	$	$
44	X,001 - 3,000 Gallons	$	$	$
45	Over X,000 Gallons	$		$
46				
47				
48				
49				
50	Average Residential Bill (5/8 x 3/4 meter) - (_____ gallons of usage)			
51				
52				
53				
54				
55				

ABLE WATER COMPANY
Docket No. W-XXXXX-12-XXXX
Surcharge Calculation
As of December 31, 2011

6-Schg Calc

Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
						DISTRICT				
1										
2				M Gallons	M Gallons					
3	GROWTH		Customers	Sold	Sold Per Cust.					
4	12/31/2010 (Year 1)									
5	12/31/2011 (Year 2)									
6	Increase/(Decrease)		-	-	-					
7	Percentage Change									
8	Average M Gallons									
9										
10										
11	INCREMENTAL FIXED COSTS TO BE RECOVERED PER BILL									
12										
13					Est. Average			Equivalent	Fixed Increment	
14		Customers by Meter Size			Customers	Basic Service	Meter	Meters	Monthly	Annual
15	Size	12/31/20XX	12/31/20XY		(A + B) / 2	Charge	Multiples	(C X F)	(G39 X F)	(D X G) X 12
16										
17	5/8"							-		
18	1"							-		
19	1.5"							-		
20	2"							-		
21	3"							-		
22	4"							-		
23	6"							-		
24	8"							-		
25	10"							-		
26	Totals							-		$ -
27										
28										
29	CALCULATION OF SURCHARGE									
30										
31								Minimum Surcharge		
32								(F34)		
33										
34	Total Revenue Requirement of DSIC Eligible Plant Capital Costs						$ -			
35	100% of Total Revenue Requirement on Line 34 Recoverable through Basic Service Charge							$ -		
36										
37										
38	Equivalent Meters (Col. G, Ln. 26 X 12 Mos.)							-		
39	Increment Per Equivalent 5/8" Meter (Col. G, Ln. 35 / Col. G, Ln. 38)									
40										
41	Average M Gallons (Col. C, Ln. 8)									
42	Increment Per M Gallon (Col. H, Ln. 39 / Col. H, Ln. 41)									
43										
44										
45										
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6-Schg Calc

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Rate Base
As of December 31, 20XX

7-Rate Base

Line No.		[A] Per Dec. No.	[B] DISTRICT DSIC Plant Increase	[C] Year End Balance (A + B)	[D] Current Balance 12/31/20XX
1					
2	DSIC Eligible Plant	$ -			$ -
3					
4	Other Utility Plant in Service		-		
5	Total Plant in Service	$ -	$ -		$ -
6	(Ln. 2 + Ln. 4)				
7					
8	Accumulated Depreciation				-
9	Net Utility Plant	$ -	$ -	$ -	$ -
10	(Ln. 5 - Ln. 8)				
11					
12	Advances	-	-		-
13					
14	Contributions - Net	-	-		-
15					
16	Deferred Income Tax	-	-		-
17					
18	Customer Deposits	-			-
19					
20	Working Capital Allowance	-	-		-
21	(Per Decision No. _____)				
22					
23	Net Regulatory Asset (Liability)	-			
24					
25	Total Rate Base	$ -	$ -	$ -	$ -
26	(Ln. 9 - Ln. 12 - Ln. 14 - Ln. 16 + Ln. 18)				
27					
48					
49					
50					
51					
52					
53					
54					
55					

7-Rate Base

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
CWIP Ledger
As of December 31, 20XX

8-CWIP Lgr

Line No.	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
					DISTRICT					
1										
2	W.A. No.	Month/Year	Date	Description	Vendor Name	Invoice Nos.	1	2	3	Total
3										
4	X-									-
5										-
6										-
7							$ -	$ -	$ -	$ -
8										
13										
14										
15										
16										
17										
18							$ -	$ -	$ -	$ -
19										
20						Project Totals	$ -	$ -	$ -	$ -
21										
22						Depreciation Rate				
23										
24						Annual Depreciation Expense	$ -	$ -	$ -	$ -
25										
26										
27										
28										
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ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Three Factor Calculation
As of December 31, 20XX

9-Three Fac

Line No.	System	20XX Customers	20XX Gross Plant Less Intangibles	20XX Gross Payroll	Ratios Customers	Ratios Gross Plant Less Intangibles	Ratios Gross Payroll	Total
1								
2								-
3								-
4								-
5								-
6								-
7								-
8								-
9								-
10								-
11								-
12								-
13								-
14								-
15								-
16								-
17								-
18								-
19								-
20								
21	Totals	-	$ -	$ -		$ -	$ -	-
22								
23								
24								
25								
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9-Three Fac

ABLE WATER COMPANY
Docket No. W-XXXXX-XX-XXXX
Typical Bill Analysis
As of December 31, 20XX

10-Typical Bill

Line No.	Gallons Consumption	[A] Present Rates	[B] Proposed DSIC Surcharge	[C] New Rates	[D] Percent Increase
		DISTRICT			
1					
2	-	$	$	$	
3	1,000				
4	2,000				
5	3,000				
6	4,000				
7	5,000				
8	6,000				
9	7,000				
10	8,000				
11	9,000				
12	10,000				
13	11,000			-	
14	12,000			-	
15	13,000			-	
16	14,000			-	
17	15,000			-	
18	20,000			-	
19	25,000			-	
20					
21					
22	Average Residential Consumption				
23					
24	Residential Bill at Average Consumption	$	$	$	
25					
26					
27					
28					
29					
30	Basic Service Charge	$	$		
31					
32	Commodity Rate (per M Gallon)				
33	0 - 3,000 Gallons	$	$		
34	3,001 - 10,000 Gallons	$	$		
35	Over 10,000 Gallons	$	$		
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
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10-Typical Bill

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT5

ORIGINAL

WATER RATES

ARIZONA WATER COMPANY		A.C.C. No.	481
Phoenix, Arizona		Cancelling A.C.C. No.	410
Filed by:	William M. Garfield	Tariff or Schedule No.	AM-253
Title:	President	Filed:	November 30, 2005
Date of Original Filing:	7-25-83	Effective:	For all service rendered on or after December 1, 2005

System: **All Services Areas EXCEPT Apache Junction, Bisbee, Sierra Vista, San Manuel, Oracle, Winkelman, Miami, Superior, Casa Grande, Coolidge, White Tank, Stanfield. Aio**

PURCHASED POWER ADJUSTMENT MECHANISM ("PPAM") TARIFF

Whenever Arizona Water Company's purchased power (electric and/or natural gas) expense in any of its water systems increases or decreases, or will increase or decrease, from the amount adopted by the Arizona Corporation Commission in the Company's last general rate proceeding for that system, the Company may, in accordance with the provisions of this PPAM, file a new schedule with the Commission for that system, setting forth an adjustment per 100 gallons designed to recover such increased or decreased purchased power expense, provided that:

1. The total amount of the increase or decrease in the purchased power expense will be calculated by comparing the Company's normalized cost for power during the test year utilized in its last general rate case with the Company's normalized cost of power for that test year computed at the Company's new increased or decreased cost for power.

2. The total change in power cost will be divided by the total gallonage pumped during the test year to determine the adjusted increase or decrease per 100 gallons.

3. The calculated increase or decrease in rates for the system must amount to at least $0.001 per 100 gallons (rounded up or down from five) before an adjustment can be made.

4. All revised schedules filed with the Arizona Corporation Commission pursuant to the provisions of this PPAM will be accompanied by workpapers prepared by the Company in a format approved by the Utilities Division Staff of the Commission and will be in sufficient detail to enable the Commission to test the accuracy of the Company's calculations.

5. The new schedules filed by the Company under the provisions of this PPAM will become effective either on the date the schedules are approved for filing, if the purchased power expense has already increased, or decreased, or on the date the increased or decreased purchased power expense becomes effective, if it has not yet changed.

6. Illustration of application of the above PPAM, assuming the following test year data:

   A) 4,000,000 H Gallons Pumped
   B) 3,300,000 H Gallons Sold (82.5%)
   C) 700,000 H Gallons Unaccounted For (17.5%)
   D) $100,000 Purchased Power Expense
   E) 1,250,000 KWH

Should Purchased Power Rates increase at a future date such that the new Power Rates x (E) = $125,000, a Purchased Power Expense pass thru calculation would be initiated.

Pass Thru Calculation Steps:

APPROVED FOR FILING
DECISION #: 68302

1) $125,000 - $100,000 = $25,000 Total Purchased Power Increase
2) $25,000 ÷ 4,000,000 H Gallons Pumped = $0.00625/H Gallon
3) Step (2) Rounded Per Provisions of Tariff = $0.006/H Gallon
4) $0.006/H Gallon x Actual Gallons Used Including Gallons In Minimum = PPAM Charge on Bill

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT6

RATE SCHEDULE E-221
CLASSIFIED SERVICE
WATER PUMPING SERVICE

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to Standard Offer electric service required for irrigation pumping or for water utilities for pumping potable water to serve the citizens of a city, town, or unincorporated community. Service must be supplied at one point of delivery and measured through one meter. Direct Access customers are not eligible for service under this schedule.

Rate selection is subject to paragraphs 3.2 and 3.3 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services.

This schedule is not applicable to breakdown, standby, supplemental, residential or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's site.

RATES

The bill shall be computed at the following rates or minimum rates, whichever is greater, plus any adjustments incorporated in this schedule:

Basic Service Charge:	$ 0.588	per day
Demand Charge:	$ 2.357	per kW
Energy Charge:	$ 0.11228	per kWh for the first 240 kWh, plus
	$ 0.07633	per kWh for the next 275 kWh per kW, plus
	$ 0.06270	per kWh for all additional kWh

MINIMUM

The bill for service under this rate schedule will not be less than $0.558 per day plus $2.357 for each kW of the highest kW established during the 12 months ending with the current month, or the minimum kW specified in the Electric Service Agreement, whichever is greater.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of ± 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-conforming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment.

POWER FACTOR (cont)

Customers found to have a non-conforming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVA may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

DETERMINATION OF KW

For billing purposes, the kW used in this rate schedule shall be based on the average kW supplied during the 15-minute period of maximum use during the month, as determined from readings of the Company's meter, or at the Company's option, by test.

ADJUSTMENTS

1. The bill is subject to the Renewable Energy Standard as set forth in the Company's Adjustment Schedule REAC-1 pursuant to Arizona Corporation Commission Decision No. 70313.

2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Adjustment Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744, Arizona Corporation Commission Decision No. 69663, Arizona Corporation Commission Decision No. 71448, and 73183.

3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.

4. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663 and Arizona Corporation Commission Decision No. 73183.

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.

6. The bill is subject to the Demand Side Management Adjustment Charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744, and Arizona Corporation Commission Decision No. 71448.

7. The bill is subject to the Lost Fixed Cost Recovery mechanism as set forth in the Company's Adjustment Schedule LFCR pursuant to Arizona Corporation Commission Decision No. 73183.

8. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

The contract period for customers receiving service under this rate schedule will be one (1) year or longer. At the Company's option, the contract period will be three (3) years or longer where additional distribution construction is required to serve the customer.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, which contains provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

RATE SCHEDULE E-32 XS
EXTRA SMALL GENERAL SERVICE (0 kW - 20 kW)

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access customers whose Average Monthly Maximum Demand is 20 kW per month or less.

The Company initially will place the Customer on the applicable Rate Schedule E-32 XS, E-32 S, E-32 M, or E-32 L based on the Average Monthly Maximum Demand, as determined by the Company.

The Customer will be billed on Schedule E-32 S or E-32 XS depending on the Monthly Maximum Demand for each billing cycle.

Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by an individual customer contract.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services.

This schedule is not applicable to breakdown, standby, supplemental, residential or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's site. Three phase service is furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services). Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceeds 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP. Service under this schedule is generally provided at secondary voltage or primary voltage when the customer owns the distribution transformer(s).

RATES

The bill shall be computed at the following rates, plus any adjustments incorporated in this rate schedule:

Bundled Standard Offer Service

Basic Service Charge:

For service through Self-Contained Meters:	$	0.672	per day, or
For service through Instrument-Rated Meters:	$	1.324	per day, or
For service at Primary Voltage:	$	3.415	per day

RATES (cont)

Bundled Standard Offer Service (cont)

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
For Secondary Service: $0.13537 per kWh for the first 5,000 kWh, plus $0.07427 per kWh for all additional kWh, or	For Secondary Service: $0.11769 per kWh for the first 5,000 kWh, plus $0.05658 per kWh for all additional kWh, or
For Primary Service: $0.13209 per kWh for the first 5,000 kWh, plus $0.07100 per kWh for all additional kWh	For Primary Service: $0.11438 per kWh for the first 5,000 kWh, plus $0.05329 per kWh for all additional kWh

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Standard Offer Service

Customer Accounts Charge:	$ 0.126	per day
Revenue Cycle Service Charges:		
Metering:		
Self-Contained Meters:	$ 0.403	per day, or
Instrument-Rated Meters:	$ 1.055	per day, or
Primary:	$ 3.146	per day

These daily metering charges apply to typical installations. Customers requiring specialized facilities are subject to additional metering charges that reflect the additional cost of the installation. (for example, a customer taking service at 230 kV). Adjustments to unbundled metering components will result in an adjustment to the bundled Basic Service Charge.

Meter Reading:	$ 0.068	per day
Billing:	$ 0.075	per day
System Benefits Charge:	$ 0.00297	per kWh
Transmission Charge:	$ 0.00424	per kWh

RATES (cont)

Unbundled Standard Offer Service (cont)

Delivery Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
For Secondary Service: $0.04175 per kWh for the first 5,000 kWh, plus $0.01310 per kWh for all additional kWh, or	For Secondary Service: $0.04168 per kWh for the first 5,000 kWh, plus $0.01303 per kWh for all additional kWh, or
For Primary Service: $0.03847 per kWh for the first 5,000 kWh, plus $0.00983 per kWh for all additional kWh	For Primary Service: $0.03837 per kWh for the first 5,000 kWh, plus $0.00974 per kWh for all additional kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.08641 per kWh for the first 5,000 kWh, plus $0.05396 per kWh for all additional kWh	$0.06880 per kWh for the first 5,000 kWh, plus $0.03634 per kWh for all additional kWh

DIRECT ACCESS

The bill for Direct Access customers under this rate schedule will consist of the applicable Unbundled Components Customer Accounts Charge, System Benefits Charge, and Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the applicable Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of ± 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-conforming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment. Customers found to have a non-conforming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVA may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

DETERMINATION OF KW

For billing purposes, including determination of Monthly Maximum Demands, the kW used in this rate schedule shall be based on the average kW supplied during the 15-minute period of maximum use during the month as determined from readings of the Company's meter.

The Average Monthly Maximum Demand shall equal the average of the Monthly Maximum Demands for the May through October billing cycles, as determined by the Company. If the Monthly Maximum Demands are not available for all six May through October billing cycles, the Average Monthly Maximum Demand will be based on the available information. For a new customer, the initial Average Monthly Maximum Demand will be based on the estimated maximum kW provided by the Customer and approved by the Company.

ADJUSTMENTS

1 The bill is subject to the Renewable Energy Standard as set forth in the Company's Adjustment Schedule REAC-1 pursuant to Arizona Corporation Commission Decision No. 70313.

2 The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Adjustment Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744, Arizona Corporation Commission Decision No. 69663, Arizona Corporation Commission Decision No. 71448 and 73183.

3 The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.

4. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663 and Arizona Corporation Commission Decision No. 73183.

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.

6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744 and Arizona Corporation Commission Decision No. 71448.

7. The bill is subject to the Lost Fixed Cost Recovery mechanism as set forth in the Company's Adjustment Schedule LFCR pursuant to Arizona Corporation Commission Decision No. 73183.

8. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

For customers with monthly maximum demands up to 20 kW, any applicable contract period will be set forth in the Company's standard agreement for service. At the Company's option, the contract period will be three (3) years or longer where additional distribution construction is required to serve the customer or, if no additional distribution construction is required, the contract period will be one (1) year or longer.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

RATE SCHEDULE E-32 L
LARGE GENERAL SERVICE (401 kW +)

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access customers whose Average Monthly Maximum Demand is greater than 400 kW per month.

The Company will place the Customer on the applicable Rate Schedule E-32 XS, E-32 S, E-32 M, or E-32 L based on the Average Monthly Maximum Demand, as determined by the Company each year. Such placement will occur in the February billing cycle following the annual determination. The Company may also place the Customer on the Applicable Rate Schedule during the year, if the Customer has experienced a significant and permanent change in load as determined by the Company. Such placement will be based on available information.

Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by an individual customer contract.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services.

This schedule is not applicable to breakdown, standby, supplemental, residential or resale service nor to service for which Rate Schedule E-34 is applicable.

TYPE OF SERVICE

The type of service provided under this schedule will be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's site. Three phase service is furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services). Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceeds 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP. Service under this schedule is generally provided at secondary voltage, primary voltage when the customer owns the distribution transformer(s), or transmission voltage.

RATES

The bill shall be computed at the following rates or the minimum rates, whichever is greater, plus any adjustments incorporated in this rate schedule:

Bundled Standard Offer Service

Basic Service Charge:

For service through Self-Contained Meters:	$ 1.068	per day, or
For service through Instrument-Rated Meters:	$ 1.627	per day, or
For service at Primary Voltage:	$ 3.419	per day, or
For service at Transmission Voltage:	$ 22.915	per day

RATES (cont)

Bundled Standard Offer Service (cont)

Demand Charge:

Secondary Service:	$ 21.149	per kW for the first 100 kW, plus
	$ 14.267	per kW for all additional kW, or
Primary Service:	$ 19.091	per kW for the first 100 kW, plus
	$ 13.209	per kW for all additional kW, or
Transmission Service:	$ 14.284	per kW for the first 100 kW, plus
	$ 9.105	per kW for all additional kW.

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.05517 per kWh	$0.03804 per kWh

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Standard Offer Service

Customer Accounts Charge:	$ 0.601	per day
Revenue Cycle Service Charges:		
Metering:		
Self-Contained Meters:	$ 0.345	per day, or
Instrument-Rated Meters:	$ 0.904	per day, or
Primary:	$ 2.696	per day, or
Transmission:	$ 22.192	per day

These daily metering charges apply to typical installations. Customers requiring specialized facilities are subject to additional metering charges that reflect the additional cost of the installation. (for example, a customer taking service at 230 kV). Adjustments to unbundled metering components will result in an adjustment to the bundled Basic Service Charge.

Meter Reading:	$ 0.058	per day
Billing:	$ 0.064	per day
System Benefits Charge:	$ 0.00297	per kWh
Transmission Charge:	$ 1.585	per kW

RATES (cont)

Unbundled Standard Offer Service (cont)

Delivery Charge:

Secondary Service:	$ 15.068	per kW for the first 100 kW, plus
	$ 8.186	per kW for all additional kW, plus
	$ 0.00011	per kWh, or
Primary Service:	$ 13.010	per kW for the first 100 kW, plus
	$ 7.128	per kW for all additional kW, plus
	$ 0.00011	per kWh, or
Transmission Service:	$ 8.203	per kW for the first 100 kW, plus
	$ 3.024	per kW for all additional kW, plus
	$ 0.00011	per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$4.496 per kW, plus $0.05209 per kWh	$4.496 per kW, plus $0.03496 per kWh

DIRECT ACCESS

The bill for Direct Access customers under this rate schedule will consist of the applicable Unbundled Components Customer Accounts Charge, System Benefits Charge, and Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the applicable Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

MINIMUM

The bill for service under this rate schedule shall not be less than the applicable Bundled Standard Offer Service Basic Service Charge plus the applicable Bundled Standard Offer Service Demand Charge for each kW as determined herein.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of ± 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-conforming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment.

POWER FACTOR (cont)

Customers found to have a non-conforming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVA may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

DETERMINATION OF KW

For billing purposes, the kW used in this rate schedule shall be the greater of the following:

1. The average kW supplied during the 15-minute period (or other period as specified by an individual customer contract) of maximum use during the month, as determined from readings of the Company's meter.

2. 80% of the highest kW measured during the six (6) summer billing months (May-October) of the twelve (12) months ending with the current month.

3. The minimum kW specified in the agreement for service or individual contract.

For the purpose of placement on this rate, the Average Monthly Maximum Demand shall equal the average of the Monthly Maximum Demands for the May through October billing cycles, as determined by the Company. If the Monthly Maximum Demands are not available for all six May through October billing cycles, the Average Monthly Maximum Demand will be based on the available information. For a new customer, the initial Average Monthly Maximum Demand will be based on the estimated maximum kW provided by the Customer and approved by the Company.

The Monthly Maximum Demand shall be based on the average kW supplied during the 15-minute period of maximum use during the month as determined from readings of the Company's meter.

ADJUSTMENTS

1. The bill is subject to the Renewable Energy Standard as set forth in the Company's Adjustment Schedule REAC-1 pursuant to Arizona Corporation Commission Decision No. 70313.

2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Adjustment Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744, Arizona Corporation Commission Decision No. 69663, Arizona Corporation Commission Decision No. 71448 and 73183.

3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.

4. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663 and Arizona Corporation Commission Decision No. 73183.

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.

ADJUSTMENTS (cont)

6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744 and Arizona Corporation Commission Decision No. 71448.

7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

For customers with monthly maximum demands greater than 400 kW, any applicable contract period will be set forth in the Company's standard agreement for service. At the Company's option, the contract period will be three (3) years or longer where additional distribution construction is required to serve the customer or, if no additional distribution construction is required, the contract period will be one (1) year or longer.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

RATE SCHEDULE E-32 M
MEDIUM GENERAL SERVICE (101 kW - 400 kW)

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access customers whose Average Monthly Maximum Demand is greater than 100 kW and less than or equal to 400 kW per month.

The Company will place the Customer on the Applicable Rate Schedule E-32 XS, E-32 S, E-32 M, or E-32 L based on the Average Monthly Maximum Demand, as determined by the Company each year. Such placement will occur in the February billing cycle following the annual determination. The Company may also place the Customer on the Applicable Rate Schedule during the year, if the Customer has experienced a significant and permanent change in load as determined by the Company. Such placement will be based on available information.

Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by an individual customer contract.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services. This schedule is not applicable to breakdown, standby, supplemental, residential or resale service nor to service for which Rate Schedule E-34 is applicable.

TYPE OF SERVICE

The type of service provided under this schedule will be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's site. Three phase service is furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services). Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceeds 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP. Service under this schedule is generally provided at secondary voltage, primary voltage when the customer owns the distribution transformer(s), or transmission voltage.

RATES

The bill shall be computed at the following rates, plus any adjustments incorporated in this rate schedule:

Bundled Standard Offer Service

Basic Service Charge:

For service through Self-Contained Meters:	$ 0.672	per day, or
For service through Instrument-Rated Meters:	$ 1.324	per day, or
For service at Primary Voltage:	$ 3.415	per day, or
For service at Transmission Voltage:	$ 26.163	per day

RATES (cont)

Bundled Standard Offer Service (cont)

Demand Charge:

Secondary Service:	$ 10.235	per kW for the first 100 kW, plus
	$ 5.385	per kW for all additional kW, or
Primary Service:	$ 9.488	per kW for the first 100 kW, plus
	$ 4.695	per kW for all additional kW, or
Transmission Service:	$ 7.368	per kW for the first 100 kW, plus
	$ 2.519	per kW for all additional kW

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.09884 per kWh for the first 200 kWh per kW, plus $0.06091 per kWh for all additional kWh	$0.08378 per kWh for the first 200 kWh per kW, plus $0.04586 per kWh for all additional kWh

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Standard Offer Service

Customer Accounts Charge:	$ 0.126	per day
Revenue Cycle Service Charges:		
Metering:		
Self-Contained Meters:	$ 0.403	per day, or
Instrument-Rated Meters:	$ 1.055	per day, or
Primary:	$ 3.146	per day, or
Transmission:	$ 25.894	per day

These daily metering charges apply to typical installations. Customers requiring specialized facilities are subject to additional metering charges that reflect the additional cost of the installation, (for example, a customer taking service at 230 kV). Adjustments to unbundled metering components will result in an adjustment to the bundled Basic Service Charge.

Meter Reading:	$ 0.068	per day
Billing:	$ 0.075	per day
System Benefits Charge:	$ 0.00297	per kWh
Transmission Charge:	$ 1.585	per kW

RATES (cont)

Unbundled Standard Offer Service (cont)

Delivery Charge:

Secondary Service:	$ 8.650	per kW for the first 100 kW, plus
	$ 3.800	per kW for all additional kW, plus
	$ 0.00649	per kWh, or
Primary Service:	$ 7.903	per kW for the first 100 kW, plus
	$ 3.110	per kW for all additional kW, plus
	$ 0.00649	per kWh, or
Transmission Service:	$ 5.783	per kW for the first 100 kW, plus
	$ 0.934	per kW for all additional kW, plus
	$ 0.00649	per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.08938 per kWh for the first 200 kWh per kW, plus $0.05145 per kWh for all additional kWh	$0.07432 per kWh for the first 200 kWh per kW, plus $0.03640 per kWh for all additional kWh

DIRECT ACCESS

The bill for Direct Access customers under this rate schedule will consist of the applicable Unbundled Components Customer Accounts Charge, System Benefits Charge, and Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the applicable Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of ± 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-conforming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment. Customers found to have a non-conforming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVA may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

DETERMINATION OF KW

For billing purposes, including determination of Monthly Maximum Demands, the kW used in this rate schedule shall be based on the average kW supplied during the 15-minute period of maximum use during the month as determined from readings of the Company's meter.

The Average Monthly Maximum Demand shall equal the average of the Monthly Maximum Demands for the May through October billing cycles, as determined by the Company. If the Monthly Maximum Demands are not available for all six May through October billing cycles, the Average Monthly Maximum Demand will be based on the available information. For a new customer, the initial Average Monthly Maximum Demand will be based on the estimated maximum kW provided by the Customer and approved by the Company.

ADJUSTMENTS

1. The bill is subject to the Renewable Energy Standard as set forth in the Company's Adjustment Schedule REAC-1 pursuant to Arizona Corporation Commission Decision No. 70313.

2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Adjustment Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744, Arizona Corporation Commission Decision No. 69663, Arizona Corporation Commission Decision No. 71448 and 73183.

3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.

4. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663 and Arizona Corporation Commission Decision No. 73183.

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.

6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744 and Arizona Corporation Commission Decision No. 71448.

7. The bill is subject to the Lost Fixed Cost Recovery mechanism as set forth in the Company's Adjustment Schedule LFCR pursuant to Arizona Corporation Commission Decision No. 73183.

8. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

For customers with monthly maximum demands greater than 100 and less than or equal to 400 kW, any applicable contract period will be set forth in the Company's standard agreement for service. At the Company's option, the contract period will be three (3) years or longer where additional distribution construction is required to serve the customer or, if no additional distribution construction is required, the contract period will be one (1) year or longer.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

RATE SCHEDULE E-32 S
SMALL GENERAL SERVICE (21 kW – 100 kW)

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate schedule is applicable to all Standard Offer and Direct Access customers whose Average Monthly Maximum Demand is greater than 20 kW and less than or equal to 100 kW per month.

The Company will place the Customer on the Applicable Rate Schedule E-32 XS, E-32 S, E-32 M, or E-32 L based on the Average Monthly Maximum Demand, as determined by the Company each year. Such placement will occur in the February billing cycle following the annual determination. The Company may also place the Customer on the Applicable Rate Schedule during the year, if the Customer has experienced a significant and permanent change in load as determined by the Company. Such placement will be based on available information.

The Customer will be billed on Schedule E-32 S or E-32 XS depending on the Monthly Maximum Demand for each billing cycle.

Service must be supplied at one point of delivery and measured through one meter unless otherwise specified by an individual customer contract.

Rate selection is subject to paragraphs 3.2 through 3.5 of the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services. This schedule is not applicable to breakdown, standby, supplemental, residential or resale service.

TYPE OF SERVICE

The type of service provided under this schedule will be single or three phase, 60 Hertz, at one standard voltage as may be selected by customer subject to availability at the customer's site. Three phase service is furnished under the Company's Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services). Three phase service is not furnished for motors of an individual rated capacity of less than 7-1/2 HP, except for existing facilities or where total aggregate HP of all connected three phase motors exceeds 12 HP. Three phase service is required for motors of an individual rated capacity of more than 7-1/2 HP. Service under this schedule is generally provided at secondary voltage or primary voltage when the customer owns the distribution transformer(s).

RATES

The bill shall be computed at the following rates, plus any adjustments incorporated in this rate schedule:

Bundled Standard Offer Service

Basic Service Charge:

For service through Self-Contained Meters:	$ 0.672	per day, or
For service through Instrument-Rated Meters:	$ 1.324	per day, or
For service at Primary Voltage:	$ 3.415	per day

RATES (cont)

Bundled Standard Offer Service (cont)

Demand Charge:

Secondary Service:	$ 9.828	per kW for the first 100 kW, plus
	$ 5.214	per kW for all additional kW, or
Primary Service:	$ 9.116	per kW for the first 100 kW, plus
	$ 4.502	per kW for all additional kW, or

Energy Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.10337 per kWh for the first 200 kWh per kW, plus $0.06257 per kWh for all additional kWh	$0.08718 per kWh for the first 200 kWh per kW, plus $0.04638 per kWh for all additional kWh

Bundled Standard Offer Service consists of the following Unbundled Components:

Unbundled Standard Offer Service

Customer Accounts Charge:	$ 0.126	per day
Revenue Cycle Service Charges:		
Metering:		
Self-Contained Meters:	$ 0.403	per day, or
Instrument-Rated Meters:	$ 1.055	per day, or
Primary:	$ 3.146	per day

These daily metering charges apply to typical installations. Customers requiring specialized facilities are subject to additional metering charges that reflect the additional cost of the installation, (for example, a customer taking service at 230 kV). Adjustments to unbundled metering components will result in an adjustment to the bundled Basic Service Charge.

Meter Reading:	$ 0.068	per day
Billing:	$ 0.075	per day
System Benefits Charge:	$ 0.00297	per kWh
Transmission Charge:	$ 1.585	per kW
Delivery Charge:		
Secondary Service:	$ 8.243	per kW for the first 100 kW, plus
	$ 3.629	per kW for all additional kW, plus
	$ 0.00423	per kWh, or

RATES (cont)

Primary Service:	$ 7.531	per kW for the first 100 kW, plus
	$ 2.917	per kW for all additional kW, plus
	$ 0.00423	per kWh

Generation Charge:

May – October Billing Cycles (Summer)	November – April Billing Cycles (Winter)
$0.09617 per kWh for the first 200 kWh per kW, plus $0.05537 per kWh for all additional kWh	$0.07998 per kWh for the first 200 kWh per kW, plus $0.03918 per kWh for all additional kWh

DIRECT ACCESS

The bill for Direct Access customers under this rate schedule will consist of the applicable Unbundled Components Customer Accounts Charge, System Benefits Charge, and Delivery Charge, plus any applicable adjustments incorporated in this schedule. Direct Access customers must acquire and pay for generation, transmission, and revenue cycle services from a competitive third party supplier. If any revenue cycle services are not available from a third party supplier and must be obtained from the Company, the applicable Unbundled Components Revenue Cycle Service Charges will be applied to the customer's bill.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of ± 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-conforming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment.

Customers found to have a non-conforming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVA may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

DETERMINATION OF KW

For billing purposes, including determination of Monthly Maximum Demands, the kW used in this rate schedule shall be based on the average kW supplied during the 15-minute period of maximum use during the month as determined from readings of the Company's meter.

The Average Monthly Maximum Demand shall equal the average of the Monthly Maximum Demands for the May through October billing cycles, as determined by the Company. If the Monthly Maximum Demands are not available for all six May through October billing cycles, the Average Monthly Maximum Demand will be based on the available information. For a new customer, the initial Average Monthly Maximum Demand will be based on the estimated maximum kW provided by the Customer and approved by the Company.

ADJUSTMENTS

1. The bill is subject to the Renewable Energy Standard as set forth in the Company's Adjustment Schedule REAC-1 pursuant to Arizona Corporation Commission Decision No. 70313.

2. The bill is subject to the Power Supply Adjustment factor as set forth in the Company's Adjustment Schedule PSA-1 pursuant to Arizona Corporation Commission Decision No. 67744, Arizona Corporation Commission Decision No. 69663, Arizona Corporation Commission Decision No. 71448 and 73183.

3. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.

4. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663 and Arizona Corporation Commission Decision No. 73183.

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.

6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744 and Arizona Corporation Commission Decision No. 71448.

7. The bill is subject to the Lost Fixed Cost Recovery mechanism as set forth in the Company's Adjustment Schedule LFCR pursuant to Arizona Corporation Commission Decision No. 73183.

8. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

CONTRACT PERIOD

For customers with monthly maximum demands greater than 20 and less than or equal to 100 kW, any applicable contract period will be set forth in the Company's standard agreement for service. At the Company's option, the contract period will be three (3) years or longer where additional distribution construction is required to serve the customer or, if no additional distribution construction is required, the contract period will be one (1) year or longer.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services and the Company's Schedule 10, Terms and Conditions for Direct Access. These schedules have provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.

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RECEIVED
NOV 28 2012

Your electricity bill

LITCHFIELD PARK SERVICE CO

Bill date: November 21, 2012

Your account number: 342122282

For service at: 19 locations

Questions or Office Locations?
Call 602-371-6767,
Mon - Fri, 7:30am - 5:00pm
Website: aps.com
Para servicio en español llame al:
602-371-6861 (Phoenix)

Summary of what you owe

Amount owing on your previous bill		$141,387.87
Less	Payment made on Nov 5, thank you	-$141,387.87
Less	SurePay discount	-$0.48
Equals	Your balance forward	-$0.48
Plus	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	$115,235.88
Equals	**Total amount due**	**$115,235.40**

We will debit your checking or savings account for $115,235.40 on December 6, 2012.

PO# 13969
Receipt#
22537

Thank you for your consistent and timely payments. We value your business.

(8600-200009-EXP001
(1) 6-54557-2050-0000 - 1447.84
NOV12

Page 1 of 23 See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.

Matthew Gorlick

aps

Your account number
342122282

Bill date
November 21, 2012

Mailing address or phone number change?
Please call 602-371-6767.

You do not need to mail a payment. With SurePay, your payment is automatically deducted from your checking or savings account.

LITCHFIELD PARK SERVICE CO
ATTN: WELL SITE 10AL
STE D101
12725 W INDIAN SCHOOL RD
AVONDALE AZ 85392-9524

X 13 N 1 209

000000003421222820020121121000000000001152354097 000

865-11A0 Rev. 3-11

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Things you need to know

Contacting APS

- E-mail us at aps@aps.com
- Call us at:
  602-371-6767 (Phoenix) or 800-253-9407 (Other areas)
  Mon-Fri, 7:30 am - 5:00 pm
- Para servicio en español llame al:
  602-371-6861 (Phoenix) o 1-800-252-9410 (Otras areas)
- Hearing impaired:
  Dial 711 - AZ Relay Service
- By mail: APS, Station 3200, PO Box 53933,
  Phoenix AZ 85072-3933
- Blue Stake - Before you dig, call:
  811 or 800-782-5348 from anywhere within Arizona
- Electrical emergencies other than power outages, call:
  602-258-5483 (Phoenix) or 800-253-9408 (Other areas)

Important billing and collection information

Make checks payable to APS and mail to:
APS, PO Box 2906, Phoenix AZ 85062-2906

Credit and Collections:
602-371-7607 (Phoenix) or 1-800-253-9409 (Other areas)

All bills for utility services are due and payable no later than 15 days from the date of the bill. Any payments not received within this time-frame shall be considered delinquent and are subject to a late payment charge of 1.5% per month.

If your power is shut off for non-payment, you must pay all the delinquent amounts and a deposit or additional deposit before power is restored.
When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic funds transfer from your account or to process the payment as a check transaction. When we process your check electronically you will not receive your check back from your financial institution and funds may be withdrawn from your account on the same day we receive your payment.

Utility regulations and rates (Not an APS payment site)

Electricity regulations and rates are approved by:
Arizona Corporation Commission,
1200 W. Washington, Phoenix AZ 85007
602-542-4251 (Phoenix) or 1-800-222-7000 (Other areas).
www.cc.state.az.us

X

Row Labels	Sum of Amount
8600-20009-EXP001	1447.84
8600-2-0100-50-5455-0000	47095.84
8600-2-0100-52-5455-0000	24389.46
8600-2-0200-50-5455-0000	134.05
8600-2-0200-52-5455-0000	42146.05
8600-2-0200-54-5455-0000	22.16
Grand Total	115235.40

aps.com

Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

Summary of charges by service address

Service number	Service address	Total electricity used (kWh)	Billed demand (kW)	Other charges and credits ($)	Total charges ($)
9119S62288	14222 W McDowell Rd Ses #2, Goodyear 3,000 Amp Service	209100	543.0	$0.00	$18,665.45
0548S30283	4091 N Dysart Rd Resv, Avondale Water Plant	124000	454.0	$0.00	$12,071.10
7404S51284	13570 Plaza Cir Bldg Com. Lck, Litchfield Park Litchfield Park Service CO	54600	82.0	$0.00	$4,378.82
2037S50280	3840 N Dysart Rd Well 2, Avondale Litchfield Park Service CO	41813	63.0	$0.00	$3,389.13
8541S91288	6355 N El Mirage Rd Well 4al, Glendale Litchfield Park Service CO	170480	246.0	$0.00	$12,954.32
5157S50286	4307 N 127 Ave Well 4, Litchfield Park Town Well 4	66400	112.0	$0.00	$5,269.04
2126S02286	1530 N Sarival Ave Goodyear Litchfield Park Service CO	3160	83.0	$0.00	$1,447.84
0030S01288	12660 W Indian School Rd Well 6, Litchfield Park Litchfield Pk Service CO	160	130.0	$0.00	$595.56
6474S90288	4832 N Litchfield Knoll E Lift Bldg E, Litchfield Park Litchfield Park Service CO	0	0.0	$0.00	$20.02
2023S62281	6302 N El Mirage Rd Pump, Litchfield Park Airline Reservoier And Pumping	118560	398.0	$0.00	$12,298.34
9074S62282	1952 N Dysart Rd Goodyear Litchfield Park Service CO	1040	112.0	$0.00	$1,606.55
1520S11283	2910 N Bullard Rd Goodyear Litchfield Park Service CO	2	0.0	$0.00	$22.16
6112S91288	6803 N Dysart Rd Goodyear Litchfield Park Service CO	842	6.0	$0.00	$134.05
8413S52285	6024 N El Mirage Rd Litchfield Park Litchfield Park Service CO	1600	90.0	$0.00	$1,317.87
7828S52283	5247 N El Mirage Rd Litchfield Park Litchfield Park Service CO	49840	89.0	$0.00	$4,304.02
2837S50288	4450 N 127 Ave Well 5, Litchfield Park Town Well T 5	29960	119.0	$0.00	$2,992.87
4281S31285	15521 W Minnezona Ave Well, Goodyear Litchfield Park Service CO	109600	162.0	$0.00	$8,781.81
7071S72288	15614 W Charles Blvd Goodyear Well 20b	15720	28.0	$0.00	$1,505.85

X

865-01AB Rev. 3-11

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

Summary of charges by service address

Service number	Service address	Total electricity used (kWh)	Billed demand (kW)	Other charges and credits ($)	Total charges ($)
5910S61286	14222 W McDowell Rd Goodyear Litchfield Park Service CO	294600	630.0	$0.00	$23,481.08
Total		**1291477**		**$0.00**	**$115,235.88**

X

aps.com

Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 14222 W McDowell Rd Ses #2

Your service plan: E-32 L
Service number: 9119S62288
DBA: 3,000 Amp Service

Meter number: Q21851
Meter reading cycle: 03

Charges for electricity services

Cost of electricity you used

Customer account charge	$17.43
Delivery service charge	$23.00
Demand charge - delivery	$5,133.20
Environmental benefits surcharge	$629.34
Federal environmental improvement surcharge	$0.00
System benefits charge	$621.03
Power supply adjustment*	-$873.62
Metering*	$26.22
Meter reading*	$1.68
Billing*	$1.86
Generation of electricity*	$7,310.14
Demand charge - generation*	$2,441.33
Federal transmission and ancillary services*	$860.66
Federal transmission cost adjustment*	$440.92
Cost of electricity you used	$16,633.19

Taxes and fees

Regulatory assessment	$32.98
State sales tax	$1,121.97
County sales tax	$119.00
City sales tax	$424.99
Franchise fee	$333.32
Cost of electricity with taxes and fees	$18,665.45

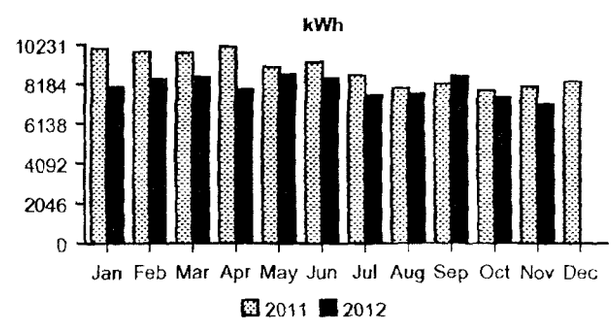
Total charges for electricity services **$18,665.45**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 3	21499
Meter reading on Oct 5	20802
Read difference is	697
Multiplier applied to the read difference	300
Total electricity you used, in kWh	**209100**
Demand meter reading	1.81
Multiplier applied to the read	300
Your total demand in kW	543.0
Your billed demand in kW	**543.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	29	31
Average outdoor temperature	74°	85°	75°
Your total use in kWh	209100	220800	252600
Your billed demand in kW	543.0	567.0	582.0
Your average daily cost	$643.63	$820.22	$680.24

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 4091 N Dysart Rd Resv

Your service plan: E-221 Rate
Service number: 0548S30283
DBA: Water Plant

Meter number: Q21889
Meter reading cycle: 17

Charges for electricity services

Cost of electricity you used

Customer account charge	$17.05
Energy charge	$9,473.55
Demand charge	$1,070.08
Environmental benefits surcharge	$543.14
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$518.07
Federal transmission cost adjustment*	$368.65
Cost of electricity you used	$10,954.40

Taxes and fees

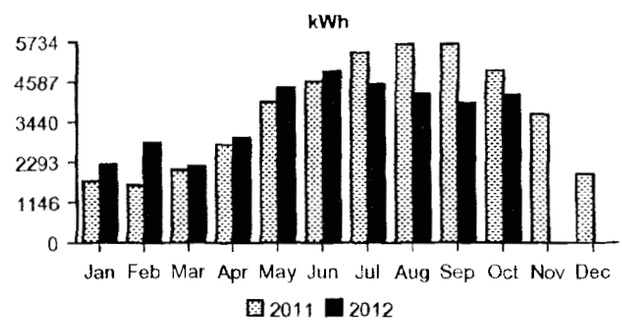
Regulatory assessment	$21.72
State sales tax	$738.91
County sales tax	$78.37
City sales tax	$58.18
Franchise fee	$219.52
Cost of electricity with taxes and fees	$12,071.10

Total charges for electricity services **$12,071.10**

Amount of electricity you used

Meter reading on Oct 25	16401
Meter reading on Sep 26	15626
Read difference is	775
Multiplier applied to the read difference	160
Total electricity you used, in kWh	**124000**
Demand meter reading	2.84
Multiplier applied to the read	160
Your total demand in kW	454.4
Your billed demand in kW	**454.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	30	29
Average outdoor temperature	80°	89°	83°
Your total use in kWh	124000	120800	144000
Your billed demand in kW	454.0	504.0	504.0
Your average daily cost	$416.24	$401.50	$478.80

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 13570 Plaza Cir Bldg Com. Lck

Your service plan: E-221 Rate
Service number: 7404S51284
DBA: Litchfield Park Service CO

Meter number: P60325
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$16.46
Energy charge	$3,742.68
Demand charge	$193.27
Environmental benefits surcharge	$182.86
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$228.12
Federal transmission cost adjustment*	$66.58
Cost of electricity you used	$3,973.73

Taxes and fees

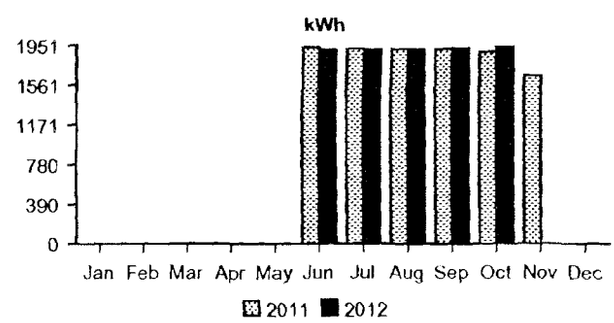
Regulatory assessment	$7.88
State sales tax	$268.04
County sales tax	$28.43
City sales tax	$21.11
Franchise fee	$79.63
Cost of electricity with taxes and fees	$4,378.82

Total charges for electricity services **$4,378.82**

Amount of electricity you used

Meter reading on Oct 24	42929
Meter reading on Sep 26	41564
Read difference is	1365
Multiplier applied to the read difference	40
Total electricity you used, in kWh	**54600**
Demand meter reading	2.05
Multiplier applied to the read	40
Your total demand in kW	82.0
Your billed demand in kW	**82.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	28	34	28
Average outdoor temperature	77°	88°	79°
Your total use in kWh	54600	65720	53240
Your billed demand in kW	82.0	82.0	81.0
Your average daily cost	$156.38	$149.99	$156.29

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 3840 N Dysart Rd Well 2

Your service plan: E-221 Rate
Service number: 2037S50280
DBA: Litchfield Park Service CO

Meter number: M35902
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$16.46
Energy charge	$2,869.72
Demand charge	$148.49
Environmental benefits surcharge	$164.46
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$174.69
Federal transmission cost adjustment*	$51.16
Cost of electricity you used	$3,075.60

Taxes and fees

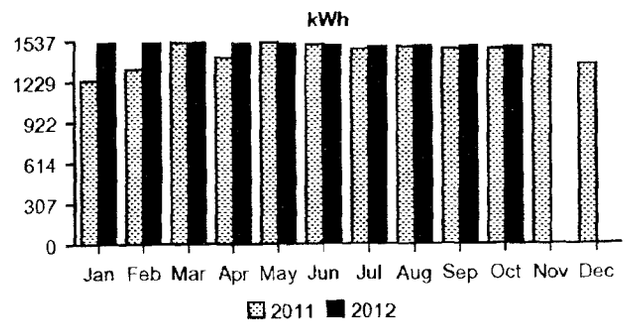
Regulatory assessment	$6.10
State sales tax	$207.46
County sales tax	$22.00
City sales tax	$16.34
Franchise fee	$61.63
Cost of electricity with taxes and fees	$3,389.13

Total charges for electricity services **$3,389.13**

Amount of electricity you used

Meter reading on Oct 24	26240
Meter reading on Sep 26	84427
Total electricity you used, in kWh	**41813**
Demand meter reading	63.00
Your billed demand in kW	**63.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	28	34	28
Average outdoor temperature	78°	88°	79°
Your total use in kWh	41813	51061	41544
Your billed demand in kW	63.0	63.0	62.0
Your average daily cost	$121.04	$117.33	$129.56

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 6355 N El Mirage Rd Well 4al

Your service plan: E-221 Rate
Service number: 8541S91288
DBA: Litchfield Park Service CO

Meter number: Q21392
Meter reading cycle: 14

Charges for electricity services

Cost of electricity you used

Customer account charge	$17.05
Energy charge	$11,623.06
Demand charge	$579.82
Environmental benefits surcharge	$341.69
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$712.27
Federal transmission cost adjustment*	$199.75
Cost of electricity you used	$12,049.10

Taxes and fees

Regulatory assessment	$23.89
State sales tax	$796.82
County sales tax	$84.51
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$12,954.32

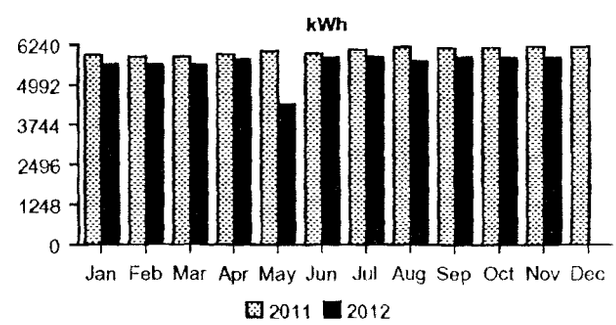
Total charges for electricity services **$12,954.32**

Amount of electricity you used

Meter reading on Nov 20	56379
Meter reading on Oct 22	54248
Read difference is	2131
Multiplier applied to the read difference	80
Total electricity you used, in kWh	**170480**

Demand meter reading	3.07
Multiplier applied to the read	80
Your total demand in kW	245.6
Your billed demand in kW	**246.0**

Average daily electricity use per month



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Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	31	29
Average outdoor temperature	67°	80°	68°
Your total use in kWh	170480	182560	180240
Your billed demand in kW	246.0	247.0	262.0
Your average daily cost	$446.70	$442.71	$479.20

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 4307 N 127 Ave Well 4

Your service plan: E-221 Rate
Service number: 5157S50286
DBA: Town Well 4

Meter number: F95302
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$16.46
Energy charge	$4,594.98
Demand charge	$263.98
Environmental benefits surcharge	$211.91
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$277.42
Federal transmission cost adjustment*	$90.94
Cost of electricity you used	$4,900.85

Taxes and fees

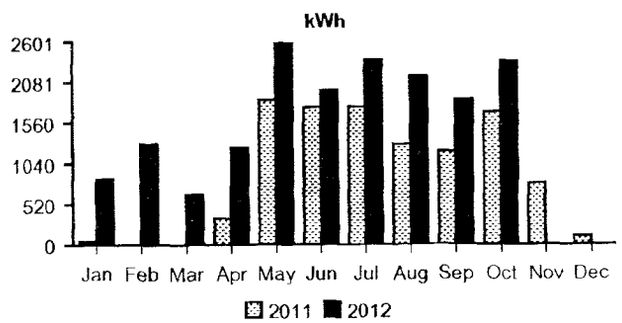
Regulatory assessment	$9.72
State sales tax	$324.10
County sales tax	$34.37
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$5,269.04

Total charges for electricity services **$5,269.04**

Amount of electricity you used

Meter reading on Oct 24	76412
Meter reading on Sep 26	74752
Read difference is	1660
Multiplier applied to the read difference	40
Total electricity you used, in kWh	**66400**
Demand meter reading	2.81
Multiplier applied to the read	40
Your total demand in kW	112.4
Your billed demand in kW	**112.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	28	33	30
Average outdoor temperature	77°	88°	79°
Your total use in kWh	66400	61760	51600
Your billed demand in kW	112.0	112.0	112.0
Your average daily cost	$188.18	$150.91	$147.28

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 1530 N Sarival Ave

Your service plan: E-32 XS/S
Service number: 2126S02286
DBA: Litchfield Park Service CO

Meter number: J07928
Meter reading cycle: 03

Charges for electricity services

Cost of electricity you used

Customer account charge	$4.03
Delivery service charge	$13.37
Demand charge - delivery	$684.17
Environmental benefits surcharge	$102.39
Federal environmental improvement surcharge	$0.00
System benefits charge	$9.39
Power supply adjustment*	-$13.20
Metering*	$33.76
Meter reading*	$2.18
Billing*	$2.40
Generation of electricity*	$252.74
Federal transmission and ancillary services*	$131.56
Federal transmission cost adjustment*	$67.40
Cost of electricity you used	$1,290.19

Taxes and fees

Regulatory assessment	$2.56
State sales tax	$87.03
County sales tax	$9.23
City sales tax	$32.97
Franchise fee	$25.86
Cost of electricity with taxes and fees	$1,447.84

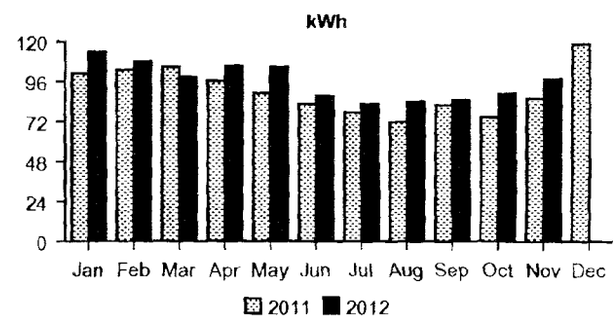
Total charges for electricity services **$1,447.84**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 5	5161
Meter reading on Oct 4	5082
Read difference is	79
Multiplier applied to the read difference	40
Total electricity you used, in kWh	**3160**
Demand meter reading	2.07
Multiplier applied to the read	40
Your total demand in kW	82.8
Your billed demand in kW	**83.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	32	28	28
Average outdoor temperature	74°	85°	74°
Your total use in kWh	3160	2520	2440
Your billed demand in kW	83.0	16.0	22.0
Your average daily cost	$45.24	$15.97	$20.55

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 12660 W Indian School Rd Well 6

Your service plan: E-221 Rate
Service number: 0030S01288
DBA: Litchfield Pk Service CO

Meter number: F95304
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$0.00
Energy charge	$0.00
Demand charge	$0.00
Environmental benefits surcharge	$127.02
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$0.67
Federal transmission cost adjustment*	$105.56
Minimum charge	$322.03
Cost of electricity you used	$553.94

Taxes and fees

Regulatory assessment	$1.10
State sales tax	$36.63
County sales tax	$3.89
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$595.56

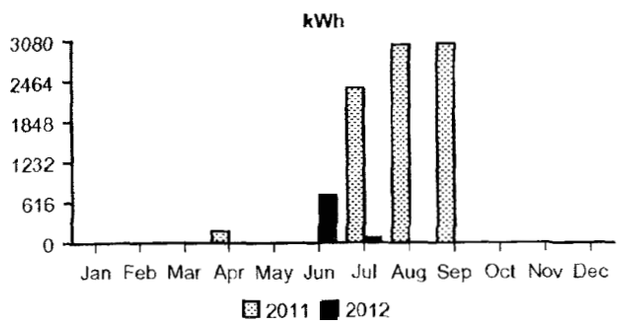
Total charges for electricity services **$595.56**

Amount of electricity you used

Meter reading on Oct 24	953
Meter reading on Sep 26	951
Read difference is	2
Multiplier applied to the read difference	80
Total electricity you used, in kWh	**160**
Demand meter reading	0.00
Multiplier applied to the read	80
Your total demand in kW	0.0
Your billed demand in kW	**130.0**

130 is the highest kW used in the last 12 months

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	28	33	30
Average outdoor temperature	77°	88°	79°
Your total use in kWh	160	160	560
Your billed demand in kW	130.0	130.0	129.0
Your average daily cost	$21.27	$18.13	$19.64

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 4832 N Litchfield Knoll E Lift Bldg E

Your service plan: E-32 XS/S
Service number: 6474S90288
DBA: Litchfield Park Service CO

Meter number: P91235
Meter reading cycle: 13

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.40
Delivery service charge	$0.00
Demand charge - delivery	$0.00
Environmental benefits surcharge	$0.00
Federal environmental improvement surcharge	$0.00
System benefits charge	$0.00
Power supply adjustment*	$0.00
Metering*	$10.88
Meter reading*	$1.84
Billing*	$2.03
Generation of electricity*	$0.00
Federal transmission and ancillary services*	$0.00
Federal transmission cost adjustment*	$0.00
Cost of electricity you used	$18.15

Taxes and fees

Regulatory assessment	$0.04
State sales tax	$1.22
County sales tax	$0.13
City sales tax	$0.14
Franchise fee	$0.34
Cost of electricity with taxes and fees	$20.02

Total charges for electricity services **$20.02**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 19	0
Meter reading on Oct 23	0
Total electricity you used, in kWh	**0**
Demand meter reading	0.00
Your billed demand in kW	**0.0**

Comparing your monthly use

	This month	Last month	This month last year
Billing days	27	32	29
Average outdoor temperature	66°	79°	66°
Your total use in kWh	0	0	0
Your billed demand in kW	0.0	0.0	0.0
Your average daily cost	$0.74	$0.74	$0.74

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 6302 N El Mirage Rd Pump

Your service plan: E-32 M
Service number: 2023S62281
DBA: Airline Reservoier And Pumping

Meter number: Q21834
Meter reading cycle: 14

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.65
Delivery service charge	$769.45
Demand charge - delivery	$1,997.40
Environmental benefits surcharge	$488.90
Federal environmental improvement surcharge	$0.00
System benefits charge	$352.12
Power supply adjustment*	-$495.34
Metering*	$30.60
Meter reading*	$1.97
Billing*	$2.18
Generation of electricity*	$7,334.02
Federal transmission and ancillary services*	$630.83
Federal transmission cost adjustment*	$323.18
Cost of electricity you used	$11,438.96

Taxes and fees

Regulatory assessment	$22.68
State sales tax	$756.47
County sales tax	$80.23
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$12,298.34

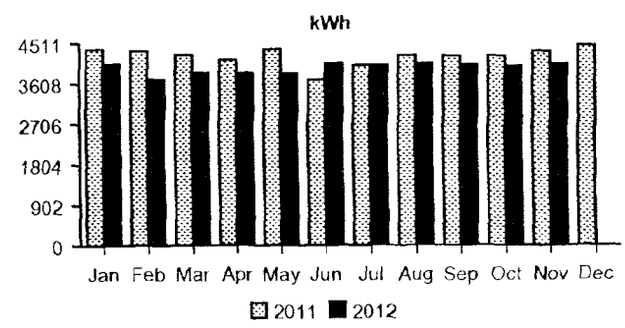
Total charges for electricity services **$12,298.34**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 20	19724
Meter reading on Oct 22	18983
Read difference is	741
Multiplier applied to the read difference	160
Total electricity you used, in kWh	**118560**
Demand meter reading	2.49
Multiplier applied to the read	160
Your total demand in kW	398.4
Your billed demand in kW	**398.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	31	29
Average outdoor temperature	66°	79°	67°
Your total use in kWh	118560	125440	126560
Your billed demand in kW	398.0	291.0	312.0
Your average daily cost	$424.08	$417.51	$380.22

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 1952 N Dysart Rd

Your service plan: E-32 M
Service number: 9074S62282
DBA: Litchfield Park Service CO

Meter number: P60356
Meter reading cycle: 17

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.65
Delivery service charge	$6.75
Demand charge - delivery	$910.60
Environmental benefits surcharge	$115.71
Federal environmental improvement surcharge	$0.00
System benefits charge	$3.09
Power supply adjustment*	-$4.34
Metering*	$30.60
Meter reading*	$1.97
Billing*	$2.18
Generation of electricity*	$92.96
Federal transmission and ancillary services*	$177.52
Federal transmission cost adjustment*	$90.94
Cost of electricity you used	$1,431.63

Taxes and fees

Regulatory assessment	$2.84
State sales tax	$96.57
County sales tax	$10.24
City sales tax	$36.58
Franchise fee	$28.69
Cost of electricity with taxes and fees	$1,606.55

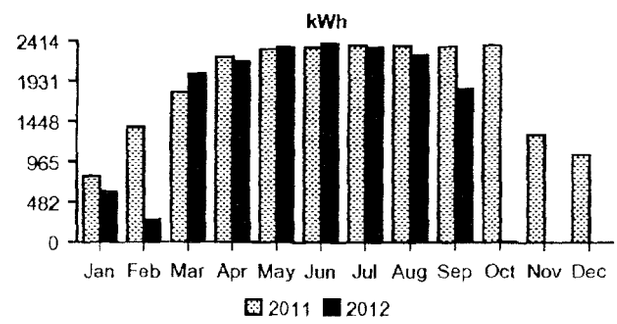
Total charges for electricity services **$1,606.55**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Oct 25	53718
Meter reading on Sep 26	53692
Read difference is	26
Multiplier applied to the read difference	40
Total electricity you used, in kWh	**1040**
Demand meter reading	2.80
Multiplier applied to the read	40
Your total demand in kW	112.0
Your billed demand in kW	**112.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	30	29
Average outdoor temperature	78°	88°	79°
Your total use in kWh	1040	55720	69240
Your billed demand in kW	112.0	111.0	103.0
Your average daily cost	$55.39	$202.99	$235.20

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 2910 N Bullard Rd

Your service plan: E-32 XS/S
Service number: 1520S11283
DBA: Litchfield Park Service CO

Meter number: DC4337
Meter reading cycle: 12

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.65
Delivery service charge	$0.08
Demand charge - delivery	$0.00
Environmental benefits surcharge	$0.02
Federal environmental improvement surcharge	$0.00
System benefits charge	$0.01
Power supply adjustment*	-$0.01
Metering*	$11.69
Meter reading*	$1.97
Billing*	$2.18
Generation of electricity*	$0.14
Federal transmission and ancillary services*	$0.01
Federal transmission cost adjustment*	$0.01
Cost of electricity you used	$19.75

Taxes and fees

Regulatory assessment	$0.04
State sales tax	$1.33
County sales tax	$0.14
City sales tax	$0.50
Franchise fee	$0.40
Cost of electricity with taxes and fees	$22.16

Total charges for electricity services **$22.16**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Old meter number: M31423

Meter reading on Nov 13	374
Meter reading on Oct 18	372
Electricity you used, in kWh	**2**
Demand meter reading	0.00

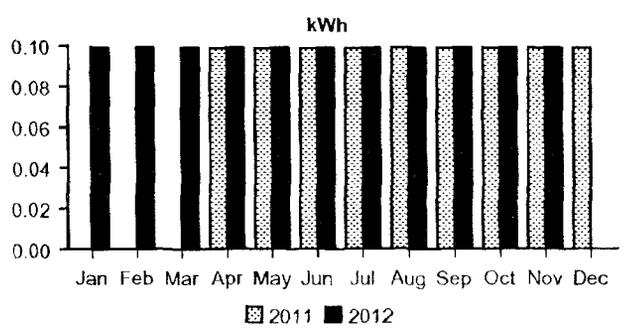
Since your previous read, your meter has been changed

New meter number: DC4337

Meter reading on Nov 16	0
Meter reading on Nov 13	0
Electricity you used, in kWh	**0**
Demand meter reading	0.00

Total electricity you used, in kWh	**2**
Your billed demand in kW	**0.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	29	32
Average outdoor temperature	68°	81°	69°
Your total use in kWh	2	4	3
Your billed demand in kW	0.0	0.0	0.0
Your average daily cost	$0.76	$0.77	$0.76

X

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 6803 N Dysart Rd

Your service plan: E-32 XS/S
Service number: 6112S91288
DBA: Litchfield Park Service CO

Meter number: DC8827
Meter reading cycle: 14

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.53
Delivery service charge	$35.09
Demand charge - delivery	$0.00
Environmental benefits surcharge	$8.15
Federal environmental improvement surcharge	$0.00
System benefits charge	$2.50
Power supply adjustment*	-$3.52
Metering*	$11.28
Meter reading*	$1.90
Billing*	$2.10
Generation of electricity*	$57.93
Federal transmission and ancillary services*	$3.57
Federal transmission cost adjustment*	$2.15
Cost of electricity you used	$124.68

Taxes and fees

Regulatory assessment	$0.25
State sales tax	$8.25
County sales tax	$0.87
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$134.05

Total charges for electricity services **$134.05**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Old meter number: F74440

Meter reading on Nov 13	29812
Meter reading on Oct 23	29172
Electricity you used, in kWh	**640**
Demand meter reading	6.00

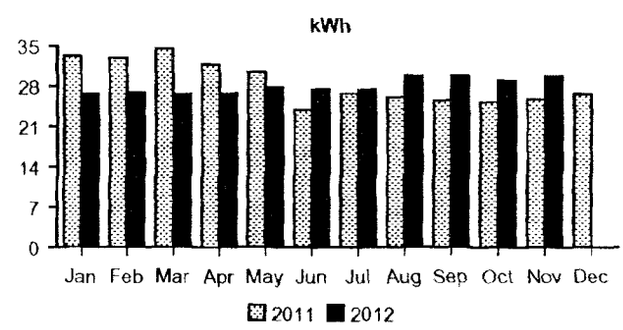
Since your previous read, your meter has been changed

New meter number: DC8827

Meter reading on Nov 20	202
Meter reading on Nov 13	0
Electricity you used, in kWh	**202**
Demand meter reading	2.98

Total electricity you used, in kWh	**842**
Your billed demand in kW	**6.0**

Average daily electricity use per month



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aps

Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 6024 N El Mirage Rd

***Your service plan:* E-32 XS/S**
Service number: 8413S52285
DBA: Litchfield Park Service CO

Meter number: CW8997
Meter reading cycle: 14

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.53
Delivery service charge	$6.77
Demand charge - delivery	$741.87
Environmental benefits surcharge	$98.31
Federal environmental improvement surcharge	$0.00
System benefits charge	$4.75
Power supply adjustment*	-$6.69
Metering*	$29.54
Meter reading*	$1.90
Billing*	$2.10
Generation of electricity*	$127.97
Federal transmission and ancillary services*	$142.65
Federal transmission cost adjustment*	$73.08
Cost of electricity you used	$1,225.78

Taxes and fees

Regulatory assessment	$2.43
State sales tax	$81.06
County sales tax	$8.60
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$1,317.87

Total charges for electricity services **$1,317.87**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

***Old meter number:* U20824**

Meter reading on Nov 14	272
Meter reading on Oct 23	255
Read difference is	17
Multiplier applied to the read difference	80
Electricity you used, in kWh	**1360**
Demand meter reading	1.12
Multiplier applied to the read	80
Your total demand in kW	89.6

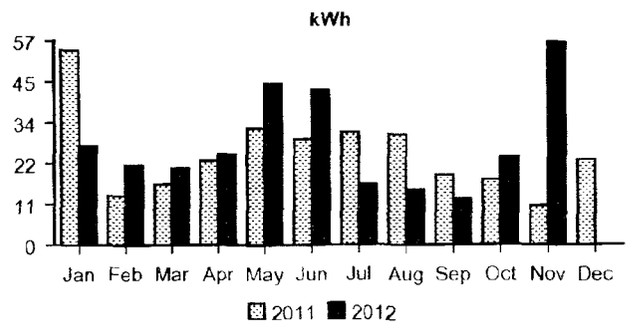
Since your previous read, your meter has been changed

New meter number: CW8997

Meter reading on Nov 20	3
Meter reading on Nov 14	0
Read difference is	3
Multiplier applied to the read difference	80
Electricity you used, in kWh	**240**
Demand meter reading	0.05
Multiplier applied to the read	80
Your total demand in kW	4.0

Total electricity you used, in kWh	**1600**
Your billed demand in kW	**90.0**

Average daily electricity use per month



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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 5247 N El Mirage Rd

Your service plan: E-32 XS/S
Service number: 7828S52283
DBA: Litchfield Park Service CO

Meter number: CW9095
Meter reading cycle: 14

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.53
Delivery service charge	$210.82
Demand charge - delivery	$733.63
Environmental benefits surcharge	$189.64
Federal environmental improvement surcharge	$0.00
System benefits charge	$148.02
Power supply adjustment*	-$208.23
Metering*	$29.54
Meter reading*	$1.90
Billing*	$2.10
Generation of electricity*	$2,678.97
Federal transmission and ancillary services*	$141.07
Federal transmission cost adjustment*	$72.27
Cost of electricity you used	$4,003.26

Taxes and fees

Regulatory assessment	$7.94
State sales tax	$264.74
County sales tax	$28.08
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$4,304.02

Total charges for electricity services **$4,304.02**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Old meter number: J41766

Meter reading on Nov 14	12520
Meter reading on Oct 23	12021
Read difference is	499
Multiplier applied to the read difference	80
Electricity you used, in kWh	**39920**
Demand meter reading	1.11
Multiplier applied to the read	80
Your total demand in kW	88.8

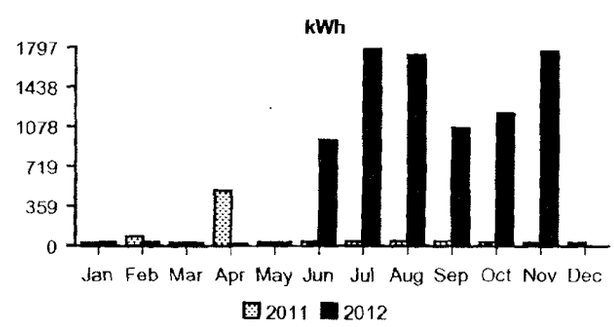
Since your previous read, your meter has been changed

New meter number: CW9095

Meter reading on Nov 20	124
Meter reading on Nov 14	0
Read difference is	124
Multiplier applied to the read difference	80
Electricity you used, in kWh	**9920**
Demand meter reading	1.01
Multiplier applied to the read	80
Your total demand in kW	80.8

Total electricity you used, in kWh	**49840**
Your billed demand in kW	**89.0**

Average daily electricity use per month



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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 4450 N 127 Ave Well 5

Your service plan: E-221 Rate
Service number: 2837S50288
DBA: Town Well T 5

Meter number: F95395
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$17.64
Energy charge	$2,295.48
Demand charge	$280.48
Environmental benefits surcharge	$218.69
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$125.18
Federal transmission cost adjustment*	$96.63
Cost of electricity you used	$2,783.74

Taxes and fees

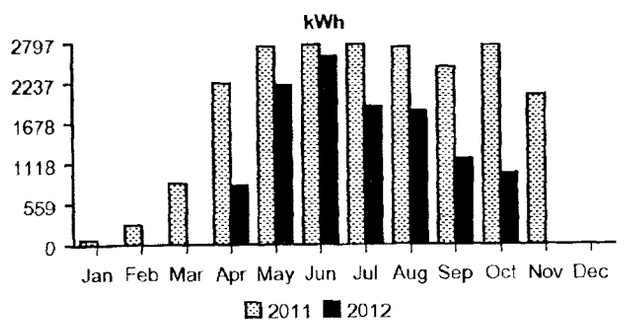
Regulatory assessment	$5.52
State sales tax	$184.09
County sales tax	$19.52
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$2,992.87

Total charges for electricity services **$2,992.87**

Amount of electricity you used

Meter reading on Oct 25	2796
Meter reading on Sep 25	2047
Read difference is	749
Multiplier applied to the read difference	40
Total electricity you used, in kWh	**29960**
Demand meter reading	2.98
Multiplier applied to the read	40
Your total demand in kW	119.2
Your billed demand in kW	**119.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	30	33	30
Average outdoor temperature	77°	88°	79°
Your total use in kWh	29960	39720	83480
Your billed demand in kW	119.0	119.0	118.0
Your average daily cost	$99.76	$110.69	$228.85

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 15521 W Minnezona Ave Well

Your service plan: E-221 Rate
Service number: 4281S31285
DBA: Litchfield Park Service CO

Meter number: J89002
Meter reading cycle: 12

Charges for electricity services

Cost of electricity you used

Customer account charge	$18.82
Energy charge	$7,491.04
Demand charge	$381.83
Environmental benefits surcharge	$260.34
Federal environmental improvement surcharge	$0.00
Power supply adjustment*	-$457.91
Federal transmission cost adjustment*	$131.54
Cost of electricity you used	$7,825.66

Taxes and fees

Regulatory assessment	$15.52
State sales tax	$527.87
County sales tax	$55.99
City sales tax	$199.95
Franchise fee	$156.82
Cost of electricity with taxes and fees	$8,781.81

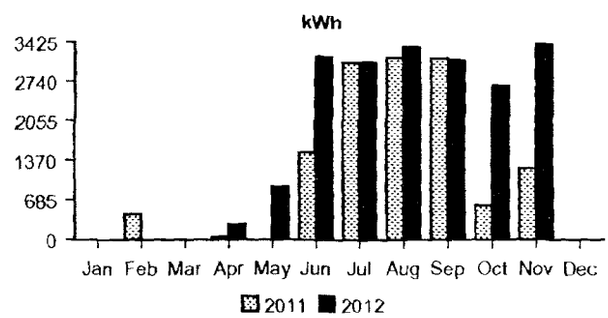
Total charges for electricity services	**$8,781.81**

Amount of electricity you used

Meter reading on Nov 19	58470
Meter reading on Oct 18	57100
Read difference is	1370
Multiplier applied to the read difference	80
Total electricity you used, in kWh	**109600**

Demand meter reading	2.02
Multiplier applied to the read	80
Your total demand in kW	161.6
Your billed demand in kW	**162.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	32	28	33
Average outdoor temperature	68°	81°	69°
Your total use in kWh	109600	75200	41760
Your billed demand in kW	162.0	127.0	129.0
Your average daily cost	$274.43	$221.79	$124.22

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 15614 W Charles Blvd

Your service plan: E-32 XS/S
Service number: 7071S72288
DBA: Well 20b

Meter number: P22948
Meter reading cycle: 12

Charges for electricity services

Cost of electricity you used

Customer account charge	$4.03
Delivery service charge	$66.50
Demand charge - delivery	$230.80
Environmental benefits surcharge	$130.56
Federal environmental improvement surcharge	$0.00
System benefits charge	$46.69
Power supply adjustment*	-$65.68
Metering*	$12.90
Meter reading*	$2.18
Billing*	$2.40
Generation of electricity*	$844.39
Federal transmission and ancillary services*	$44.38
Federal transmission cost adjustment*	$22.74
Cost of electricity you used	$1,341.89

Taxes and fees

Regulatory assessment	$2.66
State sales tax	$90.52
County sales tax	$9.60
City sales tax	$34.29
Franchise fee	$26.89
Cost of electricity with taxes and fees	$1,505.85

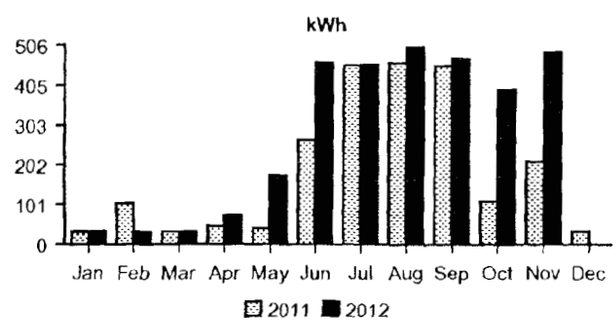
Total charges for electricity services **$1,505.85**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 19	12673
Meter reading on Oct 18	96953
Total electricity you used, in kWh	**15720**
Demand meter reading	28.00
Your billed demand in kW	**28.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	32	28	32
Average outdoor temperature	68°	81°	68°
Your total use in kWh	15720	11168	6890
Your billed demand in kW	28.0	20.0	22.0
Your average daily cost	$47.05	$49.84	$27.94

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Your electricity bill
November 21, 2012

LITCHFIELD PARK SERVICE CO

Your account number
342122282

New charges for 14222 W McDowell Rd

Your service plan: E-32 L
Service number: 5910S61286
DBA: Litchfield Park Service CO

Meter number: Q21848
Meter reading cycle: 03

Charges for electricity services

Cost of electricity you used

Customer account charge	$17.43
Delivery service charge	$32.41
Demand charge - delivery	$5,845.38
Environmental benefits surcharge	$713.60
Federal environmental improvement surcharge	$0.00
System benefits charge	$874.96
Power supply adjustment*	-$1,230.84
Metering*	$26.22
Meter reading*	$1.68
Billing*	$1.86
Generation of electricity*	$10,299.22
Demand charge - generation*	$2,832.48
Federal transmission and ancillary services*	$998.55
Federal transmission cost adjustment*	$511.56
Cost of electricity you used	$20,924.51

Taxes and fees

Regulatory assessment	$41.49
State sales tax	$1,411.43
County sales tax	$149.70
City sales tax	$534.63
Franchise fee	$419.32
Cost of electricity with taxes and fees	$23,481.08

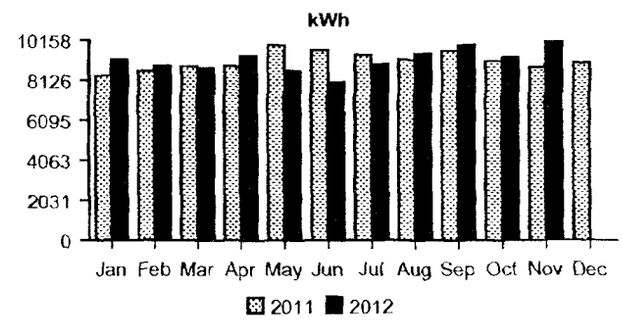
Total charges for electricity services **$23,481.08**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Nov 3	11318
Meter reading on Oct 5	10827
Read difference is	491
Multiplier applied to the read difference	600
Total electricity you used, in kWh	**294600**
Demand meter reading	1.05
Multiplier applied to the read	600
Your total demand in kW	630.0
Your billed demand in kW	**630.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	29	29	31
Average outdoor temperature	74°	85°	75°
Your total use in kWh	294600	271200	274800
Your billed demand in kW	630.0	600.0	630.0
Your average daily cost	$809.69	$940.16	$736.26

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RECEIVED JAN 31 2013

P.T.

Your electricity bill

ALGONQUIN WATER SERVICES LLC

Bill date: January 29, 2013

Your account number: 556745281

For service at: 4 locations

Questions or Office Locations?
Call 602-371-6767,
Mon - Fri, 7:30am - 5:00pm
Website: aps.com
Para servicio en español llame al:
602-371-6861 (Phoenix)

Summary of what you owe

	Amount owing on your previous bill	$1,426.73
Less	Payment made on Jan 11, thank you	-$1,426.73
Less	SurePay discount	-$0.48
Equals	Your balance forward	-$0.48
Plus	Your new charges (details on following pages)	
	Cost of electricity (with taxes and fees)	$1,661.73
Equals	**Total amount due**	**$1,661.25**

We will debit your checking or savings account for $1,661.25 on February 11, 2013.

Jan 13

Thank you for your consistent and timely payments. We value your business.

8020-0000 ARRoyo - 24.34

8020 2-000275-7255-0000 - 1634.91
Crystal Greene

New Charge on Your Bill Beginning March 2013
In May 2012, the Arizona Corporation Commission (ACC) approved new rates for APS. Because more customers are installing renewable energy systems such as solar and wind, and energy efficiency measures such as compact fluorescent light bulbs and refrigerator recycling, APS is selling less electricity, but fixed costs remain. APS is allowed to implement a new charge to recover a portion of the fixed costs. Fixed costs are for items that are needed regardless of how much electricity is sold, such as power poles, wires and other delivery infrastructure. As a result, the Lost Fixed Cost Recovery (LFCR) charge will begin appearing on your bill in March 2013. For more information, visit aps.com/LFCR.

See page 2 for more information.

When paying in person, please bring the bottom portion of your bill.

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Your account number 556745281

Bill date January 29, 2013

Mailing address or phone number change?
Please call 602-371-6767.

2659.1.20.5100 1 AV 0.360

ALGONQUIN WATER SERVICES LLC
STE D101
12725 W INDIAN SCHOOL RD
AVONDALE AZ 85392-9524

You do not need to mail a payment. With SurePay, your payment is automatically deducted from your checking or savings account.

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Things you need to know

Contacting APS

- E-mail us at aps@aps.com
- Call us at:
  602-371-6767 (Phoenix) or 800-253-9407 (Other areas)
  Mon-Fri, 7:30 am - 5:00 pm
- Para servicio en español llame al:
  602-371-6861 (Phoenix) o 1-800-252-9410 (Otras areas)
- Hearing impaired
  Dial 711 - AZ Relay Service
- By mail: APS, Station 3200, PO Box 53933,
  Phoenix AZ 85072-3933
- Blue Stake - Before you dig, call:
  811 or 800-782-5348 from anywhere within Arizona
- Electrical emergencies other than power outages, call:
  602-258-5483 (Phoenix) or 800-253-9408 (Other areas)

Important billing and collection information

Make checks payable to APS and mail to:
APS, PO Box 2906, Phoenix AZ 85062-2906

Credit and Collections:
602-371-7607 (Phoenix) or 1-800-253-9409 (Other areas)

All bills for utility services are due and payable no later than 15 days from the date of the bill. Any payments not received within this time-frame shall be considered delinquent and are subject to a late payment charge of 1.5% per month.

If your power is shut off for non-payment, you must pay all the delinquent amounts and a deposit or additional deposit before power is restored.

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic funds transfer from your account or to process the payment as a check transaction. When we process your check electronically you will not receive your check back from your financial institution and funds may be withdrawn from your account on the same day we receive your payment.

Utility regulations and rates (Not an APS payment site)

Electricity regulations and rates are approved by
Arizona Corporation Commission,
1200 W. Washington, Phoenix AZ 85007
602-542-4251 (Phoenix) or 1-800-222-7000 (Other areas).
www.cc.state.az.us

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Your electricity bill
January 29, 2013

ALGONQUIN WATER SERVICES LLC

Your account number
556745281

Summary of charges by service address

Service number	Service address	Total electricity used (kWh)	Billed demand (kW)	Other charges and credits ($)	Total charges ($)
5613S52285	5049 N 191 Dr Litchfield Park Algonquin Water Services LLC	9	0.0	$0.00	$24.34
6674S02281	12725 W Indian School Rd Ste D103, Avondale Algonquin Water Services LLC	5200	17.0	$0.00	$729.29
7784S02286	12725 W Indian School Rd Ste D101, Avondale Algonquin Water Services LLC	3169	12.0	$0.00	$461.33
1183S02288	12725 W Indian School Rd Ste D104, Avondale Algonquin Water Services LLC	3064	18.0	$0.00	$446.77
Total		**11442**		**$0.00**	**$1,661.73**

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Your electricity bill
January 29, 2013

ALGONQUIN WATER SERVICES LLC

Your account number
556745281

New charges for 5049 N 191 Dr

Your service plan: E-32 XS/S
Service number: 5613S52285
DBA: Algonquin Water Services LLC

Meter number: DC4288
Meter reading cycle: 09

Charges for electricity services

Cost of electricity you used

Customer account charge	$4.03
Delivery service charge	$0.38
Demand charge - delivery	$0.00
Environmental benefits surcharge	$0.08
System benefits charge	$0.03
Power supply adjustment*	-$0.04
Metering*	$12.90
Meter reading*	$2.18
Billing*	$2.40
Generation of electricity*	$0.62
Federal transmission and ancillary services*	$0.04
Federal transmission cost adjustment*	$0.02
Cost of electricity you used	$22.64

Taxes and fees

Regulatory assessment	$0.04
State sales tax	$1.50
County sales tax	$0.16
City sales tax	$0.00
Franchise fee	$0.00
Cost of electricity with taxes and fees	$24.34

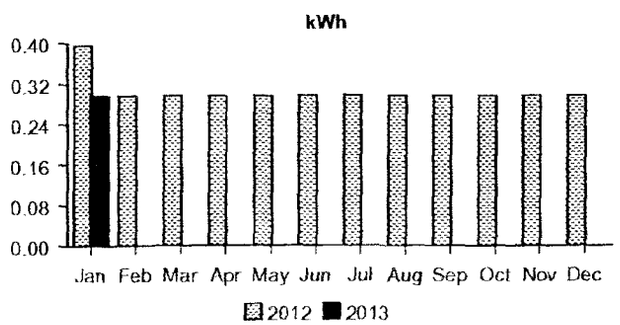
Total charges for electricity services **$24.34**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Jan 15	21
Meter reading on Dec 14	12
Total electricity you used, in kWh	**9**
Demand meter reading	0.01
Your billed demand in kW	**0.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	32	31	33
Average outdoor temperature	47°	60°	53°
Your total use in kWh	9	9	12
Your billed demand in kW	0.0	0.0	0.0
Your average daily cost	$0.76	$0.76	$0.77

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Your electricity bill
January 29, 2013

ALGONQUIN WATER SERVICES LLC

Your account number
556745281

New charges for 12725 W Indian School Rd Ste D103

Your service plan: E-32 XS/S
Service number: 6674S02281
DBA: Algonquin Water Services LLC

Meter number: DA0269
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.78
Delivery service charge	$211.01
Demand charge - delivery	$0.00
Environmental benefits surcharge	$50.33
System benefits charge	$15.44
Power supply adjustment*	-$21.73
Metering*	$12.09
Meter reading*	$2.04
Billing*	$2.25
Generation of electricity*	$351.27
Federal transmission and ancillary services*	$22.05
Federal transmission cost adjustment*	$13.26
Cost of electricity you used	$661.79

Taxes and fees

Regulatory assessment	$1.31
State sales tax	$44.64
County sales tax	$4.73
City sales tax	$3.56
Franchise fee	$13.26
Cost of electricity with taxes and fees	$729.29

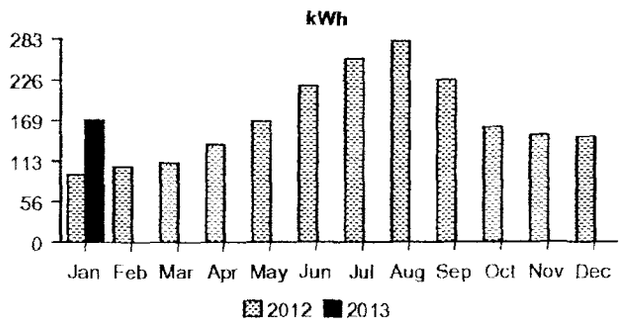
Total charges for electricity services **$729.29**

** These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Jan 25	18111
Meter reading on Dec 26	12911
Total electricity you used, in kWh	**5200**
Demand meter reading	17.00
Your billed demand in kW	**17.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	30	30	33
Average outdoor temperature	52°	59°	56°
Your total use in kWh	5200	4473	3182
Your billed demand in kW	17.0	17.0	15.0
Your average daily cost	$24.30	$21.39	$13.92

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Your electricity bill
January 29, 2013

ALGONQUIN WATER SERVICES LLC

Your account number
556745281

New charges for 12725 W Indian School Rd Ste D101

Your service plan: E-32 XS/S
Service number: 7784S02286
DBA: Algonquin Water Services LLC

Meter number: DA0270
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.78
Delivery service charge	$132.08
Demand charge - delivery	$0.00
Environmental benefits surcharge	$30.67
System benefits charge	$9.41
Power supply adjustment*	-$13.24
Metering*	$12.09
Meter reading*	$2.04
Billing*	$2.25
Generation of electricity*	$218.03
Federal transmission and ancillary services*	$13.44
Federal transmission cost adjustment*	$8.08
Cost of electricity you used	$418.63

Taxes and fees

Regulatory assessment	$0.83
State sales tax	$28.24
County sales tax	$2.99
City sales tax	$2.25
Franchise fee	$8.39
Cost of electricity with taxes and fees	$461.33

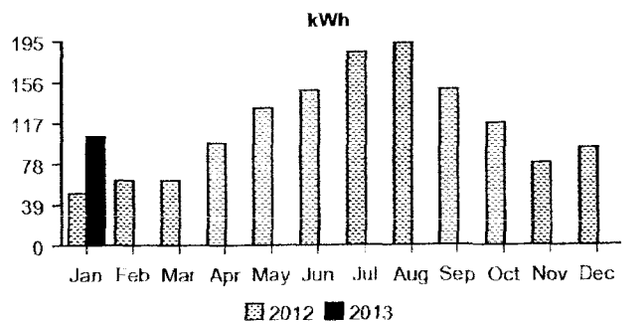
Total charges for electricity services **$461.33**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Jan 25	11088
Meter reading on Dec 26	7919
Total electricity you used, in kWh	**3169**
Demand meter reading	12.48
Your billed demand in kW	**12.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	30	30	33
Average outdoor temperature	52°	59°	56°
Your total use in kWh	3169	2849	1700
Your billed demand in kW	12.0	13.0	12.0
Your average daily cost	$15.37	$13.89	$7.78

X

aps.com

Your electricity bill
January 29, 2013

ALGONQUIN WATER SERVICES LLC

Your account number
556745281

New charges for 12725 W Indian School Rd Ste D104

Your service plan: E-32 XS/S
Service number: 1183S02288
DBA: Algonquin Water Services LLC

Meter number: DA0271
Meter reading cycle: 16

Charges for electricity services

Cost of electricity you used

Customer account charge	$3.78
Delivery service charge	$127.71
Demand charge - delivery	$0.00
Environmental benefits surcharge	$29.65
System benefits charge	$9.10
Power supply adjustment*	-$12.80
Metering*	$12.09
Meter reading*	$2.04
Billing*	$2.25
Generation of electricity*	$210.80
Federal transmission and ancillary services*	$12.99
Federal transmission cost adjustment*	$7.81
Cost of electricity you used	$405.42

Taxes and fees

Regulatory assessment	$0.80
State sales tax	$27.35
County sales tax	$2.90
City sales tax	$2.18
Franchise fee	$8.12
Cost of electricity with taxes and fees	$446.77

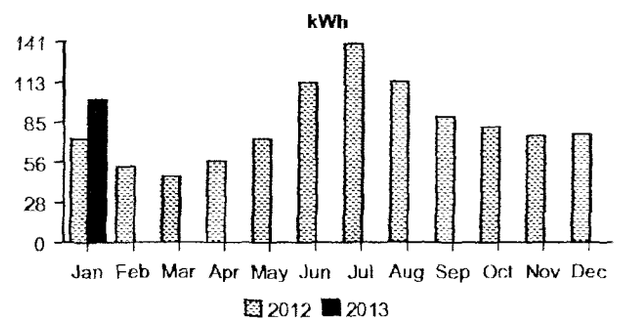
Total charges for electricity services **$446.77**

* *These services are currently provided by APS but may be provided by a competitive supplier.*

Amount of electricity you used

Meter reading on Jan 25	9786
Meter reading on Dec 26	6722
Total electricity you used, in kWh	**3064**
Demand meter reading	17.82
Your billed demand in kW	**18.0**

Average daily electricity use per month



Comparing your monthly use

	This month	Last month	This month last year
Billing days	30	30	33
Average outdoor temperature	52°	59°	56°
Your total use in kWh	3064	2327	2452
Your billed demand in kW	18.0	10.0	12.0
Your average daily cost	$14.89	$11.48	$10.90

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

CHRISTOPHER D. KRYGIER
DIRECT TESTIMONY

FEBRUARY 28, 2013

EXHIBIT CDK – DT7

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

I. RATES – General Residential, Commercial, Industrial, and Irrigation Service

Originally in Decision No. 72026, dated December 10, 2010, and again in Decision No. 72682, dated November 17, 2011, the Commission authorized the following rates and charges to become effective December 1, 2011:

A. Monthly Usage Charge ~~– 100 Percent Phase In (Phase 3)~~

Meter Size Inches	Minimum Charge Per Month
5/8" x 3/4" Meter – All Classes	$ 10.20
3/4" Meter – All Classes	10.20
1" Meter – Residential	22.95
1" Meter – All Classes but Residential	25.50
1 1/2" Meter – All Classes	51.00
2" Meter – All Classes	81.60
3" Meter – All Classes	163.20
4" Meter – All Classes	255.00
6" Meter – All Classes	510.00
8" Meter (Bulk Resale Only)	501.00
8" Meter – All Classes	841.50
10" Meter – All Classes	1,173.00
12" Meter – All Classes but Irrigation	2,193.00
12" Meter – Irrigation	2,193.00

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

B. Commodity Rates ~~– 100 Percent Phase In (Phase 3)~~

The rate for use in addition to the minimum stated above shall be at the following rates per 1,000 gallons:

Meter Size	Consumption	Rate
5/8" x 3/4" Meter (Residential)	0 to 3,000	$1.00
	3,001 to 9,000	1.91
	Over 9,000	3.03
3/4" Meter (Residential)	0 to 3,000	1.00
	3,001 to 9,000	1.91
	Over 9,000	3.03
1" Meter (Residential)	0 to 5,000	1.00
	5,001 to 20,000	1.91
	Over 20,000	3.03
5/8" x 3/4" and 3/4" Meter (Commercial, Industrial, Irrigation)	0 to 9,000	1.91
	Over 9,000	3.03
1" Meter (Commercial, Industrial, Irrigation)	0 to 20,000	1.91
	Over 20,000	3.03
1 1/2" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 40,000	1.91
	Over 40,000	3.03
2" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 60,000	1.91
	Over 60,000	3.03

ISSUED BY:

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Avondale, AZ 85392

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

Section I.B continued ~~– 100 Percent Phase In (Phase 3)~~

Meter Size	Consumption	Rate
3" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 120,000	$1.91
	Over 120,000	3.03
4" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 180,000	1.91
	Over 180,000	3.03
6" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 360,000	1.91
	Over 360,000	3.03
8" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 650,000	1.91
	Over 650,000	3.03
8" Meter (Bulk Resale Only)	All Gallons	1.50
10" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 940,000	1.91
	Over 940,000	3.03
12" Meter (Residential, Commercial, Industrial, Irrigation)	0 to 1,200,000	1.91
	Over 1,200,000	3.03
Construction Water*	All Gallons	3.03
Fire Services		Note 1

*There is no monthly minimum for hydrant meters.

Note 1 – 2% of the equivalent monthly meter size or $10 whichever is greater for all meter sizes

ISSUED BY:

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Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

C. Service Line and Meter Installation Charges

(Refundable Pursuant to A.A.C. R14-2-405)

Meter Size	**Line**	**Meter**	**Total**
5/8 x 3/4" Meter	At Cost~~$385.00~~	At Cost~~$135.00~~	~~$520.00~~At Cost
3/4" Meter	~~385.00~~At Cost	~~215.00~~At Cost	~~600.00~~At Cost
1" Meter	~~435.00~~At Cost	~~255.00~~At Cost	~~690.00~~At Cost
1 1/2" Meter	At Cost~~470.00~~	At Cost~~465.00~~	At Cost~~935.00~~
2" Turbine Meter	At Cost ~~630.00~~	At Cost~~965.00~~	At Cost ~~1,595.00~~
2" Compound Meter	At Cost ~~630.00~~	At Cost ~~1,690.00~~	At Cost~~2,320.00~~
3" Turbine Meter	At Cost ~~805.00~~	At Cost ~~1,470.00~~	At Cost~~2,275.00~~
3" Compound Meter	At Cost ~~845.00~~	At Cost ~~2,265.00~~	At Cost~~3,110.00~~
4" Turbine Meter	At Cost~~1,170.00~~	At Cost~~2,350.00~~	At Cost~~3,520.00~~
4"Compound Meter	At Cost~~1,230.00~~	At Cost~~3,245.00~~	At Cost~~4,475.00~~
6" Turbine Meter	At Cost~~1,730.00~~	At Cost ~~4,545.00~~	At Cost~~6,275.00~~
6"Compound Meter	At Cost~~1,770.00~~	At Cost ~~6,280.00~~	At Cost~~8,050.00~~

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
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Avondale, AZ 85392

8" Meter & Larger	At Cost	At Cost	At Cost

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
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Avondale, AZ 85392

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

D. Service Charges

Service	Charge
Establishment (a)	$20.00
Establishment (After Hours) (a)	40.00
Re-Establishment of Service (a)	(b)
Reconnection (Regular Hours) (a)	$50.00
Reconnection (After Hours) (a)	65.00
Meter Test (if correct) (c)	25.00
Meter Re-Read (if correct)	5.00
Fire Hydrant Meter Relocation	$50.00~~/hour~~
Fire Hydrant Meter Repairs (g)	At Cost
NSF Check	25.00
Deferred Payment, Per Month	1.50%
Late Charge	(d)
Service Calls, Per Hour / After Hours (e)	$40.00
Deposit Requirement	(f)
Deposit Interest	3.50%

(a) Service charges for customers taking both water and sewer services are not duplicative.
(b) Minimum charge times number of months disconnected.
(c) $25.00 plus cost of test.
(d) Greater of $5.00 or 1.50% of unpaid balance.
(e) No charge for service calls during normal working hours.
(f) Per Rule R14-2-403(B):
Residential – two times the average bill;
Commercial – two and one-half times the average bill.

ISSUED BY:

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Litchfield Park Service Company dba Liberty Utilities
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Avondale, AZ 85392

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

Section I.D continued

*Hydrant Meter Deposit	
~~5/8 x 3/4" Meter~~	~~$ 135.00~~
~~3/4" Meter~~	~~215.00~~
~~1" Meter~~	~~255.00~~
~~1 1/2" Meter~~	~~465.00~~
~~2" Turbine Meter~~	~~965.00~~
~~2" Compound Meter~~	~~1,690.00~~
~~3" Turbine Meter~~ Fire Hydrant Water Meter	~~1,470.00~~ At Cost
~~3" Compound Meter~~	~~2,265.00~~
~~4" Turbine Meter~~	~~2,350.00~~
~~4" Compound Meter~~	~~3,245.00~~
~~6" Turbine Meter~~	~~4,545.00~~
~~6" Compound Meter~~	~~6,280.00~~
~~8" Meter & Larger~~	~~At Cost~~
Any other size besides 3"	At Cost

* Shall have a non-interest bearing deposit of the amount indicated, refundable in its entirety upon return of the meter in good condition and payment of final bill.

ISSUED BY:

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Avondale, AZ 85392

Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, franchise, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-409(D)(5).

Christopher D. Krygier, Utility Rates and Regulatory Manager
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Applies to all **WATER** service areas
PART ONE
STATEMENT OF CHARGES FOR WATER SERVICE

III. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
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Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

CROSS-CONNECTION OR BACKFLOW TARIFF

PURPOSE:

The purpose of this tariff is to protect Litchfield Park Service Company (the "Company") water from the possibility of contamination caused by backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6. and A.A.C. R18-4-215.

REQUIREMENTS:

In compliance with the Rules and Regulations of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-215 relating to backflow prevention:

1. The Company may require a customer to pay for and have installed, and to maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-215.B or C applies.

2. A backflow-prevention assembly required to be installed by the customer under Paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-215.D and E.

3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with Paragraphs 1 and 7 of this tariff, the Company may terminate service or deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff.

4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the backflow-prevention assembly within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
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Avondale, AZ 85392

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-215.F. The Company ~~may~~ will require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.

6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

   a. assembly identification number and description;
   b. location;
   c. date(s) of test(s);
   d. description of repairs and recommendations for repairs made by tester;
   e. tester's name and certificate number; and
   f. tester's field test kit certification documentation.

7. In the event the backflow-prevention assembly does not function properly or fails any test, and an obvious hazard as contemplated under A.A.C. R14-2-410.B.1.a. exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.

8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a. is **not** applicable, the backflow-prevention assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency of dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas

PART TWO

STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

I. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY LIMITATIONS

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i., at point of connection and will not guarantee a specific gallons per minute flow rate at any public fire hydrants or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

II. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

III. CURTAILMENT PLAN

ADEQ Public Water System Number: 07-046

Litchfield Park Service Company ("Company") is authorized to curtail water service to all customers, residential and commercial, within its certified area under the following terms and conditions:

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of demand and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

a. Company's water storage or well production has been less than 80 percent of demand for at least 48 consecutive hours, and

b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, poor water production, or electrical/ mechanical equipment failures, etc., creating a reasonable belief the Company will be unable to meet anticipated water demands in the system.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

Stage 3 Exists When:

a. Company's total water storage or well production has been less than 50 percent of demand for at least 24 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, poor water production, or electrical/ mechanical equipment failure, etc., creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, the Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock and indoor water conservation techniques should be employed whenever possible.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Beginning with Stage 3, Company shall post at least two (2) signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than stage three until a permanent solution has been implemented.

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

Stage 4 Exists When:

a. Company's total water storage or well production has been less than 25 percent of demand for at least 12 consecutive hours, and

b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, poor water production, or electrical/ mechanical equipment failure, etc., creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a mandatory restriction to employee water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- Washing of any vehicle is prohibited
- The use of water for dust control or any outdoor cleaning uses is prohibited
- The use of drip or misting systems of any kind is prohibited
- The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- Restaurant patrons shall be served water only upon request
- Any other water intensive activity is prohibited

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

2. Company shall post at least two (2) signs showing curtailment stage. Signs shall be posted at noticeable locations like at the well sites and at the entrance to the major subdivision served by the Company.

3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Christopher D. Krygier, *Utility Rates and Regulatory Manager*
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WATER** service areas
PART TWO
STATEMENT OF TERMS AND CONDITIONS FOR WATER SERVICE

Customers who fail to comply with cessation of the above Restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply in an attempt to maintain the supply until a permanent solution has been implemented.

Note: If the Company loses all production and has no storage facilities, the Company must rely on emergency hauling or must otherwise provide emergency drinking water for its customers.

Christopher D. Krygier, Utility Rates and Regulatory Manager
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12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WASTEWATER** service areas
PART THREE
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

I. RATES

Originally in Decision No. 72026, dated December 10, 2010, and again in Decision No. 72682, dated November 17, 2011, the Commission authorized the following rates and charges to become effective December 1, 2011:

A. Monthly Usage Charge – ~~100 Percent Phase In (Phase 3)~~

Meter Size Inches	Minimum Charge Per Month
Residential – Per Unit / Per Month	$38.99
Multiple Unit Service – Per Unit / Month	36.19
Small Commercial[1]	65.93
Regular Domestic[2]	36.91
Restaurants, Motels, Grocery, DC	36.91
Wigwam Resort / Room	36.91
Wigwam Resort / Main	1,433.30
Elementary School	974.64
Middle & High School	1,146.64
Community College	1,777.29
Effluent Sales[3]	Market

[1] Small Commercial is a wastewater commercial customer that averages a maximum of 10,000 gallons of water usage per month.
[2] Regular Domestic is a wastewater commercial customer that averages a minimum of 10,000 gallons of water usage per month.
[3] Market Rate – maximum effluent rate shall not exceed $430 per acre foot based on a potable water rate of $1.32 per thousand gallons and shall not be less than $0.17 per thousand gallons.

ISSUED BY:
Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WASTEWATER** service areas
PART THREE
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

B. Commodity Charge ~~—100 Percent Phase In (Phase 3)~~

(per 1,000 gallons of water)	
Regular Domestic	$3.22
Restaurants, Motels, Grocery, DC	4.30

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Applies to all **WASTEWATER** service areas
PART THREE
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

C. **Service Charges**

Service	Charge
Establishment (a)	$20.00
Establishment (After Hours) (a)	40.00
Re-Establishment of Service (a)	(b)
Reconnection (Regular Hours) (a)	~~$50.00~~(h)
~~Reconnection (After Hours) (a), (h)~~	~~65.00~~
NSF Check	25.00
Deferred Payment, Per Month	1.50%
Late Charge	(c)
Service Calls, Per Hour / After Hours (d)	$40.00
Deposit Requirement	(e)
Deposit Interest	3.50%
Service Lateral Connection Charge – All Sizes	(f)
Main Extension Tariff	(g)

(a) Service charges for customers taking both water and sewer services are not duplicative.
(b) Minimum charge times number of months disconnected.
(c) Greater of $5.00 or 1.50% of unpaid balance.
(d) No charge for service calls during normal working hours.
(e) Per Rule R14-2-603(B):
Residential – two times the average bill;
Non-Residential – two and one-half times the average bill.
(f) At cost. Customer/Developer shall install or cause to be installed all Service Laterals as a non-refundable contribution-in-aid of construction.
(g) ~~All Main Extensions shall be completed at cost and shall be treated as non-refundable contribution-in-aid-of-construction.~~

ISSUED BY:

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Litchfield Park Service Company dba Liberty Utilities
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Avondale, AZ 85392

(h) Actual cost of physical disconnection and reconnection (if same customer) and there shall be no charge if there is no physical work performed.

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Applies to all **WASTEWATER** service areas

PART THREE

STATEMENT OF CHARGES FOR WASTEWATER SERVICE

II. TAXES AND ASSESSMENTS

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, franchise, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-608(D)(5).

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Applies to all **WASTEWATER** service areas
PART THREE
STATEMENT OF CHARGES FOR WASTEWATER SERVICE

III. PERMITTED COSTS

A. Costs shall be verified by invoice.

B. For services that are provided by the Company at cost, costs shall include labor, materials, other charges incurred, and overhead. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.

C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.

D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date.

E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any Federal, State or local taxes that are or may be payable by the Company as a result of any tariff or contract for wastewater facilities under which the Customer advances or contributes funds or facilities to the Company.

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Applies to all **WASTEWATER** service areas

PART FOUR

STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

I. CUSTOMER DISCHARGE TO SYSTEM

A. Service Subject to Regulation

The Company provides wastewater service using treatment and collection facilities that are regulated by numerous county, state and federal Statutes and Regulations. Those Regulations include limitations as to domestic strength wastewater and the type of wastewater that may be discharged into the system by any person directly or indirectly connected to the plant.

B. Waste Limitations

The Company has established the permissible limits of concentration as domestic strength wastewater and will limit concentration for various specific substances, materials, waters, or wastes that can be accepted in the sewer system, and to specify those substances, materials, waters, or wastes that are prohibited from entering the sewer system. Each permissible limit so established shall be placed on file in the business office of the Company, with a copy filed with the Commission. No person shall discharge, or cause to be discharged, any new sources of inflow including, but not limited to, storm water, surface water, groundwater, roof runoffs, subsurface drainage, cooling water, or polluted industrial process waters into the sanitary sewer. The Company will require an affidavit from all commercial and industrial customers, and their professional engineer, stating that the wastewater discharged to the system does not exceed domestic strength.

C. Inspection and Right of Entry

Every facility that is involved directly or indirectly with the discharge of wastewater to the Treatment Plant may be inspected by the Company as it deems necessary. These facilities shall include but not be limited to sewer; sewage pumping plants; all processes; devices and connection sewer; and all similar sewerage facilities. Inspections may be made to determine that such facilities are maintained and operated properly and are adequate to meet the provisions of these rules. Inspections may include the collection of samples. Authorized personnel of the Company shall be provided immediate access to all of the above facilities or to other facilities directly or indirectly connected to the Treatment Plant at all reasonable times including those occasioned by emergency conditions. Any permanent or temporary obstruction to easy access to the user's facility to be inspected shall promptly be removed by the facility user or owner at

Applies to all **WASTEWATER** service areas
PART FOUR
STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

the written or verbal request of the Company and shall not be replaced. No person shall interfere with, delay, resist or refuse entrance to an authorized Company representative attempting to inspect any facility involved directly or indirectly with a discharge of wastewater to the Treatment Plant. Adequate identification shall be provided by the Company for all inspectors and other authorized personnel and these persons shall identify themselves when entering any property for inspection purposes or when inspecting the work of any contractor.

All transient motor homes, travel trailers and other units containing holding tanks must arrive at the Company's service area in an empty condition. Inspection will be required of said units prior to their being allowed to hookup to the wastewater system.

D. Termination of Water Service for Violation of Wastewater Rules and Regulations

The Company is authorized to discontinue water service to any person connected to both its water and sewer systems who violates the Company's wastewater terms and conditions as set forth in this PART FOUR or in any way creates a public health hazard or the likelihood of such a public health hazard. This termination authority does not apply to non-payment for water or wastewater services.

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Applies to all **WASTEWATER** service areas
PART FOUR
STATEMENT OF TERMS AND CONDITIONS FOR WASTEWATER SERVICE

II. RULES AND REGULATIONS

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-601 through A.A.C. R14-2-609 will be controlling of Company procedures, unless specifically approved tariffs or Commission Order(s) provide otherwise.

-

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Avondale, AZ 85392

Applies to all **WATER** and **WASTEWATER** service areas

PART FIVE

ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)

DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

APPLICABILITY

Applicable to residential water and wastewater service for domestic use rendered to low-income households where the customer meets all the program qualifications and special conditions of this rate schedule.

TERRITORY

Within all customer service areas served by Litchfield Park Service Company ("LPSCO").

RATES

Fifteen percent (15%) discount applied to the regular filed tariff.

PROGRAM QUALIFICATIONS

1. The LPSCO bill must be in your name and the address must be your primary residence or you must be a tenant receiving water service by a sub-metered system.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every two (2) years, or sooner, if requested.
5. You must recertify each year by submitting a declaration attesting to your continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.
6. You must notify LPSCO within thirty (30) days if you become ineligible for ARWW.
7. Your total gross annual income of all persons living in your household cannot exceed the income levels below:

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Avondale, AZ 85392

Applies to all **WATER** and **WASTEWATER** service areas

PART FIVE

ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)

DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

Effective December 1, 2010

No. of Person in Household	Total Gross Annual Income
1	$16,245
2	$21,855
3	$27,465
4	$33,075
5	$38,685
6	$44,295

For each additional person residing in the household, add $5,610

For the purpose of the program the "gross household income" means all money and non cash benefits, available for living expenses, from all sources, both taxable and non taxable, before deductions for all people who live in your home. This includes, but is not limited to:

Wages or salaries
Interest or dividends from:
Savings account, stocks or bonds
Unemployment benefits
TANF (AFDC)
Pensions
Gifts

Social Security, SSI, SSP
Scholarships, grants, or other aid used for living expenses
Disability payments
Food Stamps
Insurance settlements

Rental or royalty income
Profit from self-employment (IRS form Schedule C, Line 29)
Worker's Compensation
Child Support
Spousal Support

ISSUED BY:

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Applies to all **WATER** and **WASTEWATER** service areas

PART FIVE

ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)

DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION

SPECIAL CONDITIONS

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every two (2) years.

2. Recertification: A customer enrolled in the ARWW program must, each year, recertify by submitting a declaration attesting to continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.

3. Commencement of Rate: Eligible customers whose applications have been approved shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by LPSCO.

4. Verification: Information provided by the applicant is subject to verification by LPSCO. Refusal or failure of a customer to provide documentation of eligibility acceptable to LPSCO, upon request by LPSCO, shall result in removal from this rate schedule.

5. Notice from Customer: It is the customer's responsibility to notify LPSCO if there is a change of eligibility status.

6. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.

7. Master-metered: A reduction will be calculated in the bill of master-metered customers, who have sub-metered tenants that meet the income eligibility criteria, so an equivalent discount (15%) can be passed through to eligible customer(s).

8. Participation Cap: The ARWW program is limited to 5,000 water division customers and 5,000 wastewater division customers. Applications will be reviewed and approved on a first come, first served basis. Applicants will be placed on a waiting list if the participation cap has been met.

ISSUED BY:

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Avondale, AZ 85392

Application for
Alternate Rates for Water and Wastewater (ARWW)

To qualify for Liberty Water ARWW please check (✓) all that apply:

- ☐ I am a Liberty Water residential customer and the Liberty Water account is in my name.
- ☐ I am a sub-metered tenant within the Liberty Water service area.
- ☐ My household income is at or below the income level in the listing below.

Household Size	Total Gross Annual Income from All Sources
1	$16,245
2	$21,855
3	$27,465
4	$33,075
5	$38,685
6	$44,295

For each additional person residing in the household, add $5,610.

The definition of "gross household income" (before taxes) is all money and non cash benefits available for living expenses from all sources, both taxable and non taxable, before deductions, including expenses, for all people who live in your home. **This includes, but is not limited to the following (please check (✓) all that apply):**

- ☐ Wages, salaries or profit from self-employment
- ☐ Disability and/or Workers' Compensation payments
- ☐ Insurance and/or legal settlements
- ☐ Pensions
- ☐ Spousal and/or child support
- ☐ Scholarships, grants, or other aid used for living
- ☐ Interest/dividends from: savings, stocks, bonds, or retirement accounts
- ☐ Social Security, SSI or SSP
- ☐ Food Stamps
- ☐ TANF (AFDC)
- ☐ Veterans Affairs benefits
- ☐ Unemployment benefits
- ☐ Rental and/or royalty income
- ☐ Cash, gifts and/or other income

Please print the following information. **Incomplete information will delay your discount.** The name used to apply for the discount **must** be the same as the name on the Liberty Water statement.

PLEASE PRINT LEGIBLY		
Liberty Water Account Number (As shown on statement)		
Total No. of persons living in household:	Household's Total Gross Annual Income: $	Contact Phone Number
Name as shown on Liberty Water statement		
Liberty Water Service Address		
City	State	Zip Code

Please attach one of the items listed as proof of income for eligibility verification: Copy of tax return from prior year, or copy of W2 from prior year, or copy of welfare / food stamp cards.

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the State of Arizona. I will provide proof of income and I will notify Liberty Water of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

Customer Signature _____ Date _____

Note: An Application for ARWW must be submitted every two years. A Declaration of Eligibility must be submitted annually for verification. Please allow 30-45 days for processing.

Office Use Only: Date Verified _____ Verified By _____ Expires _____

ISSUED BY:

Christopher D. Krygier, Utility Rates and Regulatory Manager
Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Declaration of Eligibility
Alternate Rates for Water and Wastewater (ARWW)

To recertify enrollment in the ARWW Program please fill out the following attesting to continuing eligibility:

PLEASE PRINT LEGIBLY																	
Name as shown on Liberty Water statement																	
Liberty Water Account Number (As shown on statement)											-						
Liberty Water Service Address																	
City	State									Zip Code							
Contact Phone Number									Work Phone Number								

I,

_____,
Your Name (Please Print)

Last submitted an Application for Alternative Rates (ARWW) on _____
(dd/mm/yyyy)

and hereby confirm my eligibility for the year ending _____.
(dd/mm/yyyy)

Please attach one of the items listed below as proof of income for eligibility verification.
Copy of tax return from prior year, or copy of W2 form from prior year, or copy of welfare / food stamp cards.

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the State of Arizona. I will provide proof of income and I will notify Liberty Water of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

_____ _____
Customer Signature Date

Note: An Application for ARWW must be submitted every two years. A Declaration of Eligibility must be submitted annually for verification.

Liberty Water Alternate Rates for Water and Wastewater (ARWW)

Applicability

Applicable to residential water and wastewater service for domestic use rendered to low-income households where the customer meets all the Program Qualifications and Special Conditions of this rate schedule.

Territory

Within all customer service areas served by Litchfield Park Service Company dba Liberty Water.

Discount

Fifteen percent (15%) discount applied to the regular filed tariff. The discount will be applied to the customer's total bill before any adjustments and application of any other taxes, credit, penalties or fees.

Program Qualifications

- The Liberty Water account must be in your name and the address must be your primary residence in our service area or you must be a tenant receiving water service by a sub-metered system.
- You may not be claimed as a dependent on another person's tax return.
- You must reapply each time you move residences.
- You must renew your application once every two (2) years or sooner if requested.
- You must recertify each year by submitting a declaration attesting to your continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare/food stamp cards.
- You must notify Liberty Water within thirty (30) days if you become ineligible for ARWW.
- Your total gross annual income of all persons living in your household cannot exceed the income levels provided on the application.

Special Conditions

- You must fill out and sign the ARWW Application completely. Incomplete information will delay your discount. You must reapply every two (2) years.
- You must recertify your enrollment in the ARWW annually by submitting a Declaration of Eligibility and providing one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare/food stamp cards.
- Customers shall be billed on this schedule commencing with the next regularly scheduled billing period that follows the receipt and approval of the application by Liberty Water.
- Documentation of your gross annual income must be provided to Liberty Water for verification of eligibility for ARWW. Refusal or failure to provide documentation of acceptable eligibility to Liberty Water shall result in removal from this rate schedule.
- It is the customer's responsibility to notify Liberty Water if there is a change in eligibility status.
- You may be re-billed for any periods of ineligibility under the applicable rate schedule.
- Master-metered customers who have sub-metered tenants will receive a reduction in the billing. Sub-metered tenants must qualify and meet the income eligibility criteria so an equivalent discount (15%) can be passed through to eligible customer(s).
- The ARWW program is limited to 5,000 water division customers and 5,000 wastewater division customers.

How to Submit Completed ARWW Application and/or Declaration of Eligibility

Mail, Fax or Email your ARWW Application and Declaration of Eligibility to:
Liberty Water (Litchfield Park Service Company)
12725 W. Indian School Rd. Ste. D101
Avondale, AZ 85392
Fax: 623-935-1020
Email: customerservicewavondale@libertywater.com

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Avondale, AZ 85392

PART SIX
HOOK-UP FEE TARIFF

WATER HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site hook-up fees payable to Litchfield Park Service Company - Water Division (the "Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, and may include Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"Company" means Litchfield Park Service Company – Water Division.

"Main Extension Agreement" means any agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of water facilities necessary to the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfers ownership of such water facilities to the Company, which agreement shall require the approval of the Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial or other uses, regardless of meter size.

III. Water Hook-up Fee

For each new service connection, the Company shall collect an off-site hook-up fee derived from the following table:

OFF-SITE WATER HOOK-UP FEE TABLE		
Meter Size	Size Factor	Total Fee(a)
5/8" x 3/4"	1	$1,800
3/4"	1.5	$2,700
1"	2.5	$4,500
1-1/2"	5	$9,000
2"	8	$14,400
3"	16	$28,800
4"	25	$45,000
6" ~~or larger~~	50	$90,000
8"	~~X~~-80	$144,000
10"	~~X~~-115	$310,500
12"	~~X~~-215	$967,500
Larger than 12" Applicable Rate With Corresponding Size Factor		

(A) For "Active Adult" communities with demonstrated age-restricted zoning and/or CCRs providing for age-restricted living, the Total Fee shall be Two-Thirds (2/3) of the Total Fee shown above, based on an ERU factor of 190 gallons per day~~.~~, domestic only

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Hook-up Fee: The off-site hook-up fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge) except non-residential use.

(B) Use of Off-Site Hook-up Fee: Off-site hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

~~1)~~ For those requiring a Main Extension Agreement: In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Main Extension Agreement, whereby the Applicant, Developer or Builder agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the Hook-Up Fees required hereunder shall be made by the Applicant, Developer or Builder ~~no later than within 15~~

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Litchfield Park Service Company dba Liberty Utilities
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

~~calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M)at the time of execution of the agreement.~~at the time of execution of the agreement, but no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M). In no event will service be established without full payment of the Hook-Up Fees (see E. below).

For those connecting to an existing main: In the event that the Applicant, Developer or Builder for service is not required to enter into a Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Off-Site Facilities Construction By Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.

(F) Large Subdivision/Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its reasonable discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company as Hook-Up Fees pursuant to the off-site hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site hook-up fees shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.

(I) Off-Site Hook-up Fee in Addition to On-site Facilities: The off-site hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fees, or if the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were included in the off-site hook-up fee, and which are contemplated to be constructed using the proceeds of the off-site hook-up Fee, the Company may require the applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

(L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2012, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities that have been installed with the tariff funds during the 12 month period.

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PART SIX
HOOK-UP FEE TARIFF

WASTEWATER HOOK-UP FEE

I. Purpose and Applicability

The purpose of the off-site facilities hook-up fees payable to Litchfield Park Service Company – Wastewater Division (the "Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities to provide wastewater treatment and disposal facilities among all new service laterals. These charges are applicable to all new service laterals undertaken via Collection Main Extension Agreements, or requests for service not requiring a Collection Main Extension Agreement, entered into after the effective date of this tariff. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-601 of the Arizona Corporation Commission's ("Commission") rules and regulations governing sewer utilities shall apply interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of wastewater facilities to serve new service laterals, and may include Developers and/or Builders of new residential subdivisions, and industrial or commercial properties.

"Company" means Litchfield Park Service Company – Wastewater Division.

"Collection Main Extension Agreement" means an agreement whereby an Applicant, Developer and/or Builder agrees to advance the costs of the installation of wastewater facilities necessary to serve new service laterals, or install wastewater facilities to serve new service laterals and transfer ownership of such wastewater facilities to the Company, which agreement does not require the approval of the Commission pursuant to A.A.C. R-14-2-606, and shall have the same meaning as "Wastewater Facilities Agreement."

"Off-site Facilities" means the wastewater treatment plant, sludge disposal facilities, effluent disposal facilities and related appurtenances necessary for proper operation, including engineering and design costs. Offsite facilities may also include lift stations, force mains, transportation mains and related appurtenances necessary for proper operation if these facilities are not for the exclusive use of the applicant and benefit the entire wastewater system.

"Service Lateral" means and includes all service laterals for single-family residential, commercial, industrial or other uses.

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III. Wastewater Hook-up Fee

For each new residential service lateral, the Company shall collect a Hook-Up Fee of $1,800 based on the Equivalent Residential Unit ("ERU") of 320 gallons per day. Commercial and industrial applicants shall pay based on the total ERUs of their development calculated by dividing the estimated total daily wastewater capacity usage needed for service using standard engineering standards and criteria by the ERU factor of 320 gallons per day. For "Active Adult" communities with demonstrated age-restricted zoning and/or CCRs providing for age-restricted living, the Hook-Up Fee shall be $1,070, based on an ERU factor of 190 gallons per day.

IV. Terms and Conditions

(A) Assessment of One Time Off-Site Facilities Hook-up Fee: The off-site facilities hook-up fee may be assessed only once per parcel, service lateral, or lot within a subdivision (similar to a service lateral installation charge).

(B) Use of Off-Site Facilities Hook-up Fee: Off-site facilities hook-up fees may only be used to pay for capital items of Off-site Facilities, or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site hook-up fees shall not be used to cover repairs, maintenance, or operational costs. The Company shall record amounts collected under the tariff as CIAC; however, such amounts shall not be deducted from rate base until such amounts have been expended for plant.

(C) Time of Payment:

(1) In the event that the person or entity that will be constructing improvements ("Applicant", "Developer" or "Builder") is otherwise required to enter into a Collection Main Extension Agreement, payment of the fees required hereunder shall be made by the Applicant, Developer or Builder at time of execution of the Main Extension Agreement.~~within 15 days of execution of a Main Extension Agreementat the time of execution of the agreement.~~

(2) In the event that the Applicant, Developer or Builder for service is not required to enter into a Collection Main Extension Agreement, the Hook-Up Fee charges hereunder shall be due and payable at the time wastewater service is requested for the property.

(D) Off-Site Facilities Construction by Developer: Company and Applicant, Developer, or Builder may agree to construction of off-site facilities necessary to serve a particular development by Applicant, Developer or Builder, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site hook-up fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant, Developer or Builder and conveyed to Company is less than the applicable off-site hook-up fees under this Tariff, Applicant, Developer or Builder shall pay the remaining amount of off-site hook-up fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant, Developer or Builder and conveyed to Company is more than the applicable off-site hook-up fees under this Tariff,

Developer or Builder shall be refunded the difference upon acceptance of the off-site facilities by the Company.

(E) Failure to Pay Charges; Delinquent Payments: The Company will not be obligated to make an advance commitment to provide or actually provide wastewater service to any Developer, Builder or other applicant for service in the event that the Developer, Builder or other applicant for service has not paid in full all charges hereunder. Under no circumstances will the Company connect service or otherwise allow service to be established if the entire amount of any payment has not been paid.

(F) Large Subdivision and/or Development Projects: In the event that the Applicant, Developer or Builder is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its reasonable discretion, agree to payment of off-site hook-up fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion the payment of charges hereunder based on the Applicant's, Developer's or Builder's construction schedule and water service requirements. In the alternative, the Applicant, Developer, or Builder shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

(G) Off-Site Hook-Up Fees Non-refundable: The amounts collected by the Company pursuant to the off-site facilities hook-up fee tariff shall be non-refundable contributions in aid of construction.

(H) Use of Off-Site Hook-Up Fees Received: All funds collected by the Company as off-site facilities hook-up fees shall be deposited into a separate account and bear interest and shall be used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities.

(I) Off-Site Facilities Hook-up Fee in Addition to On-site Facilities: The off-site facilities hook-up fee shall be in addition to any costs associated with the construction of on-site facilities under a Collection Main Extension Agreement.

(J) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site facilities hook-up fees, or if the off-site facilities hook-up fee has been terminated by order of the Arizona Corporation Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(K) Status Reporting Requirements to the Commission: The Company shall submit a calendar year Off-Site Facilities Hook-Up Fee status report each January to Docket Control for the prior twelve (12) month period, beginning January 2012, until the hook-up fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the hook-up fee tariff, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and an itemization of all facilities that have been installed using the tariff funds during the 12 month period.

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ISSUED BY:

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01427A-13-_____
IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-01428A-13-____

DIRECT TESTIMONY OF
THOMAS J. BOURASSA

RATE BASE, INCOME STATEMENT AND RATE DESIGN

February 28, 2013

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission"). A copy of my regulatory work experience in attached as **Exhibit TJB-DT1**.

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

A. I am testifying in this proceeding on behalf of the applicant, Litchfield Park Service Company ("LPSCO" or "Company"). LPSCO is seeking a determination of its fair value rate base and the setting of rates and charges for water and wastewater utility based on that finding. LPSCO provides water and wastewater utility service in its

certificated service area, which area is generally located in western Maricopa County, Arizona.

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

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

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

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

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

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

Q. THANK YOU. PLEASE CONTINUE.

A. In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. LPSCO is requesting a return on common equity of 10.0 percent. As shown on Schedule D-1, the Company's capital structure consists of approximately 84 percent equity and 16 percent debt. The weighted cost of capital is 9.5 percent.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The Company is seeking a revenue increase of 20.15 percent for the water division and a revenue increase of 6.36 percent for its wastewater division. The test year used by LPSCO is the 12-month period ending December 31, 2012. The Company is requesting a 9.5 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain pro forma adjustments to take into account known and measurable changes to rate base, expenses and revenues for each division. These pro forma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications. *See* A.A.C. R14-2-103. These adjustments are necessary to obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base for the water division is $35,647,602. The increase in revenues to provide for recovery of operating expenses and a 9.5 percent return on rate base is approximately $2,257,160, an increase of approximately 20.15 percent over the adjusted and annualized test year revenues.

The Company's fair value rate base for the wastewater division is $23,877,697. The increase in revenues to provide for recovery of operating expenses and a 9.5 percent return on rate base is approximately $659,088,

an increase of approximately 6.36 percent over the adjusted and annualized test year revenues.

III. LPSCO'S WATER DIVISION

A. Summary of A, E and F Schedules

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

A. The A-1 Schedule is a summary of the water division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. A 9.5 percent return on FVRB is requested. The increase in the revenue requirement is $2,257,160. Revenues at present and proposed customer classifications are also shown on this schedule.

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

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

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

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

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2010, 2011, and 2012 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2010, 2011, and 2012 ending on December 31.

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

Schedule E-4 provides the changes in membership equity.

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

Schedule E-7 contains operating statistics for the years ended 2010, 2011, and 2012 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

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

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

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

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

B. Rate Base (B Schedules)

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

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

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

A. Because the Company is not seeking a working capital allowance and the costs to prepare a lead-lag study outweigh the benefits in this case.

Q. THANK YOU. PLEASE CONTINUE.

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

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE WATER DIVISION'S ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the water division's OCRB cost rate base proposed by the Company. Schedule B-2, pages 2 through 16, provides the supporting information. These adjustments are, in summary:

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

Adjustment A of B-2 adjustment number 1 reflects Company proposed retirements. These are retirements the Company did not record before the test year end but should have.

Adjustment B of B-2 adjustment number 1 reflects the removal of affiliate profit contained in the recorded plant additions since the end of the last test year.

Adjustment C of B-2 adjustment number 1 adjusts plant-in-service to reflect the reconciliation of the Company's plant-in-service detail to recorded general ledger amounts as reflected on the E-1 schedule.

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation ("A/D"). The details of the accumulated depreciation adjustment are shown a Schedule B-2, page 4. There are three adjustments shown on this schedule and labeled as adjustment "A", "B", and "C".

Adjustment A of B-2 adjustment number 2 reflects Company A/D adjustments related to the Company proposed retirements shown in B-2 adjustment 1-A.

Adjustment B of B-2 adjustment number 2 reflects Company A/D adjustments related to the affiliate profit removed from PIS the Company proposes to remove in B-2 adjustment 1-B.

Adjustment C of B-2 adjustment number 2 adjusts the recorded A/D balance to the recomputed A/D.

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

A. Yes.[1] The plant shown on Schedule B-2 started with the plant-in-service and accumulated depreciation balances from the last rate case as described above. Plant additions and retirements since the last test year as well as the aforementioned proposed retirements and removal of affiliate profit have been added to and/or deducted from total plant shown on Schedule B-2, pages 3.4 to 3.8. The schedule also shows the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Q. THANK YOU. PLEASE CONTINUE.

A. Adjustment number 3, labeled as 3a and 3b, adjusts contributions in aid of construction ("CIAC") and amortization for CIAC to the reconciled balances based upon the recorded additional amounts since the prior rate case. The detail of the Company's proposed CIAC adjustments can be found on Schedule B-2, page 5 and 5.1 to 5.3.

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

Adjustment number 5 reflects deferred income taxes. The Company's computation is based on the adjusted plant-in-service, accumulated depreciation, AIAC, and CIAC in the instant case and the adjusted tax basis of its assets using the effective tax rates. The detail of the Company's deferred income tax computation is shown on Schedule B-2, page 7 and 7.1.

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[1] *See* Decision No. 72026 (December 10, 2010).

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

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

C. <u>Income Statement (C Schedules)</u>

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

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

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

Adjustment 2 increases the property taxes based on proposed revenues.

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

A. To determine full cash value, I used the method employed by the Arizona Department of Revenue - Centrally Valued Properties ("ADOR" or "the Department"). This method determines full cash value by using twice the average of three years of revenue, plus an addition for CWIP and a deduction for the book value of transportation equipment. In the instant case, I used two times the adjusted revenues for the year ending December 31, 2012, and one year of revenues at proposed rates. The assessed value (20 percent of full cash value) was then multiplied by the property tax rate to determine adjusted property tax expense.

Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A. Yes. *E.g.*, *Chaparral City Water Company*, Decision No. 68176 (September 30, 2005) at 13, *Rio Rico Utilities*, Decision No. 67279 (October 5, 2004). It is also consistent with the methodology adopted in the last rate case for LPSCO. *See* Decision No. 72026 (December 10, 2010).

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

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

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

A. Adjustment 3 shows the rate case expense estimated by the Company. The Company estimates rate case expense for the water division of $197,400. The Company proposes that rate case expense be recovered over three years because it believes a 3-year cycle for future rate cases is reasonable given this utility's circumstances. By the time the Company receives authorization for new rates in the instant case, it will be approximately three years since the last rate case decision.

Q. HOW DID YOU ARRIVE AT THIS AMOUNT?

A. Based on my experience with rate cases before the Commission, and that of the Company's counsel. Given LPSCO size and the anticipated nature, length and complexity of the proceedings, I estimate this rate case to cost a total of $420,000.

Q. HOW MUCH RATE CASE EXPENSE WAS AUTHORIZED IN LPSCO'S LAST RATE CASE?

A. $420,000 for both divisions.[2]

Q. PLEASE CONTINUE. HOW DID YOU ALLOCATE THE $420,000 OF RATE CASE EXPENSE?

A. I allocated 47 percent of this amount or $197,400 to the water division reflecting its size relative to both the water division and wastewater division combined.[3]

Q. PLEASE EXPLAIN WHY YOU REFER TO THIS AMOUNT AS AN "ESTIMATE".

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

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the number of customers at the end of the test year compared to the actual number of customers during each month of the test year. Average revenues by month were computed for the test year.

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[2] *See* Decision 72026 at 54.

[3] Size is measured by number of effective customers. The wastewater division has a higher number of effective customers when considering the units served for multi-unit customers.

The average revenues were then multiplied by the increase (or decrease) in number of customers for each month of the test year.

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

Adjustment 6 reflects the Company proposed declining usage adjustment.

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED DECLINING USAGE ADJUSTMENT.

A. The declining usage adjustment is based upon the average decline in customer water usage from 2008 through 2012 by the Company's two largest customer classes: the 3/4 inch and 1 inch residential customers. This decline has been caused by the inverted tier rate design and resulting conservation. After computing the average rate of decline in each usage block, these rates are then applied to the gallons sold in the test year for each usage block to determine the expected decline in gallons on a going forward basis. The current commodity rates are then applied to the expected decline in gallons to derive an annual expected revenue decline on a going forward basis. The expected decline in revenues is the multiplied by 1.5. A factor of 1.5 was chosen, as it is the midpoint of 3 years, the expected period of time between the time new rates are adopted in the instant case and new rates are adopted in a subsequent rate case. I would also note it is approximately the period of time between the time the current rates were adopted and the new rates in the instant case will be adopted. Still, the Company believes the declining usage adjustment is conservative.

Q. CAN THE UTILITY CONTROL THIS DECLINING USAGE?

A. No, as much as LPSCO wishes it could, it cannot force customers to use more water so it can increase revenues. That's not to mention that water conversation is

a worthy goal given limited water availability in Arizona. The declining usage adjustment is intended to address those competing factors.

Q. IF A COMPANY CAN'T CONTROL THIS DECLINING USAGE, HOW DOES THIS IMPACT THE UTILITY?

A. I can illustrate with an example. If the Commission authorizes a $10 revenue requirement but LPSCO only collects $9 because customers decrease usage, LPSCO won't earn its authorized return, assuming expenses stay exactly at Commission approved levels.

Q. IF THE UTILITY SELLS LESS WATER, WON'T ITS EXPENSES DECREASE?

A. Possibly some, like purchased power and chemicals, assuming the per unit costs are the same, might cost less. Taxes go down if the utility makes less money. But the plant in the ground does not change, the labor force does not change, and, on the whole, selling less water generally means less return. We can debate how much less, but you typically cannot earn your authorized return if there is a significant decline in usage.

Q. HAS A SIMILAR PHENOMENA OCCURRED AT OTHER UTILITIES?

A. Yes, gas and electric utilities in Arizona—Arizona Public Service and Tucson Electric Power, as an example—have declining customer usage of their gas and electric services.

Q. THANK YOU. PLEASE CONTINUE.

A. Adjustment 7 normalizes water testing expense.

Adjustment 8 increases test year wages and salaries expense reflecting the Company's expected increase in this expense. This is currently an estimate and will be trued up for actual expenses once they are known. The Company expects to

have this information by the end of June 2013 and will update Staff and other parties accordingly.

Adjustment 9 increases test year salaries and wages reflecting the Company's expected increase in employee benefits expense.

Adjustment 10 annualizes LPSCO's corporate cost expense, reducing the overall expense. Test year expenses reflected costs that were higher than expected on a going forward basis, therefore, LPSCO annualized the expense. The reason that costs were higher in the past year was that LPSCO's parent, Liberty Utilities, acquired several other utilities during the test year and those new companies are now sharing a portion of the corporate cost, thus reducing LPSCO's share. This reduction continues to illustrate the benefits of the Cost Allocation Manual that were described in LPSCO's sister company, Rio Rico Utilities, Inc.'s application.[4] As Liberty Utilities continues to grow across the country, customers benefit from the economies of scale Liberty achieves through its shared services model.

Q. PLEASE CONTINUE.

A. Adjustment 11 reduces management for costs for which the Company is not seeking recovery.

Adjustment 12 annualizes purchased power and reflects the pumping power cost increase for the additional gallons sold based upon the Company's revenue annualization discussed earlier.

Adjustment 13 annualizes postage and reflects the postage for additional customer billings based upon the Company's revenue annualization discussed earlier.

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[4] *See* Application at Tab 8 (Direct Testimony of Peter Eichler), filed May 31, 2012 in Docket No. WS-02676A-12-0196.

Adjustment 14 removes other income and expense to eliminate their impact on the income tax allowance computations.

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

Finally, Adjustment 16 adjusts income taxes to a level based upon the Company's adjusted test year revenues and expenses.

D. <u>Rate Design (H Schedules)</u>

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

A. The Company's present rates are:

MONTHLY SERVICE CHARGES	
5/8" x 3/4" Meters	$10.20
3/4" Meters	$10.20
1" Meters – Residential Only	$22.95
1" Meters	$25.50
1 1/2" Meters	$51.00
2" Meters	$81.60
3" Meter	$163.20
4" Meters	$255.00
6" Meter	$510.00
6" Meter – Bulk Resale Only	$501.00
8" Meters	$841.50
10" Meters	$1,173.00
12" Meters	$2,193.00
Construction	$0.00

COMMODITY RATES

5/8" x ¾" Meters (Residential	1 to 3,000	$ 1.00
	3,001 to 9,000	$ 1.91
	Over 9,000	$ 3.03
5/8" x ¾" Meters	1 to 9,000	$ 1.91
	Over 9,000	$ 3.03
¾" Meters (Residential)	1 to 3,000	$ 1.00
	3,001 to 9,000	$ 1.91
	Over 9,000	$ 3.03
¾" Meters	1 to 9,000	$ 1.91
	Over 9,000	$ 3.03
1" Meters (Residential)	1 to 5,000	$ 1.00
	5,001 to 20,000	$ 1.91
	Over 20,000	$ 3.03
1" Meters	1 to 20,000	$ 1.91
	Over 20,000	$ 3.03
1 ½" Meters	1 to 40,000	$ 1.91
	Over 40,000	$ 3.03
2" Meters	1 to 60,000	$ 1.91
	Over 60,000	$ 3.03
3" Meters	1 to 120,000	$ 1.91
	Over 120,000	$ 3.03
4" Meters	1 to 180,000	$ 1.91
	Over 180,000	$ 3.03
6" Meters	1 to 360,000	$ 1.91
	Over 360,000	$ 3.03

8" Meters	1 to 650,000	$ 1.91
	Over 650,000	$ 3.03
8" Meters (Bulk Resale Only)	All Gallons	$ 1.50
10" Meters	1 to 940,000	$ 1.91
	Over 940,000	$ 3.03
12" Meters	1 to 1,200,000	$ 1.91
	Over 1,200,000	$ 3.03
Construction Water	All Gallons	$ 3.03

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

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meters	$14.50
3/4" Meters	$14.50
1" Meters – Residential Only	$32.75
1" Meters	$36.25
1 1/2" Meters	$72.50
2" Meters	$116.00
3" Meter	$232.00
4" Meters	$362.50
6" Meter	$725.00
6" Meter – Bulk Resale Only	$575.00
8" Meters	$1,160.00
10" Meters	$1,667.50
12" Meters	$3,117.50

Construction		$0.00
COMMODITY RATES		
5/8" x ¾" Meters (Residential	1 to 3,000	$ 1.00
	3,001 to 11,000	$ 2.00
	11,001 to 30,000	$ 3.05
	Over 30,000	$ 3.66
5/8" x ¾" Meters	1 to 9,000	$ 2.00
	Over 9,000	$ 3.66
¾" Meters (Residential)	1 to 3,000	$ 1.00
	3,001 to 11,000	$ 2.00
	11,001 to 30,000	$ 3.05
	Over 30,000	$ 3.66
¾" Meters	1 to 20,000	$ 2.00
	Over 20,000	$ 3.66
1" Meters (Residential)	1 to 5,000	$ 1.00
	5,001 to 20,000	$ 2.00
	20,001 to 40,000	$ 3.05
	Over 40,000	$ 3.66
1" Meters	1 to 20,000	$ 2.00
	Over 20,000	$ 3.66
1 ½" Meters	1 to 40,000	$ 2.00
	Over 40,000	$ 3.66
2" Meters	1 to 60,000	$ 2.00
	Over 60,000	$ 3.66
3" Meters	1 to 120,000	$ 2.00
	Over 120,000	$ 3.66

4" Meters	1 to 180,000	$ 2.00
	Over 180,000	$ 3.66
6" Meters	1 to 360,000	$ 2.00
	Over 360,000	$ 3.66
8" Meters	1 to 650,000	$ 2.00
	Over 650,000	$ 3.66
8" Meters (Bulk Resale Only)	All Gallons	$ 1.65
10" Meters	1 to 940,000	$ 2.00
	Over 940,000	$ 3.66
12" Meters	1 to 1,200,000	$ 2.00
	Over 1,200,000	$ 3.66
Construction Water	All Gallons	$ 3.66

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

A. The largest customer classes are the 3/4 inch and 1 inch residential class comprising about 90 percent of customers. As shown on Schedule H-2, page 1, the average monthly bill under present rates for a 3/4 inch residential customer using an average 8,827 gallons is $24.33. The average monthly bill under present rates for a 1 inch residential customer using an average 13,707 gallons is $44.58.

Q. WHAT WILL BE THE AVERAGE 3/4 INCH AND 1 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 3/4 inch residential customer using an average 8,827 gallons is $29.15 – a $4.82 increase over the present monthly bill or a 19.83 percent increase. The average monthly bill under proposed rates for a 1 inch residential customer

using an average 13,707 gallons is $55.16 – a $10.58 increase over the present monthly bill or a 23.74 percent increase.

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

A. Yes. The Company is proposing some changes to the basic rate design. The proposed rate design places more emphasis on revenue recovery from the monthly minimums and first tier commodity rates. Further, the Company is proposing an inverted 4-tier rate design for the 1 inch and smaller residential customers. The Company believes it rate design strikes a better balance between conservation and revenues stability than the current rate design.

Q. WHAT DO YOU MEAN BY "MORE EMPHASIS" ON REVENUE RECOVERY FROM THE MONTHLY MINIMUMS?

A. The Company's proposed rate design recovers about 41 percent of revenues from the monthly minimums. That means 69 percent of revenues are expected to be recovered from the commodity rates under the Company's current rate design. By contrast, the current rates were designed to recover about 31 percent of the revenues from the monthly minimums. While 59 percent of revenues will still be expected to be recovered from the commodity rates under the Company's proposed rate design, it will help mitigate revenue loss when water use goes down, from conservation or any other reason.

Q. PLEASE COMMENT ON THE PROPOSED 4-TIER RATE DESIGN FOR THE SMALLER METERED RESIDENTIAL CUSTOMERS.

A. The 4-tier rate design retains the first block of 1 to 3,000 gallons for the 5/8x3/4 and 3/4 inch residential customers and retains the existing commodity charge of $1.00 per thousand gallons. The second block break-over point was raised to 11,000 gallons from 9,000 gallons. The commodity rate for the second block (3,001 gallons to 11,000 gallons) is raised from the current $1.91 per thousand

gallons to $2.00 per thousand gallons. Approximately 50 percent of the gallons sold to the 3/4 inch residential class are for billings of 11,000 gallons or less. The third block break-over point was set to 30,000 gallons. The commodity rate for the third block (11,001 gallons to 30,000 gallons) is raised from the current $3.03 per thousand gallons to $3.05 per thousand gallons. Approximately 90 percent of the gallons sold to the 3/4 inch residential class are for billings of 30,000 gallons or less. For the fourth block (over 30,000 gallons) and the remaining 10 percent of the gallons sold to the 3/4 inch residential customers, the commodity rate is raised from the current $3.03 per thousand gallons to $3.66 per thousand gallons.

The 1 inch residential rate design was similarly constructed. The first block of 1 to 5,000 gallons and the existing commodity charge of $1.00 per thousand gallons were retained. The second block break-over point of 20,000 gallons was also retained. Approximately 50 percent of the gallons sold to the 1 inch residential class are for billings of 20,000 gallons or less. The commodity rate for the second block (5,001 gallons to 20,000 gallons) is raised from the current $1.91 per thousand gallons to $2.00 per thousand gallons. The third block break-over point was set to 40,000 gallons. The commodity rate for the third block (20,001 gallons to 40,000 gallons) is raised from the current $3.03 per thousand gallons to $3.05 per thousand gallons. Approximately 82 percent of the gallons sold to the 3/4 inch residential class are for billings of 40,000 gallons or less. For the fourth block (over 40,000 gallons) and the remaining 18 percent of the gallons sold to the 1 inch residential customers, the commodity rate is raised from the current $3.03 per thousand gallons to $3.66 per thousand gallons.

Q. WHY WASN'T THE THIRD BLOCK BREAK-OVER POINT SET AT A LEVEL WHICH COMPRISED 90 PERCENT OF THE GALLONS SOLD TO THE 1 INCH RESIDENTIAL CUSTOMERS LIKE IT WAS FOR THE 3/4 INCH RESIDENTIAL CUSTOMERS?

A. Raising the third break–over point to the 90 percent level (or approximately 56,000 gallons) resulted in a cross-over of bill amounts between the ¾ inch residential and the 1 inch residential bill. That is, the 1 inch bill would be lower than the ¾ inch bill at that usage level. The third block break over point for the 1 inch residential class had to be lowered to 40,000 gallons for the cross-over issue to be eliminated.

Q. WHAT WERE THE OBJECTIVES OF ADDING AN ADDITIONAL BLOCK FOR THE 1 INCH AND SMALLER RESIDENTIAL CUSTOMERS?

A. The main objective was to provide more incentives for high water users to reach a lower cost block. For example, for some 3/4 inch customers reaching a usage level at or below 11,000 gallons may not be readily achievable. However, they may be able to reduce their water use to less than 30,000 gallons and thus reach a lower cost block. There are also incentives for the customers in the middle. A 3/4 inch customer may be able to reduce his/her usage below the existing 9,000 gallons break-over point but may be able to reach second block lower cost commodity rate if he/she reduced their usage to below 11,000 gallons.

A second objective was to not send the wrong price signal to customers by lowering the cost of water in any usage block. This would send the message that water is less expensive; not the right signal to send to customers under conservation oriented rates.

Finally, the proposed rate design continues to send conservation price signals for all usage blocks, except the first block. The strongest price signal is

sent to the high water users who will see the highest commodity rates. These customers are the most likely to have the greatest amount of discretionary water usage and therefore have the greatest amount of ability to conserve water.

Q. DID THE COMPANY EXPERIENCE REVENUE EROSION FOR THE 1 INCH AND SMALLER RESIDENTIAL CLASSES SINCE THE LAST TEST YEAR?

A. Yes, and I prepared an Exhibit showing the revenue recovery by customer class for the current test year and for the prior test year using the current rates. See **Exhibit TJB-DT1**. Pages 1 and 2 of the exhibit show the current test year revenue recovery and the prior test year expected revenue recovery, respectively. Page 3 of the exhibit shows the differences. As you will find on page 3, the Company experienced a loss of revenues in the third tier of over $220,000.

Q. HAS THERE BEEN A DECREASE IN THE GALLONS SOLD TO THE CITY OF GOODYEAR?

A. Yes. During the test year, the City of Goodyear purchased approximately 244 million gallons less than it did in the prior test year. The Company may address this declining consumption with a revision to its proposed declining usage adjustment as the case progresses and the Company better understands the circumstances surrounding this decline in usage.

1. Miscellaneous Charges

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

A. Yes, these are listed in Mr. Krygier's Exhibit CDK – DT7.

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

A. Yes, these are listed in Mr. Krygier's Exhibit CDK – DT7.

IV. WASTEWATER DIVISION

A. Summary of A, E and F Schedules

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

A. The A-1 Schedule is a summary of the wastewater division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. A 9.5 percent return on FVRB is requested. The proposed increase in the revenue requirement is $659,088. Revenues at present and proposed and customer classifications are also shown on this schedule.

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

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

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

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

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2010, 2011, and 2012 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2010, 2011, and 2012 ending on December 31.

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

Schedule E-4 provides the changes in membership equity.

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

Schedule E-7 contains operating statistics for the years ended 2010, 2011, and 2012 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements.

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

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

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

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

B. Rate Base (B Schedules)

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

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

Q. PLEASE CONTINUE.

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

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

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

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service. There are five plant-in-service adjustments included in Adjustment 1. This is shown on Schedule B-2, page 3, and is labeled as adjustment "A", "B", "C", "D", and "E".

Adjustment A of B-2 adjustment number 1 reflects Company proposed retirements. These are retirements the Company did not record before the test year end.

Adjustment B of B-2 adjustment number 1 reflects the removal of affiliate profit contained in the recorded plant additions since the end of the last test year.

[5] See page 7, *supra*.

Adjustment C of B-2 adjustment number 1 reflects the Company's request to include revenue neutral post-test year plant. This plant is for improvements to the equalization basin at the Palm Valley wastewater Reclamation facility as discussed in Mr. Sorensen's Direct Testimony.[6] The $1 million dollars shown in the adjustment is currently an estimate of the final costs of the plant, which is expected to be completed in time for other parties to verify the actual costs of this plant addition. The Company will provide updates as the project progresses and trued-up the costs once the final cost is known.

Adjustment D of B-2 adjustment number 1 reflects an estimate of retirements related to the Company's proposed post-test year plant. As with the cost for the post-test year plant, the amount shown ($300k) is an estimate of the final retirement cost and will be trued-up once the final cost is known.

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

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation. The details of the accumulated depreciation adjustment are shown a Schedule B-2, page 4. There are four adjustments shown on this schedule and it is labeled as adjustment "A", "B", "C", and "D".

Adjustment A of B-2 adjustment number 2 reflects Company A/D adjustments related to the Company proposed retirements shown in B-2 adjustment 1-A.

[6] Direct Testimony of Greg Sorensen at 14.

Adjustment B of B-2 adjustment number 2 reflects Company A/D adjustments related to the affiliate profit removed from PIS the Company proposes to remove in B-2 adjustment 1-B.

Adjustment C of B-2 adjustment number 2 reflects Company A/D adjustments related to the Company's post-test year plant retirement.

Adjustment D of B-2 adjustment number 2 adjusts the recorded A/D balance to the recomputed A/D.

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

A. Yes.[7] The plant shown on Schedule B-2 started with the plant-in-service and accumulated depreciation balances from the last rate case for the wastewater division as described above. Plant additions and retirements since the test year in that case have been added to and deducted from total plant shown on Schedule B-2, pages 3.6 to 3.10. The schedule also shows the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Q. THANK YOU. PLEASE CONTINUE.

A. Adjustment number 3, labeled as 3a and 3b, adjusts CIAC and amortization for CIAC to the reconciled balances based upon the recorded additional amounts the since the prior rate case. The detail of the Company's proposed CIAC adjustments can be found on Schedule B-2, page 5 and 5.1.

Adjustment number 4 adjusts AIAC to the reconciled balance based upon the recorded additional AIAC and AIAC refunds since the prior rate case.

[7] *See* Decision No. 72026.

The detail of the Company's proposed AIAC adjustments can be found on Schedule B-2, page 6 and 6.1.

Adjustment number 5 reflects deferred income taxes. The Company's computation is based on the adjusted plant-in-service, accumulated depreciation, AIAC and CIAC in the instant case and the adjusted tax basis of its assets using the effective tax rates. The detail of the Company's deferred income tax computation is shown on Schedule B-2, page 7 and 7.1.

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

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

C. <u>Income Statement (C Schedules)</u>

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

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

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

Adjustment 2 increases the property taxes based on proposed revenues. My analysis for the wastewater division is identical to that used for the water division.[8]

[8] See page 10, *supra*.

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

A. Adjustment 3 shows the rate case expense proposed by the Company. The Company estimates rate case expense for the wastewater division of $222,600 to be recovered over 3 years or $74,200 annually. I described my approach to the rate case expense previously.[9]

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

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

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

Adjustment 6 increases test year wages and salaries expense reflecting the Company's expected increase in this expense.

Adjustment 7 increases test year salaries and wages reflecting the Company's expected increase in employee benefits expense.

Adjustment 8 annualizes LPSCO's corporate cost expense, reducing the overall expense. As with the water division, the test year expense level was higher than is expected on a going-forward basis, therefore, LPSCO annualized the expense. Again, that costs were higher in the past year than they will be after new

[9] See pages 10 – 11, *supra*.

acquisitions are taken into account. As Liberty Utilities continues to grow across the country, customers benefit from the economies of scale Liberty achieves through its shared services model.

Adjustment 9 reduces management costs for which the Company is not seeking recovery.

Adjustment 10 annualizes purchased power and reflects the pumping power cost increase for the additional gallons treated based upon the Company's revenue annualization discussed earlier.

Adjustment 11 annualizes sludge removal expense and reflects the additional costs for sludge removal based upon the Company's revenue annualization discussed earlier.

Adjustment 12 annualizes postage and reflects the postage for additional customer billings based upon the Company's revenue annualization discussed earlier.

Adjustment number 13 is a reduction to operating expenses for costs that were paid by LPSCO but reimbursed by developers. Essentially, LPSCO operates several pieces of infrastructure on behalf of several developers. As part of the operating agreement, the developers reimburse LPSCO for any costs incurred on their behalf and pay for a pro-rata share of other expenses incurred by LPSCO to treat wastewater generated by their respective housing developments. Examples of such costs include purchased power from APS and chemicals. This adjustment also recognizes additional revenues LPSCO receives from billing out a pro-rata share of the infrastructure costs. The revenue generated by this billing is included as an increase to revenue and thus a reduction to the revenue requirement of $44,984.

Adjustment 14 removes other income and expense to eliminate their impact on the income tax allowance computations.

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

Finally, Adjustment 16 adjusts income taxes to a level based upon the Company's adjusted test year revenues and expenses.

D. <u>Rate Design (H Schedules)</u>

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

A. The Company's present rates are:

MONTHLY SERVICE CHARGES	
Monthly Residential Service	$ 38.99
Multi-Unit Housing - Monthly Per Unit	$ 36.19
Commercial:	
Small Commercial - Monthly Service	$ 65.93
Measured Service:	
Regular Domestic:	
Monthly Service Charge	$ 36.91
Rate Per 1,000 Gallons of Water	$ 3.22
Restaurants, Motels, Grocery Stores & Dry Cleaning Establishments:	
Monthly Service Charge	$ 36.91
Rate Per 1,000 Gallons of Water	$ 4.30
Wigwam Resort:	
Monthly Rate - Per Room	$ 36.91

Main Hotel Facilities - Per Month	$1,433.30
Schools - Monthly Service Rates:	
Elementary Schools	$ 974.64
Middle Schools	$1,146.64
High Schools	$1,146.64
Community College	$1,777.29
Effluent	Market Rate

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

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES	
Monthly Residential Service	$ 41.62
Multi-Unit Housing - Monthly Per Unit	$ 38.63
Commercial:	
Small Commercial - Monthly Service	$ 70.37
Measured Service:	
Regular Domestic:	
Monthly Service Charge	$ 39.40
Rate Per 1,000 Gallons of Water	$ 3.44
Restaurants, Motels, Grocery Stores & Dry Cleaning Establishments:	
Monthly Service Charge	$ 39.40
Rate Per 1,000 Gallons of Water	$ 4.59
Wigwam Resort:	
Monthly Rate - Per Room	$ 38.63
Main Hotel Facilities - Per Month	$1,529.90

Schools - Monthly Service Rates:	
Elementary Schools	$1,040.33
Middle Schools	$1,223.92
High Schools	$1,223.92
Community College	$1,897.08
Effluent	Market Rate

Q. WHAT WILL BE THE 3/4 INCH RESIDENTIAL CUSTOMER MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch residential customer is $41.62 – a $2.63 increase over the present monthly bill or a 6.75 percent increase.

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

A. No. The increase in rates is spread evenly among the customer classes.

1. Miscellaneous Charges.

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

A. Yes, please see Mr. Krygier's Exhibit CDK – DT7.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

FEBRUARY 28, 2013

EXHIBIT TJB – DT1

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)
Continuing Professional Education – In areas of tax, accounting, management, economics, finance, ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs
Water Utilities Association of Arizona
American Water Works Association
Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, generally accepted ratemaking principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews. Litigation support services.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager

1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.
1981-1982	Employed by Purdue University, West Lafayette, Indiana as Teaching Assistant.

SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED CONSULTANT

COMPANY/CLIENT	FUNCTION
Pima Utility Company Docket W-02199A-11-0329 Docket SW-02199A-11-0330	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Cost of Service, Rate Design, and Cost of Capital. Work on financing application (pending).
California Pacific Energy Company	Work on preparation of permanent rate application.
Livco Water Company Docket SW-02563A-11-0213	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Orange Grove Water Company Docket W-02237A-11-0180	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Goodman Water Company Docket W-02500A-10-0382	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Doney Park Water Docket W-01416A-10-0450	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Grimmelmann, et. al. v. Pulte Home Corporation, et. al., case no. CV-08-1878-PHX-FJM, the United States District Court for the District of Arizona.	Consultant to defendant and expert witness for defendant on rates and ratemaking.
Southern Arizona Home Builders Association	Consultant on ratemaking aspects to line extension policies (electric).
H2O Water Company	Valuation
Tierra Linda HOA Water Company	Valuation

COMPANY/CLIENT	FUNCTION
Las Quintas Serenas Water Company Docket W-01583A-09-0589	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Coronado Utilities Docket SW-04305A-09-0291	Permanent Rate Application – Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Little Park Water Company Docket W-02192A-09-0531	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Sahuarita Water Company Docket W-03718A-09-0359	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Bella Vista Water Company Southern Sunrise Water Company Northern Sunrise Water Company Docket W-02465A-09-0414 W-02453A-09-0414 W-02454A-09-0414	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Rio Rico Utilities, Inc Docket WS-02676A-09-0257	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Litchfield park Service Company Docket SW-01428A-09-0103 W-01428A-09-0104	Permanent Rate Application – Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, Cost of Service, and Cost of Capital.
Town of Thatcher v. City of Safford, CV 2007-240, Superior Court of Arizona	Consultant to plaintiff on ratemaking and cost of service.

COMPANY/CLIENT	FUNCTION
Valencia Water Company Before the California Public Utility Commission 09-05-002	Cost of Capital
Valley Utilities Docket W-01412A-08-0586	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Black Mountain Sewer Company Docket SW-02361A-08-0609	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Far West Water and Sewer Company Docket WS-03478A-08-0608	Interim Rate Application (Emergency Rates)
Farmers Water Company Docket W-01654A-08-0502	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Far West Water and Sewer Company Docket WS-03478A-08-0454	Permanent Rate Application. Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.
Ridgeline Water Company, LLC Docket W-20589A-08-0173	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Sacramento Utilities, Inc. Docket SW-20576A-08-0067	Certificate of Convenience and Necessity – Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities Docket WS-02987A-08-0180	Permanent Rate Application. Water and Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and

COMPANY/CLIENT	FUNCTION
	Cost of Capital.
	Participate in 40-252 proceeding.
Orange Grove Water Company Docket W-02237A-08-0455	Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.
Far West Water and Sewer Company Docket WS-03478A-07-0442	Financing Application. Prepare schedules to support application.
Oak Creek Water No.1 Docket W-01392A-07-0679	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
ICR Water Users Association Docket W-02824-07-0388	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Johnson Utilities	Valuation consultant in the matter of the sale of Johnson Utilities assets to the Town of Florence.
H2O, Inc Docket W-02234A-07-0550	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Chaparral City Water Company Docket W-02113A-07-0551	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Valley Utilities Docket W-01412A-07-0561	Financing Application. Prepare schedules to support application.
Valley Utilities Docket W-01412A-07-280	Emergency Rate Application. Prepare schedules to support application.
Valley Utilities	Accounting Order. Assist in preparing

COMPANY/CLIENT	FUNCTION
Docket W-01412A-07-0278	definition and scope of costs for deferral for future regulatory consideration and treatment.
Litchfield Park Service Company Docket W-01427A-06-0807	Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.
Golden Shores Water Company Docket W-01815A-07-0117	Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Diablo Village Water Company Docket W-02309A-07-0140	Off-site facilities hook-up fee application. Prepare schedules to support application.
Diablo Village Water Company Docket W-02309A-07-0399	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Sahuarita Water Company (Rancho Sahuarita Water Co.) Docket W-03718A-07-0687	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Utility Source, L.L.C. Docket WS-04235A-06-0303	Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Tierra Buena Water Company	Valuation of Tierra Buena Water Company for estate purposes.
Goodman Water Company Docket W-02500A-06-0281	Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.
Links at Coyote Wash Utilities	Certificate of Convenience and Necessity

COMPANY/CLIENT	FUNCTION
Docket SW-04210A-06-0220	– Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
New River Utilities Docket W-0173A-06-0171	Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.
Johnson Utilities Docket WS-02987A-04-0501 Docket WS-02987A-04-0177	Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Bachmann Springs Utility Docket WS-03953A-07-0073	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Avra Water Cooperative Docket W-02126A-06-0234	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Gold Canyon Sewer Company Docket SW-025191A-06-0015	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
State of Arizona v. Far West Water and Sewer, No. 1 CA-CR 06-0160	Expert witness on behalf of defendant in penalty phase of case.
Far West Water and Sewer Company Docket WS-03478A-05-0801	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.
Black Mountain Sewer Company Docket SW-02361A-05-0657	Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of

COMPANY/CLIENT	FUNCTION
	Capital.
Balterra Sewer Company Docket SW-02304A-05-0586	Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Community Water Company of Green Valley Docket W-02304A-05-0830	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
McClain Water Systems Northern Sunrise Water Southern Sunrise Water Docket W-020453A-06-0251	Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Valley Utilities Water Company Docket W-01412A-04-0376	Off-site facilities hook-up fee application. Prepare schedules to support application.
Valley Utilities Water Company Docket W-01412A-04-0376	Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Beardsley Water Company Docket W-02074A-04-0358	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Pine Water Company, Inc. Docket W-03512A-03-0279	Interim and Permanent Rate Application, Financing Application - Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Cost of Capital, and Rate Design.
Chaparral City Water Company Docket W-02113A-04-0616	Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, and Income Statement. Assisted in preparation Rate Design.
Tierra Linda Home Owners Association	Certificate of Convenience and Necessity

COMPANY/CLIENT	FUNCTION
Docket W-0423A-04-0075	– Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Diamond Ventures - Red Rock Utilities Docket WS-04245A-04-0184	Certificate of Convenience and Necessity – Water and Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.
Arizona-American Water Company, Inc. Docket WS-01303A-02-0867 Docket WS-01303A-02-0868 Docket WS-01303A-02-0869 Docket WS-01303A-02-0870 Docket WS-01303A-02-0908	Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.
Bella Vista Water Company, Inc. Docket W-02465A-01-0776	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Green Valley Water Company Docket (2000 Not Filed)	Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.
Gold Canyon Sewer Company Docket SW-02519A-00-0638	Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.
Rio Verde Utilities, Inc. Docket WS-02156A-00-0321	Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in

COMPANY/CLIENT	FUNCTION
	preparation of Cost of Capital and Rate Design.
Livco Water Company Livco Sewer Company Docket SW-02563A-05-0820	Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Livco Water Company Docket SW-02563A-07-0506	Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.
Cave Creek Sewer Company	Revenue Requirement, Rate Adjustment and Rate Design - Sewer.
Avra Water Cooperative Docket W-02126A-00-0269	Permanent Rate Application – Water. Assisted in preparation of Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.
Town of Oro Valley	Revenue Requirements, Water Rate Adjustments and Rate Design.
Far West Water Company Docket WS-03478A-99-0144	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Income Statement, Revenue Requirement, Lead-Lag Study, Cost of Capital, and Rate Design.
MHC Operating Limited Partnership Sedona Venture Wastewater Docket W-	Permanent Rate Application – Sewer. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Vail Water Company Docket W-01651B-99-0406	Permanent Rate Application. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
E&T Water Company Docket W-01409A-95-0440	Permanent Rate Application - Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
New River Utility	Permanent Rate Application - Water.

COMPANY/CLIENT	FUNCTION
Docket W-01737A-99-0633	Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Golden Shores Water Docket W-01815A-98-0645	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Ponderosa Utility Company Docket W-01717A-99-0572	Permanent Rate Application – Water. Assisted in preparation of schedules for Rate Base, Plant, Income Statement, and Rate Design.
Chaparral City Water Company Docket (1999 Not Filed)	Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Litchfield Part Service Company - Water Division dba Liberty Utilities
Company Present Rates
Revenue Breakdown Summary

Exhibit TJB-DT-1
Page 1

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8 Inch	Residential	$ 7,099	$ 1,551	$ 1,877	$ 1,345	$ 11,873
3/4 Inch	Residential	1,155,334	320,609	769,136	836,472	3,081,550
3/4 Inch	Residential - Low Inco	3,121	977	2,120	1,458	7,676
1 Inch	Residential	1,658,734	332,673	889,513	576,467	3,457,387
1 Inch	Residential - Low Inco	7,023	1,498	2,678	103	11,301
1.5 Inch	Residential	15,912	16,564	12,396	-	44,871
2 Inch	Residential	1,958	1,486	1,536	-	4,981
4 Inch	Residential	-	-	-	-	-
5/8 Inch	Commercial	$ 245	$ -	$ -	$ -	$ 245
3/4 Inch	Commercial	3,672	2,453	2,709	-	8,834
1 Inch	Commercial	13,464	8,016	6,575	-	28,055
1.5 Inch	Commercial	33,048	27,575	58,209	-	118,831
2 Inch	Commercial	249,696	162,067	277,324	-	689,086
4 Inch	Commercial	21,420	24,683	196,589	-	242,692
8 Inch	Commercial	10,098	688	-	-	10,786
10 Inch	Commercial	14,076	17,662	4,524	-	36,262
5/8 Inch	Irrigation	$ 367	$ 296	$ 242	$ -	$ 906
3/4 Inch	Irrigation	14,566	13,911	30,081	-	58,558
1 Inch	Irrigation	70,686	59,546	161,018	-	291,250
1.5 Inch	Irrigation	58,752	63,473	215,719	-	337,944
2 Inch	Irrigation	244,800	271,756	1,268,319	-	1,784,875
4 Inch	Irrigation	24,480	21,798	100,208	-	146,486
1 Inch	MF	1,377	143	38	-	$ 1,558
1.5 Inch	MF	9,792	6,960	30,348	-	47,101
2 Inch	MF	109,670	85,125	126,019	-	320,814
4 Inch	MF	9,180	7,892	30,415	-	47,487
5/8 Inch	Fire	$ 28,642	$ 189	$ -	$ -	$ 28,831
3/4 Inch	Fire	2,938	23	-	-	2,961
1 Inch	Fire	275	-	-	-	275
	Hydrant	-	68,368	-	-	68,368
8 Inch	Bulk Water - GoodYea	12,024	116,928	-	-	128,952
4 Inch	VUI	3,060	-	-	-	3,060
	TOTALS	$ 3,785,509	$ 1,634,909	$ 4,187,593	$ 1,415,845	$ 11,023,856

Litchfield Park Water Company - Water Division dba Liberty Utilities
Decision 72026
Revenue Breakdown Summary

Exhibit TJB-DT-1
Page 2

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8 Inch	Residential	$ 6,977	$ 1,573	$ 1,933	$ 1,830	$ 12,313
3/4 Inch	Residential	$ 1,087,402	$ 301,858	$ 745,696	$ 982,049	$ 3,117,005
1 Inch	Residential	$ 1,430,703	$ 280,673	$ 783,399	$ 652,732	$ 3,147,507
1.5 Inch	Residential	$ 26,316	$ 22,354	$ 54,687	$ -	$ 103,357
2 Inch	Residential	$ 108,691	$ 69,939	$ 121,700	$ -	$ 300,330
4 Inch	Residential	$ 9,180	$ 7,007	$ 21,277	$ -	$ 37,465
	Subtotal					
5/8 Inch	Commercial	$ 19,462	$ 835	$ 28,325	$ -	$ 48,622
3/4 Inch	Commercial	$ 6,854	$ 4,045	$ 9,959	$ -	$ 20,859
1 Inch	Commercial	$ 23,256	$ 15,027	$ 14,630	$ -	$ 52,913
1.5 Inch	Commercial	$ 28,764	$ 28,321	$ 70,774	$ -	$ 127,859
2 Inch	Commercial	$ 238,925	$ 165,762	$ 320,055	$ -	$ 724,742
4 Inch	Commercial	$ 30,600	$ 30,377	$ 90,551	$ -	$ 151,528
10 Inch	Commercial	$ 14,076	$ 14,837	$ 7,787	$ -	$ 36,700
	Subtotal					
5/8 Inch	Irrigation	$ 367	$ 365	$ 1,463	$ -	$ 2,196
3/4 Inch	Irrigation	$ 14,076	$ 14,254	$ 40,822	$ -	$ 69,152
1 Inch	Irrigation	$ 66,708	$ 65,461	$ 171,354	$ -	$ 303,524
1.5 Inch	Irrigation	$ 56,304	$ 65,322	$ 188,272	$ -	$ 309,898
2 Inch	Irrigation	$ 225,216	$ 250,065	$ 1,313,638	$ -	$ 1,788,919
4 Inch	Irrigation	$ 24,480	$ 26,127	$ 169,410	$ -	$ 220,018
	Subtotal					
	Hydrant	$ -	$ 98,739	$ -	$ -	$ 98,739
	Bulk Water	$ 12,024	$ 452,670	$ -	$ -	$ 464,694
	TOTALS	$ 3,430,381	$ 1,915,612	$ 4,155,735	$ 1,636,611	$ 11,138,339
	Percent of Total	30.80%	17.20%	37.31%	14.69%	100.00%
	Cummulative %	30.80%	48.00%	85.31%	100.00%	

Litchfield Part Service Company - Water Division dba Liberty Utilities
Current T.Y. vs. Prior T.Y. at Company Present Rates
Revenue Breakdown Summary

Exhibit TJB-DT-1
Page 3

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8 Inch	Residential	$ 122	$ (22)	$ (56)	$ (485)	$ (440)
3/4 Inch	Residential	67,932	18,751	23,439	(145,577)	(35,455)
3/4 Inch	Residential - Low Income	3,121	977	2,120	1,458	7,676
1 Inch	Residential	228,031	52,000	106,114	(76,265)	309,880
1 Inch	Residential - Low Income	7,023	1,498	2,678	103	11,301
1.5 Inch	Residential	(10,404)	(5,791)	(42,291)	-	(58,486)
2 Inch	Residential	(106,733)	(68,453)	(120,164)	-	(295,350)
4 Inch	Residential	(9,180)	(7,007)	(21,277)	-	(37,465)
5/8 Inch	Commercial	$ (19,217)	$ (835)	$ (28,325)	$ -	$ (48,377)
3/4 Inch	Commercial	(3,182)	(1,593)	(7,250)	-	(12,025)
1 Inch	Commercial	(9,792)	(7,011)	(8,055)	-	(24,858)
1.5 Inch	Commercial	4,284	(747)	(12,565)	-	(9,028)
2 Inch	Commercial	10,771	(3,695)	(42,732)	-	(35,655)
4 Inch	Commercial	(9,180)	(5,694)	106,039	-	91,164
8 Inch	Commercial	10,098	688	-	-	10,786
10 Inch	Commercial	-	2,825	(3,263)	-	(438)
5/8 Inch	Irrigation	$ -	$ (69)	$ (1,221)	$ -	$ (1,290)
3/4 Inch	Irrigation	490	(343)	(10,741)	-	(10,594)
1 Inch	Irrigation	3,978	(5,916)	(10,336)	-	(12,274)
1.5 Inch	Irrigation	2,448	(1,849)	27,447	-	28,046
2 Inch	Irrigation	19,584	21,691	(45,319)	-	(4,044)
4 Inch	Irrigation	-	(4,329)	(69,202)	-	(73,532)
1 Inch	MF	1,377	143	38	-	$ 1,558
1.5 Inch	MF	9,792	6,960	30,348	-	47,101
2 Inch	MF	109,670	85,125	126,019	-	320,814
4 Inch	MF	9,180	7,892	30,415	-	47,487
5/8 Inch	Fire	$ 28,642	$ 189	$ -	$ -	$ 28,831
3/4 Inch	Fire	2,938	23	-	-	2,961
1 Inch	Fire	275	-	-	-	275
	Hydrant	-	(30,371)	-	-	(30,371)
8 Inch	Bulk Water - GoodYear	-	(335,742)	-	-	(335,742)
4 Inch	VUI	3,060	-	-	-	3,060
	TOTALS	$ 355,128	$ (280,704)	$ 31,858	$ (220,766)	$ (114,484)

Litchfield Part Service Company - Water Division dba Liberty Utilities
Company Proposed Rates
Revenue Breakdown Summary

Exhibit TJB-DT-1
Page 4

		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Commodity Fourth Tier	Commodity Fifth Tier	Total
5/8 Inch	Residential	$ 10,092	$ 1,551	$ 2,160	$ 790	$ 322	$ -	$ 14,915
3/4 Inch	Residential	1,642,386	320,609	939,061	554,371	100,507	-	$ 3,556,934
3/4 Inch	Residential - Low Income	4,437	977	2,521	854	187	-	$ 8,975
1 Inch	Residential	2,367,039	332,673	931,427	413,970	199,562	-	$ 4,244,671
1 Inch	Residential - Low Income	10,022	1,498	2,804	104	-	-	$ 14,427
1.5 Inch	Residential	22,620	17,344	14,973	-	-	-	$ 54,937
2 Inch	Residential	2,784	1,556	1,856	-	-	-	$ 6,196
4 Inch	Residential	-	-	-	-	-	-	$ -
5/8 Inch	Commercial	$ 348.00	$ -	$ -	$ -	$ -	$ -	$ 348
3/4 Inch	Commercial	5,220	2,568	3,272	-	-	-	$ 11,060
1 Inch	Commercial	19,140	8,394	7,942	-	-	-	$ 35,476
1.5 Inch	Commercial	46,980	28,874	70,311	-	-	-	$ 146,165
2 Inch	Commercial	354,960	169,703	334,985	-	-	-	$ 859,648
4 Inch	Commercial	30,450	25,846	237,464	-	-	-	$ 293,760
8 Inch	Commercial	13,920	720	-	-	-	-	$ 14,640
10 Inch	Commercial	20,010	18,494	5,464	-	-	-	$ 43,968
5/8 Inch	Irrigation	$ 522	$ 310	$ 293	$ -	$ -	$ -	$ 1,125
3/4 Inch	Irrigation	20,706	14,567	36,336	-	-	-	$ 71,608
1 Inch	Irrigation	100,485	62,352	194,497	-	-	-	$ 357,334
1.5 Inch	Irrigation	83,520	66,464	260,571	-	-	-	$ 410,555
2 Inch	Irrigation	348,000	284,561	1,532,029	-	-	-	$ 2,164,590
4 Inch	Irrigation	34,800	22,825	121,044	-	-	-	$ 178,669
1 Inch	MF	$ 2,175	$ 143	$ 40	$ -	$ -	$ -	$ 2,358
1.5 Inch	MF	13,920	7,288	36,659	-	-	-	$ 57,867
2 Inch	MF	155,904	89,136	152,220	-	-	-	$ 397,260
4 Inch	MF	13,050	8,264	36,739	-	-	-	$ 58,053
5/8 Inch	Fire	$ 40,716	$ 198	$ -	$ -	$ -	$ -	$ 40,914
3/4 Inch	Fire	4,176	25	-	-	-	-	$ 4,201
1 Inch	Fire	393	-	-	-	-	-	$ 393
	Hydrant	-	82,174	-	-	-	-	$ 82,174
8 Inch	Bulk Water - GoodYear	13,800	128,621	-	-	-	-	$ 142,421
4 Inch VUI		4,350	-	-	-	-	-	4,350
	TOTALS	$ 5,386,925	$ 1,697,735	$ 4,924,667	$ 970,089	$ 300,578	$ -	$ 13,279,993
	Percent of Total	40.56%	12.78%	37.08%	7.30%	2.26%	0.00%	100.00%
	Cummulative %	40.56%	53.35%	90.43%	97.74%	100.00%	100.00%	

LITCHFIELD PARK SERVICE COMPANY DBA LIBERTY UTILITIES

THOMAS J. BOURASSA
DIRECT TESTIMONY

RATE BASE, INCOME STATEMENT AND RATE DESIGN

FEBRUARY 28, 2013

WATER DIVISION SCHEDULES

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	$ 35,647,602
2		
3	Adjusted Operating Income	2,024,376
4		
5	Current Rate of Return	5.68%
6		
7	Required Operating Income	$ 3,387,127
8		
9	Required Rate of Return on Fair Value Rate Base	9.50%
10		
11	Operating Income Deficiency	$ 1,362,751
12		
13	Gross Revenue Conversion Factor	1.6563
14		
15	Increase in Gross Revenue	
16	Requirement	$ 2,257,160
17		
18	Adjusted Test Year Revenues	$ 11,201,390
19	Increase in Gross Revenue Revenue Requirement	$ 2,257,160
20	Proposed Revenue Requirement	$ 13,458,550
21	% Increase	20.15%
22		

23	**Customer**		**Present**	**Proposed**	**Dollar**	**Percent**
24	**Classification**		**Rates**	**Rates**	**Increase**	**Increase**
25	5/8x3/4 Inch	Residential	$ 11,824	$ 14,853	$ 3,029	25.61%
26	3/4 Inch	Residential	3,047,017	3,516,162	469,145	15.40%
27	3/4 Inch	Residential - Low Income	7,425	8,671	1,247	16.79%
28	1 Inch	Residential	3,360,696	4,124,278	763,582	22.72%
29	1 Inch	Residential - Low Income	9,049	11,537	2,489	27.50%
30	1.5 Inch	Residential	44,871	54,937	10,066	22.43%
31	2 Inch	Residential	4,981	6,196	1,215	24.40%
32	4 Inch	Residential	-	-	-	0.00%
33	5/8x3/4 Inch	Commercial	245	348	103	42.16%
34	3/4 Inch	Commercial	8,987	11,248	2,261	25.16%
35	1 Inch	Commercial	28,013	35,422	7,409	26.45%
36	1.5 Inch	Commercial	118,831	146,165	27,334	23.00%
37	2 Inch	Commercial	684,406	854,008	169,602	24.78%
38	4 Inch	Commercial	242,692	293,760	51,068	21.04%
39	8 Inch	Commercial	10,786	14,640	3,854	35.74%
40	10 Inch	Commercial	36,262	43,968	7,707	21.25%
41	5/8x3/4 Inch	Irrigation	906	1,125	219	24.20%
42	3/4 Inch	Irrigation	58,536	71,581	13,046	22.29%
43	1 Inch	Irrigation	292,670	359,044	66,374	22.68%
44	1.5 Inch	Irrigation	342,197	415,667	73,471	21.47%
45	2 Inch	Irrigation	1,777,002	2,155,093	378,091	21.28%
46	4 Inch	Irrigation	140,026	170,859	30,833	22.02%
47	1 Inch	MF	1,558	2,358	800	51.33%
48	1.5 Inch	MF	47,101	57,867	10,766	22.86%
49	2 Inch	MF	320,997	397,482	76,486	23.83%
50	4 Inch	MF	47,487	58,053	10,566	22.25%
51	5/8x3/4 Inch	Fire	28,594	40,579	11,984	41.91%
52	3/4 Inch	Fire	2,879	4,084	1,205	41.86%
53	1 Inch	Fire	275	393	118	42.70%
54		Hydrant	68,030	82,174	14,145	20.79%
55		Sweeper	700	845	146	20.79%
56	8 Inch	Goodyear	128,952	142,421	13,469	10.44%
57	4 Inch	VUI	3,060	4,350	1,290	42.16%
58	Declining Usage Adjustment		(58,703)	(58,703)	-	0.00%
59	Revenue Annualization		147,165	180,669	33,504	22.77%
60	**Subtotal**		$ 10,965,514	$ 13,222,135	$ 2,256,621	20.58%
61						
62	Other Water Revenues		235,723	235,723	(0)	0.00%
63	Reconciling Amount		153	691	538	351.63%
64	Rounding			1	1	0.00%
65	***Total of Water Revenues***		$ 11,201,390	$ 13,458,550	$ 2,257,160	20.15%

66
67
68 SUPPORTING SCHEDULES:
69 B-1
70 C-1
71 C-3
72 H-1

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2010	Prior Years Ended 12/31/2011	Test Year Actual 12/31/2012	Test Year Adjusted 12/31/2012	Projected Year Present Rates 12/31/2013	Projected Year Proposed Rates 12/31/2013
1	Gross Revenues	$ 7,261,076	$ 11,151,014	$ 11,291,976	$ 11,201,390	$ 11,201,390	$ 13,458,550
2							
3	Revenue Deductions and	7,559,702	8,592,097	8,170,649	9,177,014	9,177,014	10,071,423
4	Operating Expenses						
5							
6	Operating Income	$ (298,626)	$ 2,558,917	$ 3,121,328	$ 2,024,376	$ 2,024,376	$ 3,387,127
7							
8	Other Income and	5,108	20,612	544,406	-	-	-
9	Deductions						
10							
11	Interest Expense	(402,612)	(398,827)	(315,420)	(388,078)	(388,078)	(388,078)
12							
13	Net Income	$ (696,131)	$ 2,180,702	$ 3,350,314	$ 1,636,298	$ 1,636,298	$ 2,999,049
14							
15	Common Shares	100,000	100,000	100,000	100,000	100,000	100,000
16							
17	Earned Per Average						
18	Common Share	(6.96)	21.81	33.50	16.36	16.36	29.99
19							
20	Dividends Paid	-	-	-	-	-	-
21							
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
24							
25	Payout Ratio	-	-	-	-	-	-
26							
27	Return on Average						
28	Invested Capital	-1.48%	3.01%	4.42%	2.12%	2.15%	3.93%
29							
30	Return on Year End						
31	Capital	-0.99%	2.91%	4.36%	2.12%	2.17%	3.98%
32							
33	Return on Average						
34	Common Equity	-2.17%	6.69%	10.07%	4.92%	4.69%	8.44%
35							
36	Return on Year End						
37	Common Equity	-2.13%	6.72%	9.84%	4.80%	4.59%	8.10%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	(0.74)	7.31	9.90	7.87	7.87	13.59
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	(0.74)	6.42	9.90	9.45	9.45	8.73
45							
46							
47							
48							
49							
50	SUPPORTING SCHEDULES						
51	C-1						
52	E-2						
53	F-1						
54							

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2010	12/31/2011	Test Year 12/31/2012	Projected Year 12/31/2013
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	5,174,076	5,063,078	4,940,435	4,798,196
6	Total Debt	$ 5,174,076	$ 5,063,078	$ 4,940,435	$ 4,798,196
9	Preferred Stock	-	-	-	-
11	Common Equity	32,692,485	32,472,041	34,046,387	36,070,763
14	Total Capital & Debt	$ 37,866,561	$ 37,535,119	$ 38,986,822	$ 40,868,959
17	Capitalization Ratios:				
19	Long-Term Debt	13.66%	13.49%	12.67%	11.74%
21	Total Debt	13.66%	13.49%	12.67%	11.74%
24	Preferred Stock	-	-	-	-
26	Common Equity	86.34%	86.51%	87.33%	88.26%
29	Total Capital	100.00%	100.00%	100.00%	100.00%
32	Weighted Cost of Senior Capital	0.00%	0.00%	0.87%	0.81%

SUPPORTING SCHEDULES:
E-1
D-1

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2010	4,569,804	4,569,804	81,944,789
5				
6	Prior Year Ended 12/31/2011	7,473,511	7,473,511	89,418,300
7				
8	Test Year Ended 12/31/2012	2,459,331	2,459,331	91,877,631
9				
10	Projected Year Ended 12/31/2013	914,600	914,600	92,792,231
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2011	Test Year Ended 12/31/2012	Projected Year Present Rates 12/31/2013	Projected Year Proposed Rates 12/31/2013
5	Cash Flows from Operating Activities					
6	Net Income	$ (696,131)	$ 2,180,702	$ 3,350,314	$ 1,636,298	$ 2,999,049
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	2,542,947	3,226,327	2,754,653	2,615,868	2,615,868
10	Other -Adjustments	67,586	(746,894)	(42,354)		
11	Changes in Certain Assets and Liabilities:					
12	Accounts Receivable	(589,814)	(22,685)	(260,764)		
13	Unbilled Revenues	1,549	(6,410)	(11,966)		
14	Materials and Supplies Inventory	-	-	-		
15	Prepaid Expenses	122,382	(26,589)	19,788		
16	Deferred Charges	210,808	454,931	(35,479)		
17	Notes Receivable	(137,382)	245,071	(2,148,835)		
18	Accounts Payable	(57,891)	-	-		
19	Intercompany payable	2,446	(3,973)	-		
20	Customer Meter Deposits	(456,948)	(165,869)	(57,388)		
21	Taxes Payable	(1,482)	31,802	(146,711)		
22	Other assets and liabilities	(25,159)	18,168	877,574		
23	Rounding	1	2	(2)		
24	Net Cash Flow provided by Operating Activities	$ 982,913	$ 5,184,583	$ 4,298,830	$ 4,252,166	$ 5,614,916
25	Cash Flow From Investing Activities:					
26	Capital Expenditures	(4,569,804)	(7,473,511)	(2,459,331)	(914,600)	(914,600)
27	Plant Held for Future Use	-	-	-		
28	Changes in debt reserve fund	-	-	-		
29	Net Cash Flows from Investing Activities	$ (4,569,804)	$ (7,473,511)	$ (2,459,331)	$ (914,600)	$ (914,600)
30	Cash Flow From Financing Activities					
31	Change in Restricted Cash	-	-	-		
32	Proceeds from Long-Term Debt	-	-	-		
33	Net receipt of contributions in aid of construction	-	(75,882)	3,372,279	3,372,279	3,372,279
34	Net receipts of advances in aid of construction	2,137,481	4,920,468	(3,421,107)	(3,421,107)	(3,421,107)
35	Repayments of Long-Term Debt	(120,218)	(110,997)	(122,644)	(122,644)	(122,644)
36	Distributions/Dividends Paid	-	-	-	-	-
37	Deferred Financing Costs	-	-	-	-	-
38	Paid in Capital	1,787,950	(2,401,148)	(1,775,968)	-	-
39	Net Cash Flows Provided by Financing Activities	$ 3,805,213	$ 2,332,441	$ (1,947,440)	$ (171,472)	$ (171,472)
40	Increase(decrease) in Cash and Cash Equivalents	218,322	43,513	(107,941)	3,166,094	4,528,844
41	Cash and Cash Equivalents at Beginning of Year	(210,294)	8,028	51,541	(56,400)	(56,400)
42	Cash and Cash Equivalents at End of Year	$ 8,028	$ 51,541	$ (56,400)	$ 3,109,693	$ 4,472,444
43						
44						
45						
46						
47	SUPPORTING SCHEDULES:					
48	E-3					
49	F-2					
50						
51						

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 91,151,411	$ 91,151,411
3	Less: Accumulated Depreciation	16,514,086	16,514,086
4			
5	Net Utility Plant in Service	$ 74,637,324	$ 74,637,324
6			
7	Less:		
8	Advances in Aid of Construction	30,374,274	30,374,274
9			
10	Contributions in Aid of Construction	7,324,578	7,324,578
11			
12	Accumulated Amortization of CIAC	(1,489,772)	(1,489,772)
13			
14	Customer Meter Deposits	1,271,802	1,271,802
15	Custmer Security Deposits	140,147	140,147
16	Accumulated Deferred Income Tax	1,459,075	1,459,075
17			
18			
19	Plus:		
20			
21	Deferred Regulatory Assets TCE Plume	90,381	90,381
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 35,647,602	$ 35,647,602
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 91,877,631	(726,220)	$ 91,151,411
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	19,513,182	(2,999,096)	16,514,086
7				
8				
9	Net Utility Plant			
10	in Service	$ 72,364,449		$ 74,637,324
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	30,374,274	-	30,374,274
15				
16	Contributions in Aid of			
17	Construction - Gross	4,336,397	2,988,180	7,324,578
18				
19	Accumulated Amortization of CIAC	(73,782)	(1,415,990)	(1,489,772)
20				
21	Customer Meter Deposits	1,271,802	-	1,271,802
22	Custmer Security Deposits	140,147	-	140,147
23	Accumulated Deferred Income Tax	626,052	833,023	1,459,075
24				-
25				-
26				
27	**Plus:**			
28				
29	Deferred Regulatory Assets TCE Plume	90,381		90,381
30	Prepayments	-		-
31	Materials and Supplies	-		-
32	Working capital	-	-	-
33				-
34				
35	Total	$ 35,779,941		$ 35,647,602
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
47	B-2, pages 2			B-1
48	E-1			
49				
50				
51				

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 AIAC	5 ADIT	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 91,877,631	(726,220)					$ 91,151,411
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	19,513,182		(2,999,096)				16,514,086
7								
8								
9	Net Utility Plant							
10	in Service	$ 72,364,449	$ (726,220)	$ 2,999,096	$ -	$ -	$ -	$ 74,637,324
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	30,374,274				-		30,374,274
15								
16	Contributions in Aid of							
17	Construction (CIAC)	4,336,397			2,988,180			7,324,578
18								
19	Accumulated Amort of CIAC	(73,782)			(1,415,990)			(1,489,772)
20								
21	Customer Meter Deposits	1,271,802						1,271,802
22	Customer Security Deposits	140,147						140,147
23	Accumulated Deferred Income Taxes	626,052					833,023	1,459,075
24								
25								
26	**Plus:**							
27								
28	Deferred Regulatory Assets TCE Plume	90,381						90,381
29	Prepayments	-						
30	Materials and Supplies	-						
31	Allowance for Cash Working Capital	-						-
32								
33	Total	$ 35,779,941	$ (726,220)	$ 2,999,096	$ (1,572,191)	$ -	$ (833,023)	$ 35,647,602
34								
35								
36								
37	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
38	B-2, pages 3-5						B-1	
39	E-1							
40								
41								

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Original Cost	A Plant Retirements	B Affiliate Profit	C Adjustments to Reconcile Plant to Reconstruction	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Original Cost
6	301	Organization Cost	21,000		-	100			21,100
7	302	Franchise Cost	-		-	-			-
8	303	Land and Land Rights	1,456,519		(241)	-			1,456,278
9	304	Structures and Improvements	28,052,481		(51,567)	1			28,000,916
10	305	Collecting and Impounding Res.	-		-	-			-
11	306	Lake River and Other Intakes	-		-	-			-
12	307	Wells and Springs	3,099,529		(2,185)	1			3,097,345
13	308	Infiltration Galleries and Tunnels	-		-	-			-
14	309	Supply Mains	-		-	-			-
15	310	Power Generation Equipment	207,020		-	-			207,020
16	311	Electric Pumping Equipment	1,379,202	(559,416)	(4,027)	82,033			897,792
17	320	Water Treatment Equipment	1,722,053		(25,293)	(1)			1,696,759
18	320.1	Water Treatment Plant	-		-	-			-
19	320.2	Chemical Solution Feeders	-		-	-			-
20	330	Dist. Reservoirs & Standpipe	490,087		(1,344)	3,433			492,176
21	330.1	Storage tanks	-		-	-			-
22	330.2	Pressure Tanks	-		-	-			-
23	331	Trans. and Dist. Mains	40,342,007		(50,420)	(32,542)			40,259,045
24	333	Services	5,394,588		(17,341)	(25,784)			5,350,963
25	334	Meters	4,793,010		(8,144)	(25,305)			4,759,560
26	335	Hydrants	3,310,715		(3,044)	(2,916)			3,304,755
27	336	Backflow Prevention Devices	38,387		-	-			38,387
28	339	Other Plant and Misc. Equip.	369,457		-	(109,926)			259,531
29	340	Office Furniture and Fixtures	673,398		-	(22,300)			651,098
30	340.1	Computers and Software	-		-	-			-
31	341	Transportation Equipment	312,470		(2,104)	(2,775)			307,592
32	342	Stores Equipment	33,643		-	3,500			37,143
33	343	Tools and Work Equipment	47,737		(303)	-			47,434
34	344	Laboratory Equipment	5,803		-	-			5,803
35	345	Power Operated Equipment	-		-	-			-
36	346	Communications Equipment	128,523		(121)	1			128,402
37	347	Miscellaneous Equipment	-		-	-			-
38	348	Other Tangible Plant	-		-	132,312			132,312
39		Plant Held for Future Use							-
40		TOTALS	$ 91,877,631	$ (559,416)	$ (166,634)	$ (170)	$ -	$ -	$ 91,151,411
41									
42	Plant-in-Service per Books								$ 91,877,631
43									
44	Increase (decrease) in Plant-in-Service								$ (726,220)
45									
46	Adjustment to Plant-in-Service								$ (726,220)
47									
48	SUPPORTING SCHEDULES								
49	B-2, pages 3.1, 3.2, and 3.3								
50									

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Schedule B-2
Page 3.1
Witness: Bourassa

Line No.

1 Plant Retirements

Line No.	Acct. No.	Description	Description	Retirement Year		Adjustment
6	311	Electric Pumping Equipment	2000 Plant Balance	2008	$ (420,594)	
7	311	Electric Pumping Equipment	2001 Net Plant Adds	2009	(35,008)	
8	311	Electric Pumping Equipment	2002 Net Plant Adds	2010	(20,920)	
9	311	Electric Pumping Equipment	2003 Net Plant Adds	2011	(1,327)	
10	331	Trans. and Dist. Mains		2012	(29,169)	
11	333	Services		2012	(25,784)	
12	334	Meters		2012	(23,698)	
13	335	Hydrants		2012	(2,917)	
14		Total				$ (559,416)

43 SUPPORTING SCHEDULE
44 B-2, pages 3.4 through 3.8
45 Work papers

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Line No.

1 Remove Affiliate Profit

Acct. No.	Description	2008	2009	2010	2011	2012	Total
301	Organization Cost						$ -
302	Franchise Cost						-
303	Land and Land Rights	-	-	(53)	(188)	-	(241)
304	Structures and Improvements	(20,938)	(21,984)	(776)	(2,601)	(5,268)	(51,567)
305	Collecting and Impounding Res.						-
306	Lake River and Other Intakes						-
307	Wells and Springs	-	(773)	-	(686)	(726)	(2,185)
308	Infiltration Galleries and Tunnels						-
309	Supply Mains						-
310	Power Generation Equipment						-
311	Electric Pumping Equipment	-	-	-	(3,315)	(712)	(4,027)
320	Water Treatment Equipment	-	(24,987)	(34)	(223)	(50)	(25,293)
320.1	Water Treatment Plant						-
320.2	Chemical Solution Feeders						-
330	Dist. Reservoirs & Standpipe	-	-	-	(1,344)	-	(1,344)
330.1	Storage tanks						-
330.2	Pressure Tanks						-
331	Trans. and Dist. Mains	(10,868)	(18,664)	(3,139)	(8,802)	(8,947)	(50,420)
333	Services	(15,625)	-	(207)	(944)	(1,065)	(17,841)
334	Meters				(4,811)	(3,333)	(8,144)
335	Hydrants				(573)	(2,471)	(3,044)
336	Backflow Prevention Devices						-
339	Other Plant and Misc. Equip.						-
340	Office Furniture and Fixtures						-
340.1	Computers and Software						-
341	Transportation Equipment				(636)	(1,468)	(2,104)
342	Stores Equipment						-
343	Tools and Work Equipment					(303)	(303)
344	Laboratory Equipment						-
345	Power Operated Equipment						-
346	Communications Equipment				(49)	(72)	(121)
347	Miscellaneous Equipment						-
348	Other Tangible Plant						-
	Plant Held for Future Use						
	TOTALS	$ (47,431)	$ (66,408)	$ (4,209)	$ (24,172)	$ (24,414)	$ (166,634)

SUPPORTING SCHEDULE
B-2, pages 3.4 through 3.8
Work papers

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Line No.

1 *Reconciliation of Plant to Plant Reconstruction*

Acct. No.	Description	Orginal Cost	B-2 Adjustments	Adjusted Orginal Cost	Plant Per Reconstruction	Difference
301	Organization Cost	21,000	-	21,000	21,100	100
302	Franchise Cost	-	-	-	-	-
303	Land and Land Rights	1,456,519	(241)	1,456,278	1,456,278	-
304	Structures and Improvements	28,052,481	(51,567)	28,000,914	28,000,916	1
305	Collecting and Impounding Res.	-	-	-	-	-
306	Lake River and Other Intakes	-	-	-	-	-
307	Wells and Springs	3,099,529	(2,185)	3,097,344	3,097,345	1
308	Infiltration Galleries and Tunnels	-	-	-	-	-
309	Supply Mains	-	-	-	-	-
310	Power Generation Equipment	207,020	-	207,020	207,020	-
311	Electric Pumping Equipment	1,379,202	(563,443)	815,759	897,792	82,033
320	Water Treatment Equipment	1,722,053	(25,293)	1,696,760	1,696,759	(1)
320.1	Water Treatment Plant	-	-	-	-	-
320.2	Chemical Solution Feeders	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	490,087	(1,344)	488,743	492,176	3,433
330.1	Storage tanks	-	-	-	-	-
330.2	Pressure Tanks	-	-	-	-	-
331	Trans. and Dist. Mains	40,342,007	(50,420)	40,291,587	40,259,045	(32,542)
333	Services	5,394,588	(17,841)	5,376,748	5,350,963	(25,784)
334	Meters	4,793,010	(8,144)	4,784,865	4,759,560	(25,305)
335	Hydrants	3,310,715	(3,044)	3,307,672	3,304,755	(2,916)
336	Backflow Prevention Devices	38,387	-	38,387	38,387	-
339	Other Plant and Misc. Equip.	369,457	-	369,457	259,531	(109,926)
340	Office Furniture and Fixtures	673,398	-	673,398	651,098	(22,300)
340.1	Computers and Software	-	-	-	-	-
341	Transportation Equipment	312,470	(2,104)	310,366	307,592	(2,775)
342	Stores Equipment	33,643	-	33,643	37,143	3,500
343	Tools and Work Equipment	47,737	(303)	47,434	47,434	-
344	Laboratory Equipment	5,803	-	5,803	5,803	-
345	Power Operated Equipment	-	-	-	-	-
346	Communications Equipment	128,523	(121)	128,402	128,402	1
347	Miscellaneous Equipment	-	-	-	-	-
348	Other Tangible Plant	-	-	-	132,312	132,312
	Plant Held for Future Use					-
	TOTALS	$ 91,877,631	$ (726,050)	$ 91,151,581	$ 91,151,411	$ (170)

SUPPORTING SCHEDULE
B-2, pages 3.1 through 3.2
B-2, pages 3.4 through 3.8

Litchfield Park Service Company - Water Division
dba Liberty Utilities
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision Plant at 9/30/2008	Per Decision Accum. Deprec. At 9/30/2008	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	3 months Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	21,100	-	-		-		-		-	21,100	-
2	302	Franchise Cost	0.00%	-	-	-		-		-		-	-	-
3	303	Land and Land Rights	0.00%	1,284,595	-	(367,902)	-	(367,902)		-		-	916,693	-
4	304	Structures & Improvements	3.33%	24,649,251	404,869	(1,026,408)	(20,938)	(1,047,346)		-		200,845	23,601,905	605,714
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-		-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-		-		-		-	-	-
7	307	Wells & Springs	3.33%	2,393,491	631,793	163	-	163		-		19,928	2,393,653	651,720
8	308	Infiltration Galleries	6.67%	-	-	-		-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-		-		-		-	-	-
10	310	Power Generation Equipment	5.00%	202,269	56,403	-		-		-		2,528	202,269	58,932
11	311	Pumping Equipment	12.50%	917,055	598,038	11,723	-	11,723	420,594	420,594		22,269	508,184	199,713
12	320	Water Treatment Equipment	3.33%	1,337,824	41,009	(46,530)	-	(46,530)		-		10,944	1,291,294	51,953
13	320.1	Water Treatment Plants	3.33%	-	-	-		-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-		-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	439,244	174,417	600	-	600		-		2,439	439,844	176,856
16	330.1	Storage Tanks	2.22%	-	-	-		-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-		-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	28,918,695	3,844,739	724,203	(10,868)	713,335		-		146,377	29,632,030	3,991,116
19	333	Services	3.33%	4,245,838	900,699	164,164	(15,625)	148,539		-		35,965	4,394,377	936,664
20	334	Meters	8.33%	4,133,092	1,931,628	5,723		5,723		-		86,131	4,138,815	2,017,760
21	335	Hydrants	2.00%	2,055,781	163,913	91,012		91,012		-		10,508	2,146,793	174,420
22	336	Backflow Prevention Devices	6.67%	38,387	7,546	-		-		-		640	38,387	8,186
23	339	Other Plant & Misc Equipment	6.67%	259,531	33,497	-		-		-		4,328	259,531	37,825
24	340	Office Furniture & Equipment	6.67%	551,757	124,987	-		-		-		9,201	551,757	134,187
25	340.1	Computers & Software	20.00%	-	-	-		-		-		-	-	-
26	341	Transportation Equipment	20.00%	174,415	83,060	-		-		-		8,721	174,415	91,781
27	342	Stores Equipment	4.00%	31,711	1,586	-		-		-		317	31,711	1,903
28	343	Tools, Shop & Garage Equipment	5.00%	23,350	7,113	-		-		-		292	23,350	7,405
29	344	Laboratory Equipment	10.00%	-	-	-		-		-		-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-		-		-		-	-	-
31	346	Communication Equipment	10.00%	119,710	21,730	-		-		-		2,993	119,710	24,723
32	347	Miscellaneous Equipment	10.00%	-	-	-		-		-		-	-	-
33	348	Other Tangible Plant	10.00%	-	-	2,475		2,475		-		31	2,475	31
34		Plant Held for Future Use						-		-		-	-	-
35														
36		TOTALS		71,797,096	9,027,027	(440,777)	(47,431)	(488,208)	420,594	420,594	-	564,454	70,888,294	9,170,887

Litchfield Park Service Company - Water Division
dba Liberty Utilities
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-		-		-		-	21,100	-
2	302	Franchise Cost	0.00%	-		-		-		-	-	-
3	303	Land and Land Rights	0.00%	92,495	-	92,495		-		-	1,009,188	-
4	304	Structures & Improvements	3.33%	1,190,719	(21,984)	1,168,735		-		805,403	24,770,640	404,869
5	305	Collecting & Impounding Reservoirs	2.50%	-		-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-		-		-		-	-	-
7	307	Wells & Springs	3.33%	501,310	(773)	500,537		-		88,043	2,894,190	631,793
8	308	Infiltration Galleries	6.67%	-		-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-		-		-		-	-	-
10	310	Power Generation Equipment	5.00%	-		-		-		10,113	202,269	56,403
11	311	Pumping Equipment	12.50%	21,214	-	21,214	35,008	35,008		62,661	494,390	598,038
12	320	Water Treatment Equipment	3.33%	2,479	(24,987)	(22,508)		-		42,625	1,268,786	41,009
13	320.1	Water Treatment Plants	3.33%	-		-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-		-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-		-		9,765	439,844	174,417
16	330.1	Storage Tanks	2.22%	-		-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-		-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	1,906,160	(18,664)	1,887,496		-		611,516	31,519,527	3,844,739
19	333	Services	3.33%	1,580,515	-	1,580,515		-		172,648	5,974,892	900,699
20	334	Meters	8.33%	51,571		51,571		-		346,911	4,190,386	1,931,628
21	335	Hydrants	2.00%	309,661		309,661		-		46,032	2,456,454	163,913
22	336	Backflow Prevention Devices	6.67%	-		-		-		2,560	38,387	7,546
23	339	Other Plant & Misc Equipment	6.67%	-		-		-		17,311	259,531	33,497
24	340	Office Furniture & Equipment	6.67%	-		-		-		36,802	551,757	124,987
25	340.1	Computers & Software	20.00%	-		-		-		-	-	-
26	341	Transportation Equipment	20.00%	-		-		-		34,863	174,415	83,060
27	342	Stores Equipment	4.00%	-		-		-		1,268	31,711	1,586
28	343	Tools, Shop & Garage Equipment	5.00%	-		-		-		1,168	23,350	7,113
29	344	Laboratory Equipment	10.00%	-		-		-		-	-	-
30	345	Power Operated Equipment	5.00%	-		-		-		-	-	-
31	346	Communication Equipment	10.00%	-		-		-		11,971	119,710	21,730
32	347	Miscellaneous Equipment	10.00%	-		-		-		-	-	-
33	348	Other Tangible Plant	10.00%	15,420		15,420		-		1,019	17,895	-
34		Plant Held for Future Use				-		-		-	-	-
35												
36		TOTALS		5,671,544	(66,408)	5,605,136	35,008	35,008	-	2,302,699	76,458,422	9,027,027

Litchfield Park Service Company - Water Division
dba Liberty Utilities
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-		-		-		-	21,100	-
2	302	Franchise Cost	0.00%	-		-		-		-	-	-
3	303	Land and Land Rights	0.00%	430,531	(53)	430,478		-		-	1,439,666	-
4	304	Structures & Improvements	3.33%	1,284,065	(776)	1,283,289		-		846,229	26,053,929	1,251,098
5	305	Collecting & Impounding Reservoirs	2.50%	-		-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-		-		-		-	-	-
7	307	Wells & Springs	3.33%	56,518	-	56,518		-		97,318	2,950,708	729,111
8	308	Infiltration Galleries	6.67%	-		-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-		-		-		-	-	-
10	310	Power Generation Equipment	5.00%	-		-		-		10,113	202,269	66,517
11	311	Pumping Equipment	12.50%	61,729	-	61,729	20,920	20,920		-	535,199	577,118
12	320	Water Treatment Equipment	3.33%	353,630	(34)	353,596		-		48,138	1,622,382	89,147
13	320.1	Water Treatment Plants	3.33%	-		-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-		-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-		-		9,765	439,844	184,181
16	330.1	Storage Tanks	2.22%	-		-		-		-	-	-
17	330.2	Pressure Tanks	5.00%			-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	1,611,724	(3,139)	1,608,585		-		646,476	33,128,111	4,491,215
19	333	Services	3.33%	307,502	(207)	307,294		-		204,080	6,282,186	1,104,779
20	334	Meters	8.33%	167,302		167,302		-		356,027	4,357,688	2,287,656
21	335	Hydrants	2.00%	221,507		221,507		-		51,344	2,677,961	215,257
22	336	Backflow Prevention Devices	6.67%	-		-		-		2,560	38,387	10,106
23	339	Other Plant & Misc Equipment	6.67%	-		-		-		17,311	259,531	50,808
24	340	Office Furniture & Equipment	6.67%	-		-		-		36,802	551,757	161,789
25	340.1	Computers & Software	20.00%	-		-		-		-	-	-
26	341	Transportation Equipment	20.00%	4,845		4,845		-		35,368	179,260	118,427
27	342	Stores Equipment	4.00%	3,688		3,688		-		1,342	35,399	2,928
28	343	Tools, Shop & Garage Equipment	5.00%	939		939		-		1,191	24,289	8,304
29	344	Laboratory Equipment	10.00%	-		-		-		-	-	-
30	345	Power Operated Equipment	5.00%	-		-		-		-	-	-
31	346	Communication Equipment	10.00%	-		-		-		11,971	119,710	33,701
32	347	Miscellaneous Equipment	10.00%	-		-		-		-	-	-
33	348	Other Tangible Plant	10.00%	20,924		20,924		-		2,836	38,619	2,836
34		Plant Held for Future Use				-		-		-	-	-
35												
36		TOTALS		4,524,902	(4,209)	4,520,693	20,920	20,920	-	2,378,871	80,958,195	11,384,979

Litchfield Park Service Company - Water Division
dba Liberty Utilities
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-		-			-		-	21,100	-
2	302	Franchise Cost	0.00%	-		-			-		-	-	-
3	303	Land and Land Rights	0.00%	8,476	(188)	8,288			-		-	1,447,954	-
4	304	Structures & Improvements	3.33%	549,237	(2,601)	546,636			-		876,697	26,600,565	2,127,795
5	305	Collecting & Impounding Reservoirs	2.50%	-		-			-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-		-			-		-	-	-
7	307	Wells & Springs	3.33%	19,010	(686)	18,324			-		98,564	2,969,032	827,674
8	308	Infiltration Galleries	6.67%	-		-			-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-		-			-		-	-	-
10	310	Power Generation Equipment	5.00%	4,596		4,596			-		10,228	206,865	76,745
11	311	Pumping Equipment	12.50%	220,561	(3,315)	217,245	1,327		1,327		80,395	751,117	656,186
12	320	Water Treatment Equipment	3.33%	28,534	(223)	28,310			-		54,497	1,650,693	143,644
13	320.1	Water Treatment Plants	3.33%	-		-			-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-		-			-		-	-	-
15	330	*Distribution Reservoirs & Standpipes*	2.22%	53,676	(1,344)	52,332			-		10,345	492,176	194,527
16	330.1	Storage Tanks	2.22%	-		-			-		-	-	-
17	330.2	Pressure Tanks	5.00%	-		-			-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	5,388,147	(8,802)	5,379,345			-		716,356	38,507,456	5,207,571
19	333	Services	3.33%	382,109	(944)	381,165			-		215,543	6,663,351	1,320,322
20	334	Meters	6.33%	267,613	(4,811)	262,802			-		373,941	4,620,489	2,661,597
21	335	Hydrants	2.00%	512,885	(573)	512,312			-		58,682	3,190,273	273,940
22	336	Backflow Prevention Devices	6.67%	-		-			-		2,560	38,387	12,667
23	339	Other Plant & Misc Equipment	6.67%	-		-			-		17,311	259,531	68,118
24	340	Office Furniture & Equipment	6.67%	9,928		9,928			-		37,133	561,685	198,922
25	340.1	Computers & Software	20.00%	-		-			-		-	-	-
26	341	Transportation Equipment	20.00%	26,185	(636)	25,550			-		38,407	204,810	158,834
27	342	Stores Equipment	4.00%	1,116		1,116			-		1,438	36,515	4,366
28	343	Tools, Shop & Garage Equipment	5.00%	578		578			-		1,229	24,887	9,533
29	344	Laboratory Equipment	10.00%	-		-			-		-	-	-
30	345	Power Operated Equipment	5.00%	-		-			-		-	-	-
31	346	Communication Equipment	10.00%	3,986	(49)	3,937			-		12,168	123,647	45,869
32	347	Miscellaneous Equipment	10.00%	-					-		-	-	-
33	348	Other Tangible Plant	10.00%	44,349		44,349			-		6,099	83,168	8,935
34		Plant Held for Future Use		-		-			-		-	-	-
35													
36		TOTALS		7,520,985	(24,172)	7,496,813	1,327	-	1,327	-	2,611,594	88,453,681	13,995,246

Litchfield Park Service Company - Water Division
dba Liberty Utilities
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-		-	-		-		-	21,100	-
2	302	Franchise Cost	0.00%	-		-	-		-		-	-	-
3	303	Land and Land Rights	0.00%	8,324	-	8,324	-		-		-	1,456,278	-
4	304	Structures & Improvements	3.33%	1 405,618	(5,268)	1,400,351	-		-		909,115	28,000,916	3,036,910
5	305	Collecting & Impounding Reservoirs	2.50%	-		-	-		-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-		-	-		-		-	-	-
7	307	Wells & Springs	3.33%	142,604	(726)	141,878	13,565		13,565		101,005	3,097,345	915,114
8	308	Infiltration Galleries	6.67%	-		-	-		-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-		-	-		-		-	-	-
10	310	Power Generation Equipment	5.00%	155		155	-		-		10,347	207,020	87,092
11	311	Pumping Equipment	12.50%	147,387	(712)	146,675	-		-		103,057	897,792	759,242
12	320	Water Treatment Equipment	3.33%	46,116	(50)	46,066	-		-		55,735	1,696,759	199,379
13	320.1	Water Treatment Plants	3.33%	-		-	-		-		-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-		-	-		-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-		-		10,926	492,176	205,453
16	330.1	Storage Tanks	2.22%	-		-	-		-		-	-	-
17	330.2	Pressure Tanks	5.00%	-		-	-		-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	1 808,114	(8,947)	1,799,167	47,578		47,578		787,665	40,259,045	5,947 658
19	333	Services	3.33%	(1 200,817)	(1,065)	(1,201,882)	110,506		110,506		200,038	5,350,963	1,409 655
20	334	Meters	8.33%	233,873	(3,333)	230,540	91,470		91,470		390,679	4,759,560	2,960 808
21	335	Hydrants	2.00%	120,585	(2,471)	118,114	3,631		3,631		64,950	3,304,755	335 259
22	336	Backflow Prevention Devices	6.67%	-		-	-		-		2,560	38,387	15,227
23	339	Other Plant & Misc Equipment	6.67%	-		-	-		-		17,311	259,531	85,429
24	340	Office Furniture & Equipment	6.67%	89,413		89,413	-		-		40,446	651,098	239,369
25	340.1	Computers & Software	20.00%	-		-	-		-		-	-	-
26	341	Transportation Equipment	20.00%	111,782	(1,468)	110,314	7,532		7,532		51,240	307,592	200,543
27	342	Stores Equipment	4.00%	628		628	-		-		1,473	37,143	5,839
28	343	Tools, Shop & Garage Equipment	5.00%	22,870	(303)	22,567	-		-		1,808	47,434	11,341
29	344	Laboratory Equipment	10.00%	5,803		5,803	-		-		290	5,803	290
30	345	Power Operated Equipment	5.00%	-		-	-		-		-	-	-
31	346	Communication Equipment	10.00%	4,827	(72)	4,755	-		-		12,602	128,402	58,472
32	347	Miscellaneous Equipment	10.00%	-		-	-		-		-	-	-
33	348	Other Tangible Plant	10.00%	49,143		49,143	-		-		10,774	132,312	19,709
34		Plant Held for Future Use				-			-		-	-	-
35													
36		TOTALS		2,996,426	(24,414)	2,972,012	274,282	-	274,282	-	2,772,023	91,151,411	16,492,986

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No	Description	Per Books Accum. Depr.	A Plant Retirements	B Affiliate Profit	C Adjustments to Reconcile A/D to Reconstruction	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	301	*Organization Cost*	-		-	21,100			21,100
7	302	Franchise Cost	-		-	-			-
8	303	Land and Land Rights	-		-	-			-
9	304	Structures and Improvements	3,723,495		(5,982)	(680,604)			3,036,910
10	305	Collecting and Impounding Res.	-		-	-			-
11	306	Lake River and Other Intakes	-		-	-			-
12	307	Wells and Springs	1,007,064		(136)	(91,814)			915,114
13	308	Infiltration Galleries and Tunnels	-		-	-			-
14	309	Supply Mains	-		-	-			-
15	310	Power Generation Equipment	93,233		-	(6,141)			87,092
16	311	Electric Pumping Equipment	875,395	(559,416)	(666)	443,930			759,242
17	320	Water Treatment Equipment	1,188,888		(2,927)	(986,582)			199,379
18	320.1	Water Treatment Plant	-		-	-			-
19	320.2	Chemical Solution Feeders	-		-	-			-
20	330	Dist. Reservoirs & Standpipe	129,952		(45)	75,545			205,453
21	330.1	Storage tanks	-		-	-			-
22	330.2	Pressure Tanks	-		-	-			-
23	331	*Trans. and Dist. Mains*	6,423,860		(2,795)	(473,407)			5,947,658
24	333	Services	1,578,181		(2,424)	(165,903)			1,409,855
25	334	Meters	3,233,741		(740)	(272,195)			2,960,806
26	335	Hydrants	579,863		(42)	(244,563)			335,259
27	336	Backflow Prevention Devices	18,794		-	(3,567)			15,227
28	339	Other Plant and Misc. Equip.	108,083		-	(22,654)			85,429
29	340	Office Furniture and Fixtures	282,936		-	(43,568)			239,369
30	340.1	Computers and Software	-		-	-			-
31	341	Transportation Equipment	181,022		(338)	19,858			200,543
32	342	Stores Equipment	6,753		-	(914)			5,839
33	343	Tools and Work Equipment	11,912		(8)	(564)			11,341
34	344	Laboratory Equipment	70,007		-	(69,717)			290
35	345	Power Operated Equipment	-		-	-			-
36	346	Communications Equipment	-		(11)	58,483			58,472
37	347	Miscellaneous Equipment	-		-	-			-
38	348	Other Tangible Plant	-		-	19,709			19,709
39									-
40		TOTALS	$ 19,513,182	$ (559,416)	$ (16,113)	$ (2,423,567)	$ -	$ -	$ 16,514,086
41									
42		Accumulated Depreciation per Books							$ 19,513,182
43									
44		Increase (decrease) in Accumulated Depreciation							$ (2,999,096)
45									
46		Adjustment to Accumulated Depreciation							$ (2,999,096)
47									
48		SUPPORTING SCHEDULES							
49		B-2, pages 4.1, 4.2, 4.3							
50									

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Schedule B-2
Page 4.1
Witness: Bourassa

Line No.

1 Plant Retirements Adjustment to A/D

Line No.	Acct. No.	Description	Description	Retirement Year		Adjustment
6	311	Electric Pumping Equipment	2000 Plant Balance	2008	$ (420,594)	
7	311	Electric Pumping Equipment	2001 Net Plant Adds	2009	(35,008)	
8	311	Electric Pumping Equipment	2002 Net Plant Adds	2010	(20,920)	
9	311	Electric Pumping Equipment	2003 Net Plant Adds	2011	(1,327)	
10	331	Trans. and Dist. Mains		2012	(29,169)	
11	333	Services		2012	(25,784)	
12	334	Meters		2012	(23,698)	
13	335	Hydrants		2012	(2,917)	
14		Total				$ (559,416)

43 SUPPORTING SCHEDULE
44 Testimony

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Schedule B-2
Page 4.2
Witness: Bourassa

Line No.

1 Remove A/D related to Affiliate Profit

Acct. No.	Description	Depr Rate	2008	2009	2010	2011	2012	Total
301	Organization Cost	0.00%	-	-	-	-	-	$ -
302	Franchise Cost	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	-	-
304	Structures and Improvements	3.33%	(349)	(1,063)	(1,442)	(1,498)	(1,629)	(5,982)
305	Collecting and Impounding Res.	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	-	-	-	-	-	-
307	Wells and Springs	3.33%	-	(13)	(26)	(37)	(61)	(136)
308	Infiltration Galleries and Tunnels	6.67%	-	-	-	-	-	-
309	Supply Mains	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	-	-	-	(207)	(459)	(666)
320	Water Treatment Equipment	3.33%	-	(416)	(833)	(837)	(841)	(2,927)
320.1	Water Treatment Plant	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.22%	-	-	-	(15)	(30)	(45)
330.1	Storage tanks	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	5.00%	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.00%	(109)	(404)	(622)	(741)	(919)	(2,795)
333	Services	3.33%	(260)	(520)	(524)	(543)	(576)	(2,424)
334	Meters	8.33%	-	-	-	(200)	(540)	(740)
335	Hydrants	2.00%	-	-	-	(6)	(36)	(42)
336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	6.67%	-	-	-	-	-	-
340.1	Computers and Software	20.00%	-	-	-	-	-	-
341	Transportation Equipment	20.00%	-	-	-	(64)	(274)	(338)
342	Stores Equipment	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	-	-	-	-	(8)	(8)
344	Laboratory Equipment	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	-	-	-	-	-	-
346	Communications Equipment	10.00%	-	-	-	(2)	(9)	(11)
347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	-	-	-	-	-	-
	Plant Held for Future Use							
	TOTALS		$ (717)	$ (2,416)	$ (3,446)	$ (4,151)	$ (5,381)	$ (16,113)

SUPPORTING SCHEDULE
B-2, pages 3.4 through 3.8
Work papers

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Schedule B-2
Page 4.3
Witness: Bourassa

Line No.

1 Reconciliation of A/D to A/D Reconstruction

Line No.	Acct. No.	Description	Orginal Cost	B-2 Adjustments	Adjusted Orginal Cost	Plant Per Reconstruction	Difference
6	301	Organization Cost	-	-	-	21,100	21,100
7	302	Franchise Cost	-	-	-	-	-
8	303	Land and Land Rights	-	-	-	-	-
9	304	Structures and Improvements	3,723,495	(5,982)	3,717,513	3,036,910	(680,604)
10	305	Collecting and Impounding Res.	-	-	-	-	-
11	306	Lake River and Other Intakes	-	-	-	-	-
12	307	Wells and Springs	1,007,064	(136)	1,006,928	915,114	(91,814)
13	308	Infiltration Galleries and Tunnels	-	-	-	-	-
14	309	Supply Mains	-	-	-	-	-
15	310	Power Generation Equipment	93,233	-	93,233	87,092	(6,141)
16	311	Electric Pumping Equipment	875,395	(560,082)	315,313	759,242	443,930
17	320	Water Treatment Equipment	1,188,888	(2,927)	1,185,961	199,379	(986,582)
18	320.1	Water Treatment Plant	-	-	-	-	-
19	320.2	*Chemical Solution Feeders*	-	-	-	-	-
20	330	Dist. Reservoirs & Standpipe	129,952	(45)	129,908	205,453	75,545
21	330.1	Storage tanks	-	-	-	-	-
22	330.2	Pressure Tanks	-	-	-	-	-
23	331	Trans. and Dist. Mains	6,423,860	(2,795)	6,421,065	5,947,658	(473,407)
24	333	Services	1,578,181	(2,424)	1,575,758	1,409,855	(165,903)
25	334	Meters	3,233,741	(740)	3,233,001	2,960,806	(272,195)
26	335	Hydrants	579,863	(42)	579,821	335,259	(244,563)
27	336	Backflow Prevention Devices	18,794	-	18,794	15,227	(3,567)
28	339	Other Plant and Misc. Equip.	108,083	-	108,083	85,429	(22,654)
29	340	Office Furniture and Fixtures	282,936	-	282,936	239,369	(43,568)
30	340.1	Computers and Software	-	-	-	-	-
31	341	Transportation Equipment	181,022	(338)	180,685	200,543	19,858
32	342	Stores Equipment	6,753	-	6,753	5,839	(914)
33	343	Tools and Work Equipment	11,912	(8)	11,905	11,341	(564)
34	344	Laboratory Equipment	70,007	-	70,007	290	(69,717)
35	345	*Power Operated Equipment*	-	-	-	-	-
36	346	Communications Equipment	-	(11)	(11)	58,472	58,483
37	347	Miscellaneous Equipment	-	-	-	-	-
38	348	Other Tangible Plant	-	-	-	19,709	19,709
39		Plant Held for Future Use					-
40		TOTALS	$ 19,513,182	$ (575,529)	$ 18,937,653	$ 16,514,086	$ (2,423,567)

43 SUPPORTING SCHEDULE
44 B-2, pages 4.1 through 4.2
45 B-2, pages 3.4 through 3.8

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

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

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/31/2012	$ 7,324,578	$ 1,489,772
6			
7	Book balance at 12/31/2012	$ 4,336,397	$ 73,782
8			
9	Increase (decrease)	$ 2,988,180	$ 1,415,990
10			
11			
12	Adjustment to CIAC/AA CIAC	$ 2,988,180	$ (1,415,990)
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1 to 5.4		
22			
23			
24			
25			
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39			
40			

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Depr'n Rate	GL Account	Balance at 9/30/2008	2008 Activity	Balance at 12/31/2008	2009 Activity	Balance at 12/31/2009
1								
2								
3								
4	Pumping Equipment - Contribu	12.50%	8600.2.0100.10.1615.0011	15,219		15,219	499,000	514,219
5			Prior to Nov 2002					
6								
7	Amortization				-		33,090	
8	Accum Amort.		8600.2.0000.10.1641.0100	18,824	-	18,824	33,090	51,914
9								
10								
11	Trans/Dist Main Contributed	2.00%	8600.2.0100.10.1615.0020	2,846,725		2,846,725		2,846,725
12								
13								
14	Amortization				56,935		56,935	
15	Accum Amort.		8600.2.0000.10.1641.0100	742,400	56,935	799,335	56,935	856,269
16								
17	Services Contributed	3.33%	8600.2.0100.10.1615.0013	151,402		151,402	448,505	599,907
18								
19								
20	Amortization				5,042		12,509	
21	Accum Amort.		8600.2.0000.10.1641.0100	36,723	5,042	41,764	12,509	54,274
22								
23	Meters Contributed	8.33%	8600.2.0100.10.1615.0021	29,899		29,899		29,899
24								
25								
26	Amortization				191			
27	Accum Amort.		8600.2.0000.10.1641.0100	29,708	191	29,899	-	29,899
28								
29	Hydrants Contributed	2.00%	8600.2.0100.10.1615.0022	52,935		52,935		52,935
30								
31								
32	Amortization				1,059		1,059	
33	Accum Amort.		8600.2.0000.10.1641.0100	33,051	1,059	34,110	1,059	35,169
	Land Contributed	0.00%	8600.2.0100.10.1615.0022	-		-	92,495	92,495
					-		-	
				-	-	-	-	-
34								
35	**Total CIAC Water**			**3,096,180**		**3,096,180**		**4,136,180**
22								
23								
24	**Total Accum Amort.**			**860,706**		**923,932**		**1,027,524**
25								
26								

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 5 of
Witness: Bourassa

Line No.		Depr'n Rate	GL Account	2010 Activity	Balance at 12/31/2010	2011 Activity	Balance at 12/31/2011
1							
2							
3							
4	Pumping Equipment - Contribu	12.50%	8600.2.0100.10.1615.0011	-	514,219	25,353	539,572
5			Prior to Nov 2002				
6							
7	Amortization			64,277		65,862	
8	Accum Amort.		8600.2.0000.10.1641.0100	64,277	116,191	65,862	182,053
9							
10							
11	Trans/Dist Main Contributed	2.00%	8600.2.0100.10.1615.0020		2,846,725	(101,234)	2,745,491
12							
13							
14	Amortization			56,935		55,922	
15	Accum Amort.		8600.2.0000.10.1641.0100	56,935	913,204	55,922	969,126
16							
17	Services Contributed	3.33%	8600.2.0100.10.1615.0013		599,907		599,907
18							
19							
20	Amortization			19,977		19,977	
21	Accum Amort.		8600.2.0000.10.1641.0100	19,977	74,250	19,977	94,227
22							
23	Meters Contributed	8.33%	8600.2.0100.10.1615.0021		29,899		29,899
24							
25							
26	Amortization						
27	Accum Amort.		8600.2.0000.10.1641.0100	-	29,899	-	29,899
28							
29	Hydrants Contributed	2.00%	8600.2.0100.10.1615.0022		52,935		52,935
30							
31							
32	Amortization			1,059		1,059	
33	Accum Amort.		8600.2.0000.10.1641.0100	1,059	36,227	1,059	37,286
	Land Contributed	0.00%	8600.2.0100.10.1615.0022		92,495		92,495
				-		-	
				-	-	-	-
34							
35	**Total CIAC Water**				**4,136,180**		**4,060,299**
22							
23							
24	**Total Accum Amort.**				**1,169,772**		**1,312,591**
25							
26							

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Contributions-in-aid of Construction and Amortization
Adjustment 4

Exhibit
Schedule B-2
Page 5.3
Witness: Bourassa

Line No.		Depr'n Rate	GL Account	2012 Activity	Balance at 12/31/2012
1					
2					
3					
4	Pumping Equipment - Contribu	12.50%	8600.2.0100.10.1615.0011	-	539,572
5			Prior to Nov 2002		
6					
7	Amortization			67,446	
8	Accum Amort.		8600.2.0000.10.1641.0100	67,446	249,500
9					
10					
11	Trans/Dist Main Contributed	2.00%	8600.2.0100.10.1615.0020	3,046,493	5,791,984
12					
13					
14	Amortization			85,375	
15	Accum Amort.		8600.2.0000.10.1641.0100	85,375	1,054,501
16					
17	Services Contributed	3.33%	8600.2.0100.10.1615.0013	172,302	772,209
18					
19					
20	Amortization			22,846	
21	Accum Amort.		8600.2.0000.10.1641.0100	22,846	117,073
22					
23	Meters Contributed	8.33%	8600.2.0100.10.1615.0021		29,899
24					
25					
26	Amortization				
27	Accum Amort.		8600.2.0000.10.1641.0100	-	29,899
28					
29	Hydrants Contributed	2.00%	8600.2.0100.10.1615.0022	45,484	98,419
30					
31					
32	Amortization			1,514	
33	Accum Amort.		8600.2.0000.10.1641.0100	1,514	38,800
	Land Contributed	0.00%	8600.2.0100.10.1615.0022		92,495
				-	
				-	-
34					
35	**Total CIAC Water**				**7,324,578**
22					
23					
24	**Total Accum Amort.**				**1,489,772**
25					
26					

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6
Witness: Bourassa

Line No.			
1			
2			
3			
4	Computed balance at 12/29/2012	$	30,374,274
5			
6	Book balance at 12/31/2012	$	30,374,274
7			
8	Increase (decrease)	$	-
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 6.1		
22			
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Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.			2008		2009		2010		2011		2012	
1		Balance		Balance		Balance		Balance		Balance		Balance
2		9/30/2008	Activity	12/31/2009	Activity	12/31/2010	Activity	12/31/2011	Activity	2/29/2012	Additions	
3												
4												
5	AIAC	22,336,975	941,658	23,278,633	3,310,122	26,588,755	1,619,862	28,208,617	4,882,326	33,090,943	(2,716,669)	30,374,274
6	Additions											
7	Refunds											
8												
9												
10												
11												
12	Total AIAC	22,336,975	941,658	23,278,633	3,310,122	26,588,755	1,619,862	28,208,617	4,882,326	33,090,943	(2,716,669)	30,374,274
13												
14												

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

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Deferred Income Tax as of December 31, 2012

Line No.			Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current
6		Plant-in-Service	$ 165,175,943 [1]								
7		Accum. Deprec.	(29,758,273) [1]								
8		CIAC	(59,272,210) [3]								
9	Fed.	Fixed Assets	$ 76,145,460	$ 49,769,799 [2]	100.0%	$ (26,375,661)	31.63%		-		(8,342,854)
11	State	Fixed Assets	$ 76,145,460	$ 83,433,379 [2]	100.0%	$ 7,287,919	6.97%		507,822		-
13	Fed &State	AIAC		13,973,563 [4]	100.0%	$ 13,973,563 [4]	38.60%		$ 5,393,639		
15								$ -	$ 5,901,461	$ -	$ (8,342,854)

17	Net Asset (Liability)	$ (2,441,393)
19	Allocation Factor - Water-Division: (based on rate base before ADIT)	0.5976
21	Net Asset (Liability) Water Division:	$ (1,459,075)
23	DIT Asset (Liability) per Books	$ (626,052)
25	Adjustment to DIT	$ 833,023

Footnotes - See page 7.1

Litchfield Park Service Company - Water Division dba Liberty Utilities
Test Year Ended December 31, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

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Line No.		FEDERAL			STATE		
1	[1] **Per adjusted book balances**						
2	**2 Computation of Net Tax Value December 31, 2012**						
3	Based on 2012 Tax Depreciation report (December 31, 2012)						
4	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report	$ 102,025,099			$ 102,025,099		
5	Reconciling Items not on tax report:						
6	Proposed Plant Retirements	(1,712,539)			(1,712,539)		
7	Post Test Year plant	1,000,000			1,000,000		
8	Post Test Year Plant Retirement	(300,000)			(300,000)		
9	2012 Reconciling Difference Book vs. Tax (timing) (see work papers)				-		
10					-		
11	Net Unadjusted Cost tax Basis at December 31, 2012			$ 101,012,560			$ 101,012,560
12							
13	Reductions						
14	Basis Reduction 2012 and Prior Years per federal and state tax depr. report	$ (33,266,470)			$ -		
15	Accumulated Depreciation 2012 and prior per federal and state tax depr. report	(19,988,830)			(19,591,720)		
16	Proposed Plant Retirements	1,712,539			1,712,539		
17	Post Test Year retirement	300,000			300,000		
18							
19							
20							
21				(51,242,761)			(17,579,181)
22	Net Reductions through December 31, 2012			$ 49,769,799			$ 83,433,379
23	Net tax value of plant-in-service at December 31, 2012						
24							
25	[3] **CIAC (including impact of change to probability of realization)**						
26	Gross CIAC per adjusted book balances		$ 35,795,062				
27	CIAC reductions/addtions						
28	A.A per adjusted book balances	$ (5,936,547)					
29		-					
30			(5,936,547)				
31	Net CIAC before unrealized AIAC			$ 29,858,515			
32							
33	Unrealized AIAC Component						
34	AIAC per adjusted book balances		$ 42,019,564				
35	Adjusted Net AIAC (see footnote 5 below)		70.0%				
36	Unrealized AIAC Component % (1-Realized AIAC Component)			$ 29,413,695			
37				$ 59,272,210			
38	Total realizable CIAC						
39							
40	[4] **AIAC (including impact of change in probability of realization)**						
41	AIAC per adjusted book balances			$ 42,019,564			
42	Less: Unrealized AIAC (from Note 3, above)			$ (29,413,695)			
43							
44	Subtotal			$ 12,605,869			
45	Meter and Service Line Installation Charges per adjusted book balances			1,367,694			
46	Total realizable AIAC			$ 13,973,563			
47							