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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER, INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
WASTEWATER RATES AND CHARGES
BASED THEREON FOR UTILITY SERVICE

DOCKET NO. WS-03478A-12-0307

**NOTICE OF FILING REBUTTAL
TESTIMONY**

Far West Water and Sewer, Inc. ("Far West") hereby provides notice of filing the
attached Rebuttal Testimony of Ray L. Jones

Respectfully submitted on March 8, 2013, by:

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Arizona Corporation Commission
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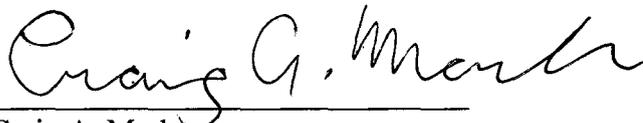
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RAY L. JONES
ON BEHALF OF
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MARCH 8, 2013**

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1 **EXECUTIVE SUMMARY**

2
3 Mr. Ray Jones responds to the Direct Testimony of Staff (Becker, Cassidy and Liu), RUCO
4 (Fish, Duffett, Coley and Rigsby), Spartan Homes (Householder), Robert and Barbara Gilkey,
5 and Robert Rist.

6 Mr. Jones presents rebuttal testimony regarding a number of adjustments to rate base and
7 expenses proposed by Staff and RUCO that the Company is willing to accept either in whole or
8 in part. Mr. Jones also addresses the remaining adjustments proposed by Staff and RUCO that
9 the Company believes are not appropriate.

10 Mr. Jones presents rebuttal testimony regarding cost of capital, pointing out the Company and
11 Staff are very close to agreement on cost of capital issues. Mr. Jones also addresses RUCO's
12 cost of equity recommendation.

13 Mr. Jones addresses Staff's recommendation that the Company meet certain preconditions before
14 rates in this case are implemented. Mr. Jones explains why this is unworkable for the Company
15 and offers a potential alternative course of action.

16 Next Mr. Jones responds to the Direct Testimony filed by Mr. and Mrs. Gilkey, Mr. Rist and
17 Spartan Homes.

18 Far West rebuttal position requests a rate increase of \$3,514,335, or 157.74%, to allow it to earn
19 a 7.5% rate of return on its adjusted original cost rate base of \$20,556,601.

1 **I INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Ray L. Jones. My business address is 25213 N. 49th Dr., Phoenix, Arizona
5 85083, and my business phone is (623) 341-4771.

6 **Q. ARE YOU THE SAME RAY L. JONES WHO PREVIOUSLY SUBMITTED**
7 **DIRECT TESTIMONY IN THIS DOCKET?**

8 A. Yes.

9 **II PURPOSE OF TESTIMONY**

10 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY FILED BY THE**
11 **INTERVENORS IN THIS CASE?**

12 A. Yes, I have reviewed the testimony of Staff (Becker, Cassidy and Liu), RUCO (Fish,
13 Duffett, Coley and Rigsby), Spartan Homes (Householder), Robert and Barbara Gilkey,
14 and Robert Rist.

15 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

16 A. I will respond to the direct testimony of the intervenors, including their positions
17 regarding rate base, operating income and cost of capital, focusing on the points of
18 disagreement between Staff and the intervenors. Additionally, I will sponsor the
19 Company's rebuttal revenue requirement and updated schedules provided with this
20 testimony as *Exhibit RLJ-RB1*. Testimony on rate design, including phase-in of rates,
21 will be addressed separately.

22

1 **III REBUTTAL REVENUE REQUIREMENT**

2 **Q. WHAT IS FAR WEST'S REBUTTAL REVENUE REQUIREMENT?**

3 A. Far West's rebuttal revenue requirement is shown on Schedule A-1 Rebuttal. Far West is
4 now requesting a revenue increase of \$3,514,335, an increase of 157.74% over adjusted
5 test year revenues of \$2,227,982. The reduction in revenue requirement, as compared to
6 the Company's original filing, is attributable to the Company adopting, either in whole or
7 in part, a number of rate base and expense adjustments recommended by Staff and
8 RUCO.

9 **Q. WOULD YOU SUMMARIZE FAR WEST'S, STAFF'S AND RUCO'S REVENUE**
10 **REQUIREMENT POSITIONS?**

11 A. The proposed revenue requirements and associated rate increases are summarized as
12 follows:

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>% Increase</u>
14 Far West Direct	\$6,094,028	\$3,866,046	173.52%
15 Staff Direct	\$5,579,404	\$3,351,423	150.42%
16 RUCO Direct	\$4,886,944	\$2,658,963	119.34%
17 Far West Rebuttal	\$5,742,317	\$3,514,335	157.74%

18 **IV COMPANY'S REBUTTAL ADJUSTMENTS**

19 **A RATE BASE ADJUSTMENTS**

20 **Q. PLEASE SUMMARIZE THE RATE BASE ADJUSTMENTS PROPOSED BY**
21 **STAFF AND RUCO SUPPORTED BY THE COMPANY.**

22 A. Company recommended Rebuttal Rate Base Adjustments:

- 23 • RB-4 – Las Barrancas #1. This adjustment partially accepts Staff Rate Base
24 Adjustment #2 removing the plant not in service from rate base.

- 1 • RB-5 – AFUDC Disallowance. This adjustment partially accepts Staff Rate Base
2 Adjustment #3 removing AFUDC associated with the Section 14 WWTP, Del
3 Oro WWTP, Palm Shadows Lift Station and Palm Shadows Force Main from rate
4 base.
- 5 • RB-6 – Late Fees Disallowance. This adjustment accepts Staff’s Rate Base
6 Adjustment #4 removing interest expense paid to vendors from rate base.
- 7 • RB-7 – Legal and Other Fees Disallowance. This adjustment accepts Staff’s Rate
8 Base Adjustment #5 removing legal and other fees related to resolving unpaid
9 vendor bills from rate base.
- 10 • RB-8 – Capestro Management Fee Disallowance. This adjustment partially
11 accepts Staff Rate Base Adjustment #6 removing management fees paid to Mr.
12 Andrew Capestro from rate base.
- 13 • RB-9 – Working Capital. This adjustment generally accepts various adjustments
14 to the Company cash working capital allowance proposed by both Staff and
15 RUCO. This adjustment corresponds to Staff Rate Base Adjustment #7 and
16 RUCO Rate Base Adjustment No. 4.

17 **Rate Base Adjustment RB-4 - Las Barrancas #1**

18 **Q. PLEASE EXPLAIN THE COMPANY’S RATE BASE ADJUSTMENT RB-4.**

19 A. Adjustment RB-4 removes the cost of the Las Barrancas #1 sewer collection facilities
20 from rate base, as recommended by Staff in its Rate Base Adjustment #2. The
21 Company’s adjustment differs from Staff’s because the Staff adjustment removes the
22 entire amount of the Las Barrancas #1 advance from both plant and AIAC. However, the
23 Las Barrancas #1 advance included cash advances for off-site sewer costs as well as
24 administrative costs. Staff was likely not aware of this detail because that level of detail
25 is not reflected in the MXA ledger provided to Staff. The Company’s adjustment

1 removes the \$622,519 portion of the advance associated with the on-site collection
2 facilities from account 361, Collection Sewers Gravity and the same amount from AIAC.
3 The Company also removes \$68,477 in accumulated depreciation recorded on the on-site
4 collection facilities from the accumulated depreciation account. The Company's
5 proposed Rate Base Adjustment RB-4 reduces PIS by \$622,519, reduces accumulated
6 depreciation by \$68,477 and reduces AIAC by \$622,519. The adjustment is detailed on
7 page 5 of Schedule B-2 – Rebuttal. Also attached is *Exhibit RLJ-RB2*, which provides
8 the general ledger detail for the Las Barrancas #1 advance.

9 **Rate Base Adjustment RB-5 - AFUDC Disallowance**

10 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-5.**

11 A. The adjustment is offered as a compromise to Staff's Rate Base Adjustment #3 and
12 includes a significant reduction in AFUDC recorded during the period that construction
13 of the underlying facilities was delayed.

14 **Q. DOES THE COMPANY AGREE WITH STAFF'S POSITION ON THESE**
15 **COSTS?**

16 A. The Company accepts Staff's general premise that the portion of AFUDC resulting as the
17 result of protracted construction delays should be removed from rate base. However, the
18 Staff's proposed adjustment understates the amount of AFUDC that should be included in
19 rate base.

20 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THE AMOUNT IS UNDERSTATED.**

21 A. Staff limits AFUDC to a period ending April 30, 2009, approximately six months after
22 the Zenon obligation became due. Staff used six months for the cut-off date because
23 once the Company paid the Zenon bills in March 2011, it took approximately six months
24 to complete the work. In other words, Staff selected this date because this is the date by

1 which Staff believes the work should have been completed. Of course, the work was not
2 actually completed during this time frame. Instead, it was completed in 2011 after the
3 Company secured the funds to pay Zenon and meet other construction related obligations.

4 While Staff's cut-off date is a reasonable date for when the work could have been
5 completed, the AFUDC as of the cut-off date does not include a significant portion of
6 AFUDC that should be allowed in rate base. The reason is that AFUDC accrued during
7 the six-month period after incurring the Zenon obligation did not take into account the
8 large unpaid Zenon bills or the significant additional costs to complete the project. By
9 contrast, if AFUDC were to be calculated during the actual final six months of
10 construction during 2011, the calculation would take into account all bills, including the
11 then paid Zenon bills and significant additional costs incurred to complete the projects.
12 Clearly, the result is that the AFUDC accrued during the six-month delay period is
13 substantially less than what would have been accrued if the project had been completed
14 during the same six-month period. In other words, it is inconsistent to state that
15 construction should have been completed in six months and then not include all the
16 AFUDC for the construction that should have been completed in those six months.

17 **Q. HOW DOES THE COMPANY'S ADJUSTMENT ADDRESS THIS PROBLEM?**

18 A. The Company reduces the AFUDC disallowance proposed by Staff by an amount equal
19 to one-half of the interest charges and late fees actually incurred on the unpaid bills.
20 The Company believes this amount is a fair proxy for the understatement of AFUDC
21 created by Staff's proposed adjustment. The Company's proposed Rate Base Adjustment
22 RB-5 reduces PIS by \$1,024,942 and is detailed on page 6 of Schedule B-2 – Rebuttal.
23 The adjustment includes a decrease to accumulated depreciation of \$23,005 in
24 accordance with Staff's methodology.

1 **Rate Base Adjustment RB-6 - Late Fees Disallowance**

2 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-6.**

3 A. This adjustment accepts Staff proposed Rate Base Adjustment #4 removing \$896,463 in
4 interest charges and late fees paid to vendors for late payment of invoices from rate base.
5 The Company has not altered its underlying position on these costs. It is conditionally
6 accepting this adjustment in an effort to eliminate issues and in combination with its
7 compromise position offered on AFUDC reduction. The Company's proposed Rate Base
8 Adjustment RB-6 is shown on page 7 of Schedule B-2 – Rebuttal. The adjustment
9 includes a decrease to accumulated depreciation of \$22,789 in accordance with Staff's
10 methodology.

11 **Rate Base Adjustment RB-7 – Legal and Other Fees Disallowance**

12 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-7.**

13 A. This adjustment accepts Staff proposed Rate Base Adjustment #5 and removes \$168,193
14 in legal and other fees related to the late payment of invoices from rate base. The
15 Company's proposed Rate Base Adjustment RB-7 is shown on page 8 of Schedule B-2 –
16 Rebuttal. The adjustment includes a decrease to accumulated depreciation of \$4,267 in
17 accordance with Staff's methodology.

18 **Rate Base Adjustment RB-8 – Capestro Management Fees Disallowance**

19 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-8.**

20 A. The adjustment is offered as a compromise to Staff's Rate Base Adjustment #6 and
21 includes a significant reduction in project management costs during the extended period
22 of construction of the underlying facilities.

1 **Q. WHY DID STAFF DISALLOW THESE FEES?**

2 A. Staff states that the fees were incurred during a period when the plants should have
3 already been complete and that the Company had already paid Coriolis for construction
4 management.

5 **Q. DO YOU AGREE WITH STAFF'S REASONING ON THIS ISSUE?**

6 A. No. While Coriolis was paid for construction management, its contract was terminated in
7 April 2009 with over \$750,000 remaining unpaid on the contract. Mr. Capestro did not
8 duplicate the services of Coriolis. Rather, he provided services that Coriolis would have
9 provided if the contract had not been terminated. Secondly, Mr. Capestro is a full-time
10 contractor to Far West. He provides the services equivalent to a Vice President of
11 Operations, which Far West does not employ. During the test year, his services were
12 directed toward construction management and capitalized. As such, these costs should be
13 included in rate base. Lastly, if Staff's adjustment is adopted, Mr. Capestro's significant
14 ongoing effort on behalf of Far West will not be reflected in rate base or in the operating
15 expenses of the Company. This would be unfair and unreasonable.

16 **Q. WHAT IS THE COMPANY PROPOSING?**

17 A. As a compromise, the Company proposed to accept one-half of Staff's proposed
18 disallowance of Mr. Capestro's management fees. The Company's proposed Rate Base
19 Adjustment RB-8 removes \$100,782 from PIS and is detailed on page 9 of Schedule B-2
20 – Rebuttal. The adjustment includes a \$2,494 decrease to accumulated depreciation in
21 accordance with Staff's methodology.

22 **Rate Base Adjustment RB-9 – Working Capital**

23 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-9.**

1 A. This is an adjustment to cash working capital incorporating several recommendations of
2 Staff in Rate Base Adjustment #7 and RUCO in Rate Base Adjustment No. 4.

3 The Adjustment incorporates the following recommendations:

- 4 • Corrected Expense Lag Days for Purchased Power (Staff)
- 5 • Lag Days for Other Operating Expenses increased to 30 days (Staff)
- 6 • Billing Lag reduced to 5 days (Staff)
- 7 • Depreciation Expense Excluded (Staff and RUCO)
- 8 • Included Interest Expense (Staff and RUCO)
- 9 • Included Expense Lag Days for Income Tax (RUCO)

10 **Q. ARE THERE ANY SIGNIFICANT VARIANCES FROM THE STAFF AND**
11 **RUCO RECOMMENDATIONS?**

12 A. Only one. In preparing the updated lead-lag study for this adjustment, I became aware
13 that although IDA Bond interest is paid to bondholders every six months, Far West
14 makes its interest payments into a trust account on a monthly basis. Staff and RUCO
15 based the interest expense lag days on the semi-annual payment from the trust account to
16 bondholders because this is what was reflected in the Company's response to Staff Data
17 Request GB 1-6. Because the date Far West pays interest into the trust account is the
18 date that Far West actually expends the cash, this is the appropriate date to use in the
19 updated lead lag study. As a result of the different payment dates, my Interest Expense
20 Lag Days are 17.5322, while Staff's and RUCO's are approximately 90 days. This
21 causes my cash working capital to be approximately \$200,000 greater than either Staff's
22 or RUCO's. *Exhibit RLJ-RB3* provides the Company's interest expense lag calculation
23 from the updated lead lag study.

1 **Q. WHAT IS THE COMPANY'S PROPOSED WORKING CAPITAL**
2 **ADJUSTMENT?**

3 A. The Company's proposed Rate Base Adjustment RB-9 reduces working capital by
4 \$174,629 and is detailed on Schedule B-5 – Rebuttal.

5 **B INCOME STATEMENT ADJUSTMENTS**

6 **Q. PLEASE SUMMARIZE THE OPERATING INCOME ADJUSTMENTS**
7 **RECOMMENDED BY STAFF AND RUCO SUPPORTED BY THE COMPANY.**

8 A. Company recommended Rebuttal Income Statement Adjustments:

- 9 • IS-5 – Salaries and Wages – Officers and Directors. This adjustment accepts
10 Staff Operating Income Adjustment #1 removing a portion of executive salaries
11 from operating expenses.
- 12 • IS-6 – Bad Debt Expense. This adjustment accepts Staff Operating Income
13 Adjustment #2 and RUCO Operating Income Adjustment No. 7 normalizing bad
14 debt expense.
- 15 • IS-7 – Legal Expense. This adjustment accepts Staff's Operating Income
16 Adjustment #3 removing nonrecurring legal expenses from test year expenses.
- 17 • IS-8 – Salary and Wage Expense. This adjustment accepts RUCO Operating
18 Income Adjustment No.5 addressing a minor reconciliation issue.

19 **Income Statement Adjustment IS-5 - Salaries and Wages – Officers and Directors**

20 **Q. PLEASE EXPLAIN THE COMPANY'S INCOME STATEMENT ADJUSTMENT**
21 **IS-5.**

22 A. This adjustment accepts proposed Staff Operating Income Adjustment #1 by removing
23 \$60,247 of executive salary from test year expenses. The adjustment is very similar to
24 RUCO Operating Income Adjustment No. 4. The Company accepted the Staff

1 adjustment because it is the larger of the two adjustments. The Company's proposed
2 Income Statement Adjustment IS-5 is shown on Schedule C-2 – Rebuttal.

3 **Income Statement Adjustment IS-6 – Bad Debt Expense**

4 **Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT IS-6.**

5 A. This adjustment accepts proposed Staff Operating Income Adjustment #2 and RUCO
6 proposed Operating Income Adjustment No. 7 by decreasing bad debt expense by
7 \$20,450 to reflect a normalized bad debt expense of \$13,040. The Company's proposed
8 Income Statement Adjustment IS-6 is shown on Schedule C-2 – Rebuttal.

9 This adjustment includes updating the uncollectible factor in the gross revenue
10 conversion calculation and results in a bad debt expense \$33,608 at the Company's
11 proposed revenue requirement.

12 **Income Statement Adjustment IS-7 – Legal Expense**

13 **Q. PLEASE EXPLAIN THE COMPANY'S INCOME STATEMENT ADJUSTMENT**
14 **IS-7.**

15 A. This adjustment accepts proposed Staff Operating Income Adjustment #3 by removing
16 \$32,975 of nonrecurring legal expense from test year expenses. The Company's
17 proposed Income Statement Adjustment IS-7 is shown on Schedule C-2 – Rebuttal.

18 **Income Statement Adjustment IS-8 – Salaries and Wages**

19 **Q. PLEASE EXPLAIN THE COMPANY'S INCOME STATEMENT ADJUSTMENT**
20 **IS-8.**

21 A. This adjustment accepts proposed RUCO Operating Income Adjustment #5 by removing
22 \$1,362 of unreconciled salaries expense from test year expenses. The Company's
23 proposed Income Statement Adjustment IS-8 is shown on Schedule C-2 – Rebuttal.

1 **Income Statement Adjustment IS-14 – Interest Expense**

2 **Q. DID YOU UPDATE COMPANY ADJUSTMENT IS-14?**

3 A. Yes. The adjustment has been updated to synchronize interest expense with the
4 Company's rebuttal level of test year adjusted test year rate base. This adjustment is
5 necessary to calculate properly the federal and state income taxes (Income Statement
6 Adjustment IS-17) to be included in rates. Income statement adjustment IS-14 results in
7 synchronized interest expense of \$1,110,056.

8 **Income Statement Adjustment IS-15 – Depreciation**

9 **Q. HAS COMPANY ADJUSTMENT IS-15 BEEN UPDATED?**

10 A. Yes. The Company, Staff and RUCO are in agreement regarding depreciation rates and
11 CIAC amortization. Accordingly, this adjustment has been updated only to reflect the
12 impact of the Company's rebuttal Plant In Service adjustments. Income statement
13 adjustment IS-14 results in depreciation expense of \$1,379,632.

14 **Income Statement Adjustment IS-16 – Property Tax**

15 **Q. HAS COMPANY ADJUSTMENT IS-16 BEEN UPDATED?**

16 A. No. The Company, Staff and RUCO are in agreement regarding test year property tax
17 expense. However, Property Tax Expense is included in the Gross Revenue Conversion
18 Factor. Since the Company has lowered its requested revenue, the Property Tax Expense
19 after consideration of the requested rate increase is reduced.

20 **Income Statement Adjustment IS-17 – Income Tax**

21 **Q. HAS COMPANY ADJUSTMENT IS-17 BEEN UPDATED?**

22 A. Yes. The Company's Income Tax adjustment has been updated to be consistent with the
23 approach used by Staff and RUCO. This change has no impact on the level of income tax
24 included in the revenue requirement. It does, however, make the Company's gross

1 revenue conversion factor calculation consistent with Staff and RUCO's. Since Income
2 Tax Expense is included in the Gross Revenue Conversion Factor, Income Tax Expense
3 after consideration of the requested rate increase has decreased.

4 **V DISPUTED RATE BASE ISSUES**

5 **A STAFF**

6 **Q. ARE THERE ANY REMAINING DISPUTED RATE BASE ISSUES BETWEEN**
7 **THE COMPANY AND STAFF?**

8 A. There is only one. Staff recommends removal of \$1,060,096 in Plant in Service from
9 account 380, Treatment and Disposal Equipment and removal of \$291,526 from
10 accumulated depreciation. This adjustment is related to the Zenon treatment equipment
11 now located at the Seasons WWTP. Staff recommends that the Zenon equipment be
12 removed from rate base because it was not in service during its engineering review.

13 **Q. WHY SHOULD THIS EQUIPMENT BE INCLUDED IN RATE BASE?**

14 A. As noted by Staff, the Zenon equipment was only temporarily out of service because it
15 was being relocated from the Del Oro WWTP to the Seasons WWTP. The equipment
16 was in service for five years and three months between September 30, 2006 and
17 December 22, 2011. APS completed installation of upgraded power facilities to the
18 relocated equipment on March 7, 2013. Since Far West had been waiting on power for
19 many weeks, Far West crews, as well as the electrician for the installation contractor,
20 began the start-up and testing of the relocated equipment and the expanded Seasons
21 WWTP the same day. The relocated equipment is expected to be fully tested and in
22 normal service within six weeks, well before rates go into effect in this case.

23 Adopting Staff's recommendation will cause treatment equipment that has been in
24 service for over five years, including for 356 days during the test year, and that will be in

1 service throughout the period rates set in this case are in effect to continue to be excluded
2 from rates, only because it was being relocated from one location to another during
3 Staff's engineering review. This is simply unfair. Far West has already endured more
4 than its fair share of regulatory lag with respect to this equipment. Far West's customers
5 have received substantial benefit from this equipment in the past and will continue to
6 receive benefit from the equipment on a going forward basis. As such, the cost of this
7 equipment should be included in rate base and rates¹.

8 **B RUCO**

9 **Fish and Duffett Direct Testimonies**

10 **Q. WHAT IS THE SCOPE OF THE TESTIMONIES OF DR. FISH AND MR.**
11 **DUFFETT?**

12 **A.** Mr. Duffett examines the engineering issues related to the Company's wastewater
13 treatment plants in order to make a determination of what percentage of the treatment
14 plant capacity is not used and useful. Dr. Fish provides some background on the
15 Company's application and effort to construct the recent plant upgrades and expansion
16 but, in terms of recommendations, only focuses on the used and useful issue and what
17 percentage of the Company's wastewater plant is currently beneficial to customers. More
18 specifically, Dr. Fish uses Mr. Duffett's used and useful determination to determine the
19 dollar amount of plant in service that should be removed from rate base.

¹ Note: The Company is not requesting that the cost of moving, connecting and testing the Zenon equipment or any other costs associated with the upgrade and expansion of the Seasons WWTP be included in rate base at this time. Those costs are currently in a CWIP account and will be moved to plant in service at completion of testing and start-up of the Zenon equipment and upgraded Seasons WWTP. Those substantial costs will only be included in rate base upon Commission approval in a future Far West rate case. The Company's request in this case is related solely to the Zenon treatment equipment that was purchased in 2006.

1 **Q. DO YOU AGREE WITH MR. DUFFETT'S CONCLUSION REGARDING**
2 **EXCESS CAPACITY?**

3 A. No, I do not. Mr. Duffett's analysis is flawed in several material respects, causing him to
4 reach an erroneous conclusion.

5 **Q. WHAT ARE SOME OF THE FLAWS IN MR. DUFFETT'S ANALYSIS?**

6 A. The significant flaws are as follows:

- 7 • The analysis is made on a system-wide basis instead of by individual wastewater
8 treatment facility.
- 9 • The design capacity utilized is not correct.
- 10 • The analysis is based on test year actual flows plus an arbitrary 10% for future
11 growth. It should be based on a five-year growth projection typically used by the
12 Commission to make used and useful determinations.

13 **Q. WHY SHOULD PLANT CAPACITY BE EVALUATED ON AN INDIVIDUAL**
14 **BASIS RATHER THAN ON A SYSTEM-WIDE BASIS?**

15 A. Because each wastewater treatment plant serves a separate and distinct service area. The
16 plants are not physically interconnected and flows cannot be diverted from one plant to
17 another. Evaluating the capacity of the system as a whole is mostly meaningless. It
18 provides no useful information about which specific plants may have excess capacity.
19 More importantly, from a rate-making perspective, it provides no meaningful information
20 as to what specific plant costs should be excluded from rate base because of excess
21 capacity.

22 **Q. WHAT IS WRONG WITH THE DESIGN CAPACITY USED BY MR. DUFFETT?**

1 A. The design capacity of 2,332,500 gallons per day used by Mr. Duffett is mismatched with
2 the test year plant in service and is larger than the total planned capacity of Far West's
3 wastewater system, even if all ongoing improvement projects were complete. The table
4 below provides the design capacity of projects in service and assuming all ongoing
5 wastewater treatment plant improvements were complete.

Plant	12/31/11 Permitted Capacity	12/31/11 Design Capacity	Ultimate Design Capacity	Notes
Royale	10,000	10,000	-	
Del Rey	37,500	37,500	-	
Seasons	70,000	70,000	150,000	Seasons expansion under construction. Expansion costs in CWIP.
Del Oro	300,000	300,000	495,000	Phase II Del Oro under construction. Phase II costs in CWIP.
Marwood	340,000	340,000	340,000	
Section 14	681,000	1,300,000	1,300,000	Additional membranes and vadose zone wells required to reach 1.3 MGD capacity
Total	1,438,500	2,057,500	2,285,000	

6 As shown in the table, the design capacity of wastewater treatment plant in service during
7 the test year was 2,057,500 gallons per day. This is the number Mr. Duffett should have
8 used in his system-wide capacity analysis. Since it is about 11% lower than the number
9 used by Mr. Duffett, his analysis is significantly in error. In fact, the test year design
10 capacity is actually less than the required capacity per ADEQ requirements calculated by
11 Mr. Duffett.

12 **Q. WOULD THE USE OF A FIVE-YEAR GROWTH PROJECTION, AS**
13 **PREFERRED BY THE COMMISSION, CHANGE MR. DUFFETT'S ANALYSIS?**

14 A. Yes, it would. Mr. Duffett uses a 10% growth factor on a customer base of 7,067
15 residential customers. This provides capacity for 707 additional customers. However, as

1 noted by Mr. Jian Liu, Utilities Engineer for Commission Staff, in his Engineering report
2 the expected growth in the Far West system is between 100 and 400 customers per year.
3 Consistent with Mr. Liu the Company estimates between 1,100 and 1,200 new customers
4 over the five-year period 2012 – 2016. Using these numbers, Mr. Duffett’s approach
5 underestimates five-year growth by about 60%.

6 **Q. PLEASE SUMMARIZE YOUR POSITION REGARDING MR. DUFFETT’S**
7 **CAPACITY ANALYSIS?**

8 A. Mr. Duffett has used a system-wide analysis to reach his conclusions. A valid analysis of
9 wastewater treatment plant capacity should be done on a plant-by-plant basis. Mr.
10 Duffett’s failure to evaluate each specific plant is a major flaw in his analysis which
11 renders it largely meaningless. Additionally, Mr. Duffett has mismatched wastewater
12 treatment plant design capacity with test year plant in service. The mismatch is
13 significant in magnitude, causing Mr. Duffett’s analysis to be significantly in error.
14 Lastly, Mr. Duffett does not follow the Commission’s preferred approach for determining
15 used and useful capacity, so he understated the percentage of plant that is used and
16 useful. Each of these issues regarding Mr. Duffett’s analysis are significant flaws and
17 each flaw, standing alone, is sufficient to cast serious doubt on Mr. Duffett’s conclusions
18 regarding the used and usefulness of Far West’s wastewater treatment plants. The
19 cumulative flaws are fatal to Mr. Duffett’s conclusions. His testimony should be given
20 no weight.

21 **Q. ARE YOU SAYING THAT FAR WEST DOES NOT HAVE ANY EXCESS**
22 **CAPACITY?**

23 A. No. Far West does have capacity at its Section 14 WWTP that is not used and useful. As
24 explained in my Direct Testimony and workpapers the Company has evaluated this

1 facility and made Rate Base Adjustment RB-1.7 and Rate Base Adjustment 2.5 to remove
2 the not used and useful plant from the Company's proposed rate base.

3 **Q. CONSIDERING YOUR CONCERN'S WITH MR. DUFFETT'S CAPACITY**
4 **ANALYSIS, WHAT ARE YOUR THOUGHTS ON DR. FISH'S ANALYSIS?**

5 A. Dr. Fish bases his determination of plant in service that should be removed from rate base
6 on Mr. Duffett's used and useful analysis. Therefore, because Mr. Duffett's analysis is
7 fatally flawed, Dr. Fish's determination is too and should be rejected.

8 **Q. ARE THERE OTHER PROBLEMS WITH DR. FISH'S ANALYSIS?**

9 A. Yes and they are major problems. In preparing Table 2 quantifying the dollar value of
10 plant in service that is not used and useful, Dr. Fish makes two significant errors. The
11 plant in service amount used as his starting point to determine the plant disallowance is
12 incorrect and he fails to consider the effect of the Company's Section 14 used and useful
13 adjustment on his analysis. These errors cause Dr. Fish's proposed adjustment to be
14 calculated incorrectly and significantly overstated.

15 **Q. WHAT SPECIFICALLY ARE THE PROBLEMS WITH DR. FISH'S**
16 **TESTIMONY?**

17 A. Dr. Fish's first error is that he ignored the Company's Rate Base Adjustment RB-1.7.
18 The Company's adjusted test year depreciable plant in service balance used by Dr. Fish
19 has already been reduced by the Company's Rate Base Adjustment RB-1.7. This
20 adjustment removes from plant in service the portion of the Section 14 WWTP that the
21 Company has determined is not used and useful. Dr. Fish does not consider this
22 adjustment in his analysis and effectively removes the plant a second time. In order to
23 avoid this double dipping, Dr. Fish must consider the impact of the Company's

1 adjustment when determining the base from which to calculate his adjustment and in
2 determining the final amount of his recommended adjustment.

3 The second error is even more severe. The Company's depreciable plant in service, of
4 course, includes all manner of plant, such as pipelines in subdivisions, services to
5 customers' homes, lift stations and general plant, much of which is unrelated to treatment
6 plant capacity. Any adjustment to remove the cost of treatment plant capacity that is not
7 used and useful from plant in service must be limited to wastewater treatment plant costs.
8 Inexplicably, Dr. Fish's proposed adjustment removes 30.1% of the cost of all
9 depreciable plant from plant in service, even if the plant is unrelated to treatment. This
10 significantly overstates the amount of not used and useful plant and the proposed
11 adjustment.

12 Dr. Fish built his testimony on Mr. Duffett's fatally flawed foundation and then
13 compounded the flaws by ignoring the Company's rate base adjustment and then
14 applying his adjustment to all wastewater plant, even if the plant has nothing to do with
15 treatment. Dr. Fish's testimony should be disregarded.

16 **Coley Direct Testimony**

17 **Q. DOES MR. COLEY RECOMMEND RATE BASE ADJUSTMENTS BASED ON**
18 **THE TESTIMONY OF MR. FISH AND MR. DUFFETT?**

19 **A.** Yes. Mr. Coley recommends 30.1% across the board reductions in Plant in Service,
20 Accumulated Depreciation and net CIAC.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THESE PROPOSED**
2 **ADJUSTMENTS?**

3 A. They should all be rejected. As I explained in the previous section, the testimony of Mr.
4 Fish and Mr. Duffett is fatally flawed in multiple respects and should not be used as the
5 basis of any adjustment. Furthermore, Mr. Coley adopts Dr. Fish's inexplicable
6 recommendation to apply Mr. Duffett's purported 30.1% wastewater treatment plant
7 excess capacity reduction to all of the Company's entire depreciable wastewater plant
8 without considering which items of plant are even related to treatment plant capacity.

9 **Q. WHAT SPECIFICALLY HAS MR. COOLEY DONE IN HIS ADJUSTMENT?**

10 A. Mr. Coley reduced the balance of every of every single depreciable plant account by
11 30.1%². Obviously, many of the accounts aren't even related to treatment plants or
12 treatment capacity. For example, his adjustment includes items like force mains, gravity
13 mains, customer services, office furniture, computers, vehicles, and hand tools. He
14 makes no attempt whatsoever to determine what categories or items of plant are actually
15 related to treatment capacity.

16 **Q. IS THIS APPROACH UNUSUAL?**

17 A. Frankly, I have never seen or heard of an across-the-board adjustment like this in my
18 career and cannot imagine a situation where it would be applicable. This is a fatal flaw in
19 RUCO's proposal. Accordingly, its adjustments must be rejected.

² Mr. Cooley makes matching adjustments to Accumulated Depreciation, AIAC and net CIAC. The Company is not separately addressing these companion adjustments, but notes they are severely flawed for the same reason the underlying plant adjustment is flawed and must also be rejected.

1 **VI DISPUTED INCOME STATEMENT ISSUES**

2 **A STAFF**

3 **Q. ARE THERE ANY REMAINING DISPUTED INCOME STATEMENT ISSUES**
4 **WITH STAFF?**

5 A. No.

6 **B RUCO**

7 **Q. WHAT ARE THE REMAINING DISPUTED INCOME STATEMENT ISSUES**
8 **WITH RUCO?**

9 A. RUCO has recommended two adjustments that the Company does not believe are
10 appropriate. The disputed adjustments are RUCO Operating Income Adjustment No. 3
11 pertaining to repairs and maintenance and RUCO Operating Income Adjustment No. 6
12 related to wage rate increases.

13 **Q. WHAT IS RUCO RECOMMENDING IN REGARD TO REPAIRS AND**
14 **MAINTENANCE EXPENSE?**

15 A. RUCO recommends normalizing Repairs and Maintenance Expense by using a three-year
16 average cost rather than the test year level of expense.

17 **Q. WHY DOES THE COMPANY BELIEVE THIS IS INAPPROPRIATE?**

18 A. Mr. Coley's adjustment is inappropriate because the test year Repairs and Maintenance
19 expense is more representative of the going forward costs of operating the new treatment
20 plants than the historical three-year average cost. The table below provides a breakdown
21 of costs included in the Repairs and Maintenance Expense account. As indicated, the
22 increase in costs in this account is driven primarily by an increase in the costs of
23 materials and supplies needed for maintaining facilities. This increase is not surprising
24 considering the extensive new and expanded facilities and equipment requiring regular

1 maintenance. In addition, the increase in materials and supplies cost is in large part due
2 to the Company charging purchased water costs for the treatment plants to materials and
3 supplies category of Repairs and Maintenance Expense during the test year. Prior to the
4 test year, purchased water costs were recorded in the Sludge Removal Expense account.

NARUC 720 Repairs and Maintenance

	<u>2011</u>	<u>2010</u>	<u>2009</u>
62000-2 · Materials, Supplies	94,660	29,232	21,063
62002-2 · Small Tools	2,488	0	78
62005-2 · Bank Charges, Fees	2,187	704	354
62001-2 · Office Expense, Supplies	36,568	29,938	31,157
62200-2 · Repairs & Maintenance	41,412	35,354	64,345
62500-2 · Safety Equipment, Supplies	4,665	5,108	5,343
	<u>181,981</u>	<u>100,337</u>	<u>122,341</u>

5 **Q. WHAT IS RUCO RECOMMENDING REGARDING WAGE INCREASES?**

6 A. RUCO recommends that the cost of certain recent merit increases be shared between
7 customers and the shareholders.

8 **Q. WHAT IS RUCO'S JUSTIFICATION FOR THIS RECOMMENDATION?**

9 A. RUCO bases the recommendation on the Commission's past treatment of incentive pay
10 programs.

11 **Q. ARE THE COMPANY'S MERIT INCREASES EQUIVALENT TO INCENTIVE
12 PAY?**

13 A. No, they are not. The Company's merit increases are permanent increases in salary or
14 wage given to employees based on a review of their performance. They are called merit
15 increases because they are only awarded to employees whose performance review merits
16 that they be awarded an increase. The increases are in lieu of cost of living or other
17 annual increases awarded in many organizations. They are not rewards for meeting

1 incentive targets or goals. They are the same type of salary increases routinely allowed
2 by the Commission.

3 **Q. HOW SHOULD THESE INCREASES BE TREATED?**

4 A. From a rate-making perspective they should be treated the same as cost of living
5 adjustments or other types of annual increases and be fully included in the Company's
6 salary and wage expense.

7 **VII COST OF CAPITAL**

8 **Q. WHAT UPDATES IS THE COMPANY MAKING TO ITS COST OF CAPITAL**
9 **POSITION AFTER REVIEWING STAFF AND RUCO'S**
10 **RECOMMENDATIONS?**

11 A. Far West will adopt Staff's recommendation to use the consolidated capital structure of
12 Far West instead of the sewer division capital structure as originally proposed. In
13 addition, Far West agrees with Staff's recommendations related to equity adjustments
14 associated with the removal of the Section 14, Phase II plant from plant in service for
15 ratemaking purposes. These changes have been incorporated into Schedule D-1 –
16 Rebuttal and Schedule D-2 Rebuttal.

17 **Q. DO YOU AGREE WITH STAFF'S RECOMMENDATION TO CONVERT THE**
18 **COMPANY'S \$1,942,448 ZENON / LIBERATION CAPITAL LONG-TERM**
19 **DEBT TO PAID IN CAPITAL?**

20 A. No. The obligation is debt owed to an unrelated third party and should be classified as
21 debt. However, as explained in the following question, I have updated the cost of debt
22 for this loan and it now is equal to the cost of equity recommend by Staff. Therefore, the
23 classification of this loan as debt or equity creates no difference between the Company's

1 recommend weighted average cost of capital and Staff's recommended weighted average
2 cost of capital ("WACC").

3 **Q. WHY HAVE YOU UPDATED THE COST OF DEBT FOR THE ZENON LOAN?**

4 A. I have updated the interest rate on the debt to reflect an assignment and modification
5 made on March 28, 2012. As noted in the Company's response to Staff data request STF
6 1.2 in Docket No. WS-0347A-12-0085, on March 28, 2012, the Zenon loan was assigned
7 to the Harry and Deborah Elliot Living Trust Dated December 11, 1989. In conjunction
8 with the assignment, the interest rate on the obligation was lowered to 10.0 percent.
9 Since this change in interest rate is known and measureable, I have used 10.0 percent as
10 the cost of this debt in the Company's rebuttal filing.

11 **Q. HOW IS STAFF TREATING THE COMPANY'S SHORT TERM DEBT AND**
12 **WHAT IS YOUR POSITION?**

13 A. Staff is provisionally excluding it from the Company's capital structure. The Company
14 does not agree with this exclusion and is hopeful that Staff will ultimately update its
15 recommended capital structure to include the short term debt in the capital structure. The
16 Company notes that this exclusion makes a very small difference in the WACC which is
17 just enough to cause the Staff's WACC to be rounded down to 7.4 percent while the
18 Company's rounds up to 7.5 percent.

19 **Q. ARE THE COMPANY AND STAFF IN AGREEMENT ON THE COST OF**
20 **EQUITY?**

21 A. We are in agreement on a 10.0 percent cost of equity.

1 **Q. DO YOU HAVE ANY ISSUES WITH STAFF'S COST OF CAPITAL**
2 **TESTIMONY?**

3 A. I do, but I will not raise them. Fundamentally, the Commission could justify a far higher
4 cost of equity for Far West given its dire financial condition and its highly leveraged
5 capital structure. However, to minimize the overall rate increase request, we
6 compromised up front by requesting only a 10% return on equity. I do note that in 2012,
7 the Commission approved a 10.6% return on equity for Arizona-American Water
8 Company (Decision No. 73145) and a 10.55% return on equity for Arizona Water
9 Company (Decision No. 73736). Both companies are far larger, and less leveraged than
10 Far West.

11 Ultimately, although I believe that there were methodological flaws in Staff's
12 determination of return on equity, Staff did recommend a 10% return on equity. Far
13 West will accept this number.

14 **Q. WHAT HAS RUCO RECOMMENDED REGARDING COST OF CAPITAL?**

15 A. RUCO accepted the Company's proposed capital structure and cost of debt. However,
16 RUCO it is recommending a cost of equity of only 9.25 percent.

17 **Q. DO YOU HAVE ANY ISSUES WITH RUCO'S COST OF CAPITAL**
18 **TESTIMONY?**

19 A. Yes. First, RUCO fails to properly adjust for Far West's degree of leverage. Second, the
20 companies included in RUCO's proxy group are all far larger and much less risky than
21 Far West. Third, Mr. Rigsby continues to rely on Steven Hill's methodology which the
22 Commission regularly rejects. Fourth, it is questionable whether Far West even satisfies
23 the requirements needed to apply the discounted cash flow methodology, given that it
24 does not generate retained earnings, let alone pay dividends. Dividend payments are only

1 a pipe-dream at present. Fifth, in his CAPM analysis, Mr. Rigsby continues to use the
2 geometric mean of the total returns of his risk-free investment, rather than the more
3 commonly used arithmetic mean.

4 **Q. WHAT IS FAR WEST'S WEIGHTED AVERAGE COST OF CAPITAL?**

5 A. Based upon a capital structure consisting of 74.23 percent long-term debt, 4.95 percent
6 short-term debt and 20.82 percent equity, a long-term debt cost of 6.7 percent, a short-
7 term debt cost of 8.1%, and a cost of equity of 10.0 percent, the weighted cost of capital
8 is 7.5 percent as shown on Schedule D-1.

9 **VIII RATE IMPLEMENTATION CONDITIONS**

10 **Q. STAFF HAS SUGGESTED SEVERAL CONDITIONS THAT MUST BE**
11 **SATISFIED BEFORE RATES APPROVED IN THIS PROCEEDING SHOULD**
12 **BE IMPLEMENTED. WHAT IS THE COMPANY'S RESPONSE?**

13 A. First and foremost, the Company acknowledges that each of the items addressed in
14 Staff's recommendations should be resolved and that it is the Company's responsibility to
15 resolve them³. The Company would like nothing more than to be able to report that they
16 have all been resolved.

17 However, the simple truth is that the Company doesn't have the resources to resolve the
18 issues. Far West has been struggling to meet its financial obligations for many years,
19 and it continues today to struggle to meet its financial obligations. The Company has
20 invested over \$20 million in new plant since its last rate case without any recovery of
21 costs. The Stockholders infused \$3,097,354 of equity into the Company in 2009 and
22 have pledged personal assets as security for Company debt. The Company's request for

³ The Company will be separately addressing the monies due from effluent sold to affiliated golf courses in its rate design testimony.

1 interim rate relief filed in 2008 was denied by the Commission. The Company's previous
2 permanent rate increase request was suspended. In 2009, the Commission itself found
3 the Company's wastewater division to be insolvent. Far West has only been able to
4 maintain wastewater operations through subsidies from its water division, additional
5 short-term borrowings, and capital contributions. In short, the Company had incurred
6 substantial losses and is projecting continuing losses until such time as it can begin
7 earning a return on the \$20 million of investment in wastewater treatment facilities made
8 by the Company and currently providing service to its customers.

9 Placing preconditions to the implementation of rates to be approved in this proceeding do
10 not change these facts. They only make the situation worse. There is no easy answer.
11 The only thing that will change the situation is allowing the Company to begin earning a
12 return on its substantial investment in wastewater facilities.

13 In response to these proposed conditions, the Company has initiated contact and meetings
14 with its creditors in an effort to arrange payment plans that could be implemented once
15 rates are in effect. The Company hopes to complete these meetings with the goal of
16 offering some specific post-rate implementation alternatives in its Rejoinder Testimony.

17 **IX RESPONSE TO GILKEY DIRECT TESTIMONY**

18 **Q. DO YOU HAVE ANY RESPONSE TO THE SEWER PLANT TOUR**
19 **DESCRIPTION PROVIDED BY THE GILKEYS.**

20 A. Only to say that Far West was happy to provide the tour and to thank the Gilkeys for
21 mentioning that there were no detectable odors at the Section 14 plant. The Company has
22 worked hard to address past odor problems and appreciates its effort being recognized.
23 The description of the facilities is generally accurate, but I would note that the static
24 pressure at Palm Shadows is actually about one-half the 86 psi stated in the description.

1 **Q. WHAT IS YOUR RESPONSE TO THE DISCUSSION ON PALM SHADOWS**
2 **AND THE FORCE MAIN?**

3 A. The purpose of this discussion appears to be to suggest that Far West had better options
4 for improving the Palm Shadows plant than the selected option of diverting flows to the
5 Section 14 WWTP. The assertion make by the Gilkeys is not well supported and
6 unconvincing.

7 The Company retained the services of Coriolis, LLC, an engineering consulting firm
8 experienced in wastewater system planning and design to develop a comprehensive
9 improvement plan for its wastewater collection and treatment systems. Coriolis's
10 planning work ultimately resulted in the recommendation to decommission the Palm
11 Shadows plant and divert flows to the Section 14 WWTP. This planning was done in a
12 professional manner and has supported the Company's earlier financing and rate
13 proceedings before the Commission. The Company's planning effort is far superior to
14 the Gilkeys generalizations and provides the needed support for the Company's
15 improvements.

16 Finally, the Gilkeys are wrong when they speculate Far West did not contact the City of
17 Yuma regarding obtaining treatment services. Far West did meet with the City of Yuma
18 and was advised the City would not allow Far West to permanently divert wastewater
19 flows from Palm Shadows to City of Yuma facilities.

20 **Q. WHAT ARE YOUR THOUGHTS REGARDING THE GILKEY'S DISCUSSION**
21 **OF CAPACITY FEES AND THEIR CLAIM THAT THE FEES CHARGED BY**
22 **FAR WEST IN THE PAST ARE INADEQUATE?**

23 A. The Gilkeys appear to be arguing that the Company should standardize capacity fees at a
24 level that is sufficient to cover the entire capital cost of providing wastewater service to

1 its customers. The Company is willing to consider standardization of the capacity fees
2 through the use of a hook-up fee tariff. However, the remainder of the Gilkeys'
3 recommendation is flawed and contrary to Commission policy. The Commission expects
4 utilities to maintain a reasonable balance between developer contributions and utility
5 investment that results in a healthy level of rate base for the utility. This policy is
6 designed to insure a utility is financially viable, able to fund plant replacements and able
7 to withstand unexpected events or regulatory changes. The Company supports this policy
8 and believes it would be unwise to set a tariffed hook-up fee at the level suggested by the
9 Gilkeys.

10 **Q. ARE YOU ADDRESSING THE COMMENTS REGARDING RV PARK AND**
11 **COMMERCIAL RATE INEQUITIES?**

12 A. I will respond to these issues in my rate design testimony.

13 **X RESPONSE TO RIST DIRECT TESTIMONY**

14 **Q. DO YOU HAVE ANY RESPONSE TO THE SEWER PLANT TOUR**
15 **DESCRIPTION PROVIDED BY MR. RIST.**

16 A. Clearly Mr. Rist has experience with wastewater treatment facilities and provided an
17 unexpectedly detailed description of the toured facilities. Again, I want to say that Far
18 West was happy to provide the tour and to thank Mr. Rist for mentioning that no odors
19 were present at the Section 14, Del Oro, or Palm Shadows sites. As noted by Mr. Rist,
20 the upgrades to the Season's plant were not completed because APS had not yet installed
21 necessary power facilities. Far West is confident that the odors at this plant will improve,
22 as they have at Section 14 and Del Oro, once the membrane treatment facility is fully on-
23 line.

1 **Q. DO YOU AGREE THAT SUBMERSIBLE PUMPS CREATE SAFETY AND**
2 **MAINTENANCE ISSUES?**

3 A. I do not. Submersible pumps are routinely used in treatment plants throughout Arizona
4 and elsewhere. In my experience they are used far more often than the wet side / dry side
5 approach advocated by Mr. Rist. In terms of safety, both a wet well and a dry well are
6 confined spaces. Far West currently has the most developed and rigorous employee
7 safety program I have seen at a wastewater utility. Far West is well equipped to deal with
8 the confined space issues posed by either a dry well or wet well, but prefers to avoid
9 confined space entry if possible. Since submersible pumps require no maintenance and
10 are installed on rail systems allowing removal and replacement from ground level, wet
11 well entry is rarely required. In contrast, a dry well system would require regular
12 confined space entries to inspect and maintain equipment.

13 **Q. CAN YOU PROVIDE ANY INFORMATION ON LIFT STATION 25?**

14 A. The Company does haul sewage from Lift Station 25 periodically as a preventative
15 measure. However the underlying issue is actually with a downstream lift station, Lift
16 Station 16. The Company's comprehensive wastewater improvement plan prepared by
17 Coriolis, LLC proposes a new 40th Street lift station to consolidate flows from several lift
18 stations on Foothills Blvd, including Lift Station 16. The Company plans to construct
19 this new lift station as soon as funds permit. Once the 40th Street lift station is
20 constructed and Lift Station 16 decommissioned, hauling from Lift Station 25 will no
21 longer be required.

22 **Q. ARE YOU ADDRESSING THE COMMENTS REGARDING RV PARK AND**
23 **COMMERCIAL RATE INEQUITIES?**

24 A. I will respond to these issues in my rate design testimony.

1 **XI RESPONSE TO HOUSEHOLDER DIRECT TESTIMONY**

2 **Q. WHAT ARE YOUR COMMENTS ON THE DIRECT TESTIMONY OF MR.**
3 **HOUSEHOLDER.**

4 A. I have two comments. In large part Mr. Householder is reiterating matters addressed in
5 the formal complaint (Docket No. WS-03478A-08-0256) his development company filed
6 with the Commission. That case ended when Decision No. 72594 was issued. It is
7 inappropriate and unnecessary to relitigate those matters in this case.

8 In response to Mr. Householders comments on the Section 14 WWTP, I will point out
9 that Far West has proposed, in my Direct Testimony, adjustments removing excess
10 capacity at the Section 14 WWTP from rate base. Additionally, in this rebuttal testimony
11 Far West has accepted significant permanent adjustments to AFUDC, vendor interest
12 charges, late fees, legal fees and management fees related to construction at the Section
13 14 WWTP addressing the issues raised by Mr. Householder regarding construction at the
14 Section 14 WWTP.

15 **XII OTHER ISSUES**

16 **Q. DOES YOUR SILENCE ON ANY ISSUE RAISED BY ANY PARTY IN THEIR**
17 **DIRECT TESTIMONY INDICATE YOUR ACCEPTANCE OF THEIR**
18 **POSITION?**

19 A. No. The Company reserves the right to modify or clarify its position pertaining to
20 matters not discussed and to modify its position should circumstances warrant
21 reconsideration of its current position.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 A. Yes.

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB1

<u>Schedule No.</u>	<u>Title</u>
Schedule A-1	Computation of Increase in Gross Revenue Requirement
Schedule A-2	Summary of Results of Operations
Schedule A-3	Summary of Capital Structure
Schedule A-4	Construction Expenditures and Gross Utility Plant in Service
Schedule A-5	Summary Changes in Financial Position
Schedule B-1	Summary of Original Cost Rate Base Elements
Schedule B-2	Original Cost Rate Base Pro forma Adjustments
Schedule B-2.1	Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
Schedule B-5	Computation of Working Capital
Schedule C-1	Adjusted Test Year Income Statement
Schedule C-2	Income Statement Pro forma Adjustments
Schedule C-3	Computation of Gross Revenue Conversion Factor
Schedule D-1	Summary of Cost of Capital
Schedule D-2	Cost of Long-Term and Short-Term Debt
Schedule D-3	Cost of Preferred Stock
Schedule D-4	Cost of Common Equity
Schedule E-1	Comparative Balance Sheet
Schedule E-2	Comparative Income Statements
Schedule E-3	Comparative Statement of Changes in Financial Position
Schedule E-4	Statement of Changes in Stockholder's Equity
Schedule E-5	Detail of Utility Plant
Schedule E-7	Operating Statistics
Schedule E-8	Taxes Charged to Operations
Schedule E-9	Notes To Financial Statements
Schedule F-1	Projected Income Statements - Present and Proposed Rates
Schedule F-2	Projected Changes in Financial Position - Present and Proposed Rates
Schedule F-3	Projected Construction Requirements
Schedule F-4	Assumptions Used in Developing Projection
Schedule H-1	Summary of Revenues by Customer Classification - Present and Proposed Rates
Schedule H-2	Analysis of Revenues by Detailed Class
Schedule H-3	Changes In Representative Rate Schedules
Schedule H-4	Typical Bill Analysis
Schedule H-5	Bill Count

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Increase in Gross Revenue Requirements

Exhibit: RLJ-RB1
Schedule A-1 - Rebuttal
Page 1
Witness: Jones

Line No.			
1	Original Cost Adjusted Rate Base	\$	20,556,601
2			
3	Adjusted Operating Income	\$	(573,672)
4			
5	Current Rate of Return		-2.79%
6			
7	Required Operating Income	\$	1,541,745
8			
9	Required Rate of Return		7.5%
10			
11	Operating Income Deficiency	\$	2,115,417
12			
13	Gross Revenue Conversion Factor		1.6613
14			
15	Increase in Gross Revenue	\$	3,514,335 157.74%
16			
17			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Results of Operations

Exhibit: RLJ-RB1
 Schedule A-2 - Rebuttal
 Page 1
 Witness: Jones

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2009	12/31/2010	Actual 12/31/2011	Adjusted 12/31/2011	Present Rates 12/31/2012	Proposed Rates 12/31/2012
1	Gross Revenues	\$ 2,132,099	\$ 2,209,632	\$ 2,239,713	\$ 2,227,982	\$ 2,227,982	\$ 5,742,317
2	Revenue Deductions and						
3	Operating Expenses	2,786,863	2,782,352	3,045,196	2,801,653	2,846,524	4,245,442
4	Operating Income	(654,764)	(572,720)	(805,483)	(573,672)	(618,543)	1,496,874
5							
6	Other Income and						
7	Deductions	274,876	1,042,027	790,493	790,493	119,086	119,086
8	Interest Expense	(1,330,155)	(1,299,287)	(1,523,207)	(1,110,056)	(1,110,056)	(1,110,056)
9	Net Income	\$ (1,710,043)	\$ (829,979)	\$ (1,538,197)	\$ (893,235)	\$ (1,609,513)	\$ 505,903
10							
11	Earned Per Average						
12	Common Share						
13							
14	Dividends Per						
15	Common Share						
16							
17	Payout Ratio						
18							
19	Return on Average						
20	Invested Capital	-4.6%	-2.0%	-3.6%	-2.1%	-3.6%	1.1%
21							
22	Return on Year End						
23	Capital	-4.3%	-2.0%	-3.5%	-2.0%	-3.5%	1.1%
24							
25	Return on Average						
26	Common Equity	-592.6%	-24.1%	-28.5%	-13.7%	-24.8%	6.7%
27							
28	Return on Year End						
29	Common Equity	-75.9%	-17.9%	-25.1%	-12.3%	-28.4%	6.5%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	(0.49)	(0.44)	(0.85)	(1.47)	(1.47)	1.63
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	(0.49)	(0.44)	(0.53)	(0.52)	(0.52)	1.39
37							
38	<u>Supplemental Data</u>						
39							
40	Debt Service Coverage (Wastewater Division)			(0.30)			
41							
42	Debt Service Coverage (Entire Company)			0.93			
43							
44	<u>Supporting Schedules:</u>						
45	E-2 F-1						
46	C-1						
47							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Capital Structure

Exhibit: RLJ-RB1
 Schedule A-3 - Rebuttal
 Page 1
 Witness: Jones

Line No.	Description:	Prior Years Ended		Test	Projected
		12/31/2009	12/31/2010	Year 12/31/2011	Year 12/31/2012
1					
2					
3	Short-Term Debt	-	-	1,732,342	1,145,715
4	Long-Term Debt	19,941,944	21,914,277	21,323,943	25,597,448
5	Total Debt	\$ 19,941,944	\$ 21,914,277	\$ 23,056,285	\$ 26,743,163
6					
7	Preferred Stock	-	-	-	-
8	Common Equity	2,252,564	4,641,091	7,285,912	5,676,399
9	Total Capital & Debt	\$ 22,194,508	\$ 26,555,369	\$ 30,342,198	\$ 32,419,562
10					
11					
12	Capitalization Ratios:				
13					
14	Short-Term Debt	0.00%	0.00%	5.71%	3.53%
15	Long-Term Debt	89.85%	82.52%	70.28%	78.96%
16	Total Debt	89.85%	82.52%	75.99%	82.49%
17					
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	10.15%	17.48%	24.01%	17.51%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
21					
28	Weighted Cost of				
29	Senior Capital	6.020%	5.529%	5.400%	5.300%
30					
31					
32					
33					
34					
35	Supporting Schedules:				
36	E-1 D-1				
37					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Construction Expenditures and Gross Utility Plant In Service

Exhibit: RLJ-RB1
Schedule A-4 - Rebuttal
Page 1
Witness: Jones

Line No.	Year		Construction Expenditures	Net Plant Placed In Service	Gross Utility Plant In Service
1					
2	Prior Year Ended	12/31/2009	\$ 4,101,586	\$ 1,242,081	\$ 21,181,652
3					
4	Prior Year Ended	12/31/2010	3,021,716	853,174	22,034,826
5					
6	Test Year Ended	12/31/2011	2,102,526	20,570,785	42,605,611
7					
8	Projected Year Ending	12/31/2012	2,044,670	3,837,926	46,443,537
9					
10	Projected Year Ending	12/31/2013	164,500	295,413	46,738,950
11					
12	Projected Year Ending	12/31/2014	615,000	1,128,182	47,867,132
13					
14	<u>Supporting Schedules:</u>				
15	F-3				
16	E-5				
17					

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Changes In Financial Position

Exhibit: RLJ-RB1
 Schedule A-5 - Rebuttal
 Page 1
 Witness: Jones

Line No.		Prior	Prior	Test	Projected Year	
		Year Ended 12/31/2009	Year Ended 12/31/2010	Year Ended 12/31/2011	Present Rates 12/31/2012	Proposed Rates 12/31/2013
1	<u>Source of Funds</u>					
2	Operations	\$ (358,771)	\$ (2,684,431)	\$ (233,496)	\$ (923,054)	\$ 1,297,450
3						
4	Outside Financing	4,460,147	5,656,068	2,388,104	3,565,198	465,198
5						
6	Total Funds Provided	\$ 4,101,376	\$ 2,971,637	\$ 2,154,608	\$ 2,642,144	\$ 1,762,648
7						
8	<u>Application of Funds</u>					
9	Constriction Expenditures	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
16						
17	Net Increase/(Decrease) in Cash	(209)	(50,079)	52,082	597,474	(282,022)
18						
19						
20						
21	<u>Supporting Schedules:</u>					
22	E-3					
23	F-2					
24						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Original Cost Rate Base Elements

Exhibit: RLJ-RB1
 Schedule B-1 - Rebuttal
 Page 1
 Witness: Jones

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	\$ 34,938,233
3		
4	Less: Accumulated Depreciation	<u>4,824,701</u>
5		
6	Net Utility Plant in Service	30,113,532
7		
8	Less:	
9	Advances in Aid of Construction	10,192,451
10		
11	Contributions in Aid of Construction	1,726,854
12	Accumulated Amortization of CIAC	<u>(909,423)</u>
13	Contributions in Aid of Construction - Net	817,431
14		
15	Customer Security Deposits	26,359
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	1,479,309
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	<u>\$ 20,556,601</u>
23		
24	* including pro forma adjustments	
25		
26		
27	<u>Supporting Schedules:</u>	
28	B-2 B-5	
29	B-3 E-1	
30		

Recap Schedules:
 A-1

Witness:
 Jones

Plant In Service Balance

Line No.	Acct No.	Description	Book Adjustments - (Included on Schedule B.2.1)							Rate Making Adjustment		
			[1.1] Conform to Decision No. 69335	[1.2] 2006 Audit Adjustment ¹	[1.3] Plant Held For Future Use	[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	Adjusted Book End of Test Year ²	Exclude Section 14	Adjusted End of Test Year	
3			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	351	Organization Cost								3,076		3,076
5	352	Franchise Cost	3,076							1,413,437		1,413,437
6	353	Land and Land Rights	1,560,847	334,587	(447,410)					2,477,482		2,477,482
7	354	Structures & Improvements	2,633,622	(9,581)	(75,000)				(71,559)	68,993		68,993
8	355	Power Generating Equipment	68,993							3,505,174	(846)	3,504,328
9	360	Collection Sewers - Force	3,705,476			(2,923)				8,731,500	(3,923)	8,727,577
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0							
11	362	Special Collecting Structures								173,621		173,621
12	363	Services to Customers	173,621							32,468		32,468
13	364	Flow Measuring Devices	32,468							16,683		16,683
14	365	Flow Measuring Installations	16,683									
15	366	Reuse Services								2,310		2,310
16	367	Reuse Meters and Meter Installations	2,310							92,784	(18,557)	74,227
17	370	Receiving Wells	92,784							1,496,705	(101,067)	1,395,638
18	371	Pumping Equipment	1,496,705	19,255	(19,255)							
19	374	Reuse Distribution Reservoirs										
20	375	Reuse Transmission and Dist. Sys.										
21	380	Treatment and Disposal Equipment	21,650,302	(231,971)	(19,867)				(1,196,028)	19,617,466	(1,932,055)	17,685,412
22	381	Plant Sewers	736,542						(4,569)	731,973	(108,302)	623,671
23	382	Outfall Sewer Lines	2,256							2,256	(451)	1,805
24	389	Other Plant and Misc. Equipment	418,687	4,833	(4,833)					394,141		394,141
25	390	Office Furniture & Equipment	257,292							254,572		254,572
26	390.1	Computers & Software	30,027							11,356		11,356
27	391	Transportation Equipment	271,810							271,810		271,810
28	392	Stores Equipment										
29	393	Tools, Shop & Garage Equipment	27,069							27,069		27,069
30	394	Laboratory Equipment	33,710							17,418		17,418
31	395	Power Operated Equipment	181,667						(16,292)	181,667		181,667
32	396	Communications Equipment	17,191							17,191		17,191
33	397	Miscellaneous Equipment	204,504							136,351		136,351
34	398	Other Tangible Plant	238,828						(60,520)	238,828		238,828
35												
36												
37		TOTALS	\$ 42,605,611	\$ (1,120,069)	\$ 102,617	\$ (222,410)	\$ (46,877)	\$ (69,861)	\$ (1,332,676)	\$ 39,916,333	\$ (2,165,201)	\$ 37,751,132
38		Equity Adjustments (Schedule D-1)	\$ (1,120,069)	\$ 102,617	\$ (46,877)	\$ (46,877)	\$ (46,877)	\$ (46,877)	\$ (46,877)	\$ (1,064,330)	\$ (1,064,330)	\$ (1,064,330)
39		Plant In Service per Books										\$ 42,605,611
40												\$ (4,854,479)
41		Increase / (Decrease) in Plant in Service										

Total
 Equity Adj.
 \$ (1,064,330)

Workpapers:
 FW Rate Case Data.xlsx

¹ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006
² Adjusted plant in service balance including all book adjustments. Agrees with 2011 plant in service balance on Schedule B2.1.

Used and Useful Adjustment for Section 14 WWTP

Line No.		Test Year	Projected 5-Yr. Increase	Projected 12/31/2016
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5				
6				
7	Maximum Day Flow (MGD)	0.511	0.181	0.692
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12				
13				
14				
15				
16	Section 14 WWTP Plant in Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				

Workpapers:

20 FW Rate Case Data.xlsx - Sec 14

Accumulated Depreciation

Line No.	Acct No.	Description	Book Adjustments - (Included on Schedule B.2.1)			Eliminate Rounding Differences	Difference From Calc'd on B-2.1	Adjusted Book End of Test Year ¹	Rate Making Adjustment [2.5]	[2.6] NOT USED	[2.7] NOT USED	Adjusted End of Test Year
			[2.1] Unbooked Plant Retirements	[2.2] Unbooked WWTP Retirements	[2.3] Difference							
4	351	Organization Cost										
5	352	Franchise Cost										
6	353	Land and Land Rights										
7	354	Structures & Improvements		(71,559)	(15,284)		51,270				51,270	
8	355	Power Generating Equipment					1,725				1,725	
9	360	Collection Sewers - Force			(27,450)		154,135	(8)			154,126	
10	361	Collection Sewers - Gravity			(10,525)		1,712,526	(39)			1,712,487	
11	362	Special Collecting Structures										
12	363	Services to Customers			(3,697)		4,698				4,698	
13	364	Flow Measuring Devices			2,591		32,468				32,468	
14	365	Flow Measuring Installations			2,918		16,683				16,683	
15	366	Reuse Services										
16	367	Reuse Meters and Meter Installations			(0)		96				96	
17	370	Receiving Wells			(2)		1,546	(309)			1,237	
18	371	Pumping Equipment			50,710		448,533	(6,317)			442,217	
19	374	Reuse Distribution Reservoirs										
20	375	Reuse Transmission and Dist. Sys.										
21	380	Reuse Transmission and Disposal Equipment			(497,379)		2,132,384	(48,301)			2,084,083	
22	381	Plant Sewers		(1,196,028)	(1,025)		21,894	(2,708)			19,186	
23	382	Outfall Sewer Lines			(0)		38	(8)			30	
24	389	Other Plant and Misc. Equipment		(24,546)	(5,758)		15,012				15,012	
25	390	Office Furniture & Equipment		(2,720)	(1,559)		27,184				27,184	
26	390	Computers & Software		(18,670)	(2,927)		3,709				3,709	
27	391	Transportation Equipment			68,655		194,028				194,028	
28	392	Stores Equipment										
29	393	Tools, Shop & Garage Equipment			0		3,124				3,124	
30	394	Laboratory Equipment		(16,292)	(4,177)		793				793	
31	395	Power Operated Equipment			1		23,457				23,457	
32	396	Communications Equipment			0		1,182				1,182	
33	397	Miscellaneous Equipment			(19,561)		49,465				49,465	
34	398	Other Tangible Plant		(7,633)			107,473				107,473	
35		Unreconciled Difference										
36												
37		TOTALS	\$ 6,870,429	\$ (9,861)	\$ (1,332,676)	\$ (464,469)	\$ 5,003,423	\$ (57,690)	\$	\$	\$ 4,945,733	
38		Equity Adjustments (Schedule D-1)									\$ 464,468	
39											\$ 6,870,429	
40		Accumulated Depreciation per Books									\$ (1,924,696)	
41		Increase / (Decrease) in Accumulated Depreciation										
42												
43												
44												
45												
46		Supporting Schedules:										
47		B-2.1										
48		B-2, Page 3.1										

Witness: _____

¹ Adjusted accumulated depreciation balance including all book adjustments. Agrees with 2011 accumulated depreciation balance on Schedule B2.1.

Workpapers:
 FW Rate Case Data.xlsx

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

Line No.	Plant Acct	Plant Adjustment \$	Depreciation Rate	Years	Accumulated Depreciation \$
1	351 Organization Cost	-	0.00%	0.5	-
2	352 Franchise Cost	-	0.00%	0.5	-
3	353 Land and Land Rights	-	0.00%	0.5	-
4	354 Structures & Improvements	-	3.33%	0.5	-
5	355 Power Generating Equipment	-	5.00%	0.5	-
6	360 Collection Sewers - Force	(846)	2.00%	0.5	(8)
7	361 Collection Sewers - Gravity	(3,923)	2.00%	0.5	(39)
8	362 Special Collecting Structures	-	2.00%	0.5	-
9	363 Services to Customers	-	2.00%	0.5	-
10	364 Flow Measuring Devices	-	10.00%	0.5	-
11	365 Flow Measuring Installations	-	10.00%	0.5	-
12	366 Reuse Services	-	2.00%	0.5	-
13	367 Reuse Meters and Meter Installations	-	8.33%	0.5	-
14	370 Receiving Wells	(18,557)	3.33%	0.5	(309)
15	371 Pumping Equipment	(101,067)	12.50%	0.5	(6,317)
16	374 Reuse Distribution Reservoirs	-	2.50%	0.5	-
17	375 Reuse Transmission and Dist. Sys.	-	2.50%	0.5	-
18	380 Treatment and Disposal Equipment	(1,932,055)	5.00%	0.5	(48,301)
19	381 Plant Sewers	(108,302)	5.00%	0.5	(2,708)
20	382 Outfall Sewer Lines	(451)	3.33%	0.5	(8)
21	389 Other Plant and Misc. Equipment	-	6.67%	0.5	-
22	390 Office Furniture & Equipment	-	6.67%	0.5	-
23	390 Computers & Software	-	20.00%	0.5	-
24	391 Transportation Equipment	-	20.00%	0.5	-
25	392 Stores Equipment	-	4.00%	0.5	-
26	393 Tools, Shop & Garage Equipment	-	5.00%	0.5	-
27	394 Laboratory Equipment	-	10.00%	0.5	-
28	395 Power Operated Equipment	-	5.00%	0.5	-
29	396 Communications Equipment	-	5.00%	0.5	-
30	397 Miscellaneous Equipment	-	10.00%	0.5	-
31	398 Other Tangible Plant	-	10.00%	0.5	-
32	Totals	\$ (2,165,201)			\$ (57,690)
33					\$ (57,690)
34	Increase/(Decrease) in Accumulated Depreciation				
35					

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

Line No.	CIAC	Accumulated Amortization
1		
2	\$ 1,726,854	\$ 909,423
3		
4	\$ 2,440,167	\$ 1,302,925
5		
6	<u>\$ (713,313)</u>	<u>\$ (393,502)</u>
7		
8	<u>\$ 713,313</u>	<u>\$ (393,502)</u>
9		
10		
11		
12		
13		
14		
15	<u>Supporting Schedules:</u>	
16	B-2, Page 4.1	
17		

Calculation of CIAC Balances

Line No.	Description	Amort Rate	Decision No. 69335		2005		2006		2007		
			Balance 12/31/2004	Adjustments Per 2006 Audit	Amount	Balance	Additions	Balance	Additions	Balance	Additions
1											
2	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284	20,284	20,284	20,284	20,284	20,284	
3	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	
4											
5	Total CIAC		3,247,057		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	
6											
7	Amortization CIAC (half-yr convention)										
8	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	1,420	406	1,826	406	2,231	
9	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	393,598	85,329	478,927	85,329	564,255	
10											
11	Accumulated Amortization of CIAC		385,294		309,284	395,018		480,752		566,486	
12											
13	Net CIAC		2,861,763		1,417,570	1,331,836		1,246,102		1,160,368	
14											
15											
16											
17											
18											
19											
20	CIAC - 361 Collection Sewers		20,284		20,284	20,284	20,284	20,284	20,284	20,284	
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	
22											
23	Total CIAC		1,726,854		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	
24											
25	Amortization CIAC (half-yr convention)										
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	3,043	406	3,448	406	3,854	
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	734,912	85,329	820,241	85,329	905,569	
28											
29	Accumulated Amortization of CIAC		566,486		652,221	737,955		823,689		909,423	
30											
31	Net CIAC		1,160,368		1,074,633	988,899		903,165		817,431	
32											
33											
34											
35											
36											
37	Supporting Schedules:										
38											
39											
40											

Composite Amortization Rate 4.9648%

Supporting Schedules:

B-2, Page 4.2

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	DESCRIPTION	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No. 69335	Adjusted Balance Per Decision	2006 Audit Adjustment ¹	2004 Adjusted Balance
1	CIAC Adjustments								
2									
3									
4	COLL SEWERS-GRAVITY-CIAC		361C						
5	Payson (Fortuna Rd Ext. 5)	7/1/2000	361C	52	69,500	(69,500)			
6	Swinsn\Ave 10E, Lines & 11 MH	7/1/2001	361C	52	73,684	(53,400)	20,284		20,284
7	Seasons Unit 3 Lines	7/1/2002	361C	53	121,515	(77,402)	44,113	(44,113)	
8	Palm Shadows Fortuna Rd Ext	7/1/2002	361C						
9					264,699	(200,302)	64,397	(44,113)	20,284
10									
11	TREATMENT, DISPOSAL EQ CIAC								
12	Marwood Sewer Plant-Final	7/1/1999	380C						
13	Palm Shidws Treatment Pit	7/1/1999	380C	58	426,690	(344,910)	81,780		81,780
14	Seasons Treatment Plant	7/1/1999	380C	52	408,981	(139,756)	269,225		269,225
15	Palm Shadows Additions	7/1/2000	380C	53	345,247	(64,698)	280,549		280,549
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	52	6,864	-	6,864		6,864
17	Royale Sewer Plant	7/1/2001	380C	55	65,000	-	65,000		65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	56	65,000	-	65,000		65,000
19	Palm Shdws Plant Addn	7/1/2001	380C	54	52,000	-	52,000		52,000
20	Section 14 WWTP w/ Lift Station	7/1/2003	380C	52	593,731	(30,937)	562,794		562,794
21	MDS Plant Upgrade	7/1/2004	380C	57	756,614	(126,069)	630,545	(630,545)	
22	Del Oro WWTP	7/1/2004	380C	54	333,471	(10,113)	323,358		323,358
23					845,545	-	845,545	(845,545)	
24					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
25	TOTAL CIAC								
26	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
27	TOTALS		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
28					4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854
29	Accumulated Amortization Adjustments								
30									
31									
32									
33	COLL SEWERS-GRAVITY-CIAC								
34									
35	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)		
36									
37					(882)	(882)	(2,206)		
38	TREATMENT, DISPOSAL EQ CIAC								
39									
40									
41	Section 14 WWTP w/ Lift Station	7/1/2003	5.0%	(441)	(882)	(882)	(2,206)		
42	Del Oro WWTP	7/1/2004	5.0%	(441)	(882)	(882)	(2,206)		
43									
44	TOTAL Amortization of CIAC				(882)	(882)	(2,206)		
45	TOTAL Amortization of CIAC				(15,764)	(15,764)	(31,527)		
46	TOTALS				(15,764)	(15,764)	(31,527)		
47					(441)	(441)	(2,206)		
48					(441)	(441)	(2,206)		
49					(15,764)	(15,764)	(31,527)		
50					(441)	(441)	(2,206)		
51					(15,764)	(15,764)	(31,527)		
52					(441)	(441)	(2,206)		
53					(15,764)	(15,764)	(31,527)		
54					(441)	(441)	(2,206)		
55					(15,764)	(15,764)	(31,527)		
56					(441)	(441)	(2,206)		
57					(15,764)	(15,764)	(31,527)		
58					(441)	(441)	(2,206)		
59					(15,764)	(15,764)	(31,527)		
60					(441)	(441)	(2,206)		
61					(15,764)	(15,764)	(31,527)		
62					(441)	(441)	(2,206)		
63					(15,764)	(15,764)	(31,527)		
64					(441)	(441)	(2,206)		
65					(15,764)	(15,764)	(31,527)		
66					(441)	(441)	(2,206)		
67					(15,764)	(15,764)	(31,527)		
68					(441)	(441)	(2,206)		
69					(15,764)	(15,764)	(31,527)		
70					(441)	(441)	(2,206)		
71					(15,764)	(15,764)	(31,527)		
72					(441)	(441)	(2,206)		
73					(15,764)	(15,764)	(31,527)		
74					(441)	(441)	(2,206)		
75					(15,764)	(15,764)	(31,527)		
76					(441)	(441)	(2,206)		
77					(15,764)	(15,764)	(31,527)		
78					(441)	(441)	(2,206)		
79					(15,764)	(15,764)	(31,527)		
80					(441)	(441)	(2,206)		
81					(15,764)	(15,764)	(31,527)		
82					(441)	(441)	(2,206)		
83					(15,764)	(15,764)	(31,527)		
84					(441)	(441)	(2,206)		
85					(15,764)	(15,764)	(31,527)		
86					(441)	(441)	(2,206)		
87					(15,764)	(15,764)	(31,527)		
88					(441)	(441)	(2,206)		
89					(15,764)	(15,764)	(31,527)		
90					(441)	(441)	(2,206)		
91					(15,764)	(15,764)	(31,527)		
92					(441)	(441)	(2,206)		
93					(15,764)	(15,764)	(31,527)		
94					(441)	(441)	(2,206)		
95					(15,764)	(15,764)	(31,527)		
96					(441)	(441)	(2,206)		
97					(15,764)	(15,764)	(31,527)		
98					(441)	(441)	(2,206)		
99					(15,764)	(15,764)	(31,527)		
100					(441)	(441)	(2,206)		

¹ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Las Barrancas #1 - Not In Service (Staff RBA #3)

Line				
<u>No.</u>				
1				
2	Advance Balance per GL	\$	983,459	
3	Less Cash Advances:			
4	Off-Site Sewer Costs		(354,292)	
5	Admin Costs (net)		(6,649)	
6				
7	Plant In Service Balance Per GL	\$	<u>622,519</u>	Account 361 - Collection Sewers Gravity
8				
9	Accumulated Depreciation	\$	<u>68,477</u>	(5.5 years at 2.0%)
10				
11	Adjustments:			
12		<u>Plant Acct.</u>		<u>Rate Base</u>
13	Plant In Service	361	\$ (622,519)	\$ (622,519)
14	Accumulated Depreciation	361	(68,477)	68,477
15	AIAC		(622,519)	<u>622,519</u>
16	Net Adjustment to Rate Base			68,477
17				
18				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit: RLJ-RB1
 Schedule B-2.1 - Rebuttal
 Page 1
 Witness: Jones

Line No.	NARUC Account No.	Description	(816,940) Per Decision No. 69335 - 02/20/2007										Adjust per Audited Financial Statement			
			[1] Book Plant at 12/31/2004 ¹ (CSB-4)	[2] Unsupported Plant (CSB-5)	[3] Adjustments Expended Plant (CSB-6)	[4] Capitalized Affil. Profit (CSB-7)	[5] Adjusted Plant at 12/31/2004 ² [(1)+(2)+(3)+(4)]	[6] Adjusted Accum Depr 12/31/2004 ² (CSB-9)	[7] Adjusted Net Plant 12/31/2004 ² [(5)-(6)]	[8] Book Plant at 12/31/2004 (FW G/L)	[9] Conforming Plant Adjustment (5)-(8)	[10] Adjusted Plant at 12/31/2004 (8)+(9)	[11] 2006 Audit Adjustment ³ (FW G/L)	[12] Adjusted Plant at 12/31/2004 [(10)+(11)]	[13] Adjusted Net Plant 12/31/2004 [(12)-(6)]	
1	351	Organization Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	3,076	-	-	-	3,076	3,076	-	-	-	-	3,076	-	3,076	3,076
3	353	Land and Land Rights	82,567	-	-	-	82,567	82,567	-	-	-	-	82,567	-	82,567	82,567
4	354	Structures & Improvements	213,157	-	-	(9,581)	203,576	21,707	-	-	-	213,157	(9,581)	-	203,576	181,869
5	355	Power Generating Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	423,126	(200,302)	2,923	-	225,747	51,906	-	-	-	423,126	(197,379)	-	225,747	173,841
7	361	Collection Sewers - Gravity	7,689,131	-	-	(17,640)	7,671,491	541,187	-	-	-	7,689,131	(17,640)	0	7,671,491	7,130,304
8	362	Special Collecting Structures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	25,725	-	-	-	25,725	18,836	-	-	-	25,725	-	-	25,725	6,889
11	365	Flow Measuring Installations	11,378	-	-	-	11,378	8,331	-	-	-	11,378	-	-	11,378	3,047
12	366	Reuse Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	192,774	-	19,255	-	212,029	72,264	-	-	-	192,774	19,255	-	212,029	139,765
16	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5,444,879	(716,483)	19,867	(120,324)	4,627,939	675,053	-	-	-	5,212,909	(584,970)	(231,971)	4,395,968	3,720,915
19	381	Plant Sewers	20,168	-	-	-	20,168	2,332	-	-	-	20,168	-	-	20,168	17,836
20	382	Outfall Sewer Lines	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	16,044	-	4,833	-	20,877	6,153	-	-	-	16,044	4,833	-	20,877	14,724
22	390	Office Furniture & Equipment	7,530	-	-	-	7,530	1,395	-	-	-	7,530	-	-	7,530	6,135
23	390.1	Computers & Software	13,442	-	-	-	13,442	2,490	-	-	-	13,442	-	-	13,442	10,952
24	391	Transportation Equipment	193,939	-	-	-	193,939	55,437	-	-	-	193,939	-	-	193,939	138,502
25	392	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	4,236	-	-	-	4,236	212	-	-	-	4,236	-	-	4,236	4,024
28	395	Power Operated Equipment	2,940	-	-	-	2,940	221	-	-	-	2,940	-	-	2,940	2,719
29	396	Communications Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	93,591	-	-	-	93,591	30,948	-	-	-	93,591	-	-	93,591	62,643
31	398	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32																
33																
34																
35																
36																
TOTAL			14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395	

¹ During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
² Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
³ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPAs at 12/31/2006

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Adjusted Plant Retirements					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	
2	352	Franchise Cost	0.00%	-	-	-	-	-	3,076	-	3,076	
3	353	Land and Land Rights	0.00%	-	-	-	-	-	417,154	-	417,154	
4	354	Structures & Improvements	3.33%	13,140	-	13,140	-	6,998	216,716	28,705	188,011	
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	
6	360	Collection Sewers - Force	2.00%	-	-	-	-	4,515	225,747	56,421	169,326	
7	361	Collection Sewers - Gravity	2.00%	19,605	-	19,605	-	153,626	7,691,097	694,813	6,996,284	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices	10.00%	5,588	-	5,588	-	2,852	31,313	21,688	9,625	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	1,138	11,378	9,469	1,909	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	
15	371	Pumping Equipment	12.50%	11,749	-	11,749	-	27,238	223,777	99,502	124,275	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	
18	380	Treatment and Disposal Equipment	5.00%	868,399	-	868,399	-	241,508	5,264,367	916,561	4,347,806	
19	381	Plant Sewers	5.00%	-	-	-	-	1,008	20,168	3,340	16,827	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	
21	389	Other Plant and Misc. Equipment	6.67%	763	-	763	-	1,418	21,640	7,571	14,069	
22	390	Office Furniture & Equipment	6.67%	4,047	-	4,047	-	637	11,577	2,032	9,544	
23	390.1	Computers & Software	20.00%	179	-	179	2,900	2,416	10,722	2,006	8,715	
24	391	Transportation Equipment	20.00%	-	-	-	-	38,788	193,939	94,225	99,714	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	
27	394	Laboratory Equipment	10.00%	25,972	-	25,972	-	1,722	30,208	1,934	28,274	
28	395	Power Operated Equipment	5.00%	3,509	-	3,509	-	235	6,449	456	5,993	
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equipment	10.00%	1,923	-	1,923	-	9,455	95,514	40,403	55,111	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	
32												
33												
34												
35												
36												
TOTAL				954,873	-	954,873	2,900	493,555	14,474,841	1,979,127	12,495,714	

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Adjusted				Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments	Plant Additions	Retirements					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	
2	352	Franchise Cost	0.00%	-	-	-	-	-	3,076	-	3,076	
3	353	Land and Land Rights	0.00%	-	-	-	-	-	417,154	-	417,154	
4	354	Structures & Improvements	3.33%	10,706	-	-	-	7,395	227,422	36,100	191,322	
5	355	Power Generating Equipment	5.00%	-	-	10,706	-	-	-	-	-	
6	360	Collection Sewers - Force	2.00%	291,768	-	291,768	-	7,433	517,516	63,854	453,662	
7	361	Collection Sewers - Gravity	2.00%	622,519	-	622,519	-	160,047	8,313,615	854,860	7,458,755	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	3,131	31,313	24,819	6,494	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	1,138	11,378	10,607	771	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	
15	371	Pumping Equipment	12.50%	101,215	-	101,215	-	34,298	324,992	133,800	191,192	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	
18	380	Treatment and Disposal Equipment	5.00%	675,205	-	675,205	-	280,099	5,939,573	1,196,660	4,742,913	
19	381	Plant Sewers	5.00%	-	-	-	-	1,008	20,168	4,349	15,819	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	
21	389	Other Plant and Misc. Equipment	6.67%	9,253	-	9,253	-	1,674	28,553	6,905	21,648	
22	390	Office Furniture & Equipment	6.67%	7,836	-	7,836	-	1,033	19,412	3,066	16,347	
23	390.1	Computers & Software	20.00%	-	-	-	-	2,144	10,722	4,151	6,571	
24	391	Transportation Equipment	20.00%	21,521	-	21,521	-	29,912	105,183	13,860	91,323	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	
27	394	Laboratory Equipment	10.00%	1,657	-	1,657	-	3,104	31,865	5,038	26,827	
28	395	Power Operated Equipment	5.00%	-	-	-	-	322	6,449	778	5,671	
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	
30	397	Miscellaneous Equipment	10.00%	8,988	-	8,988	-	10,001	104,502	50,404	54,098	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	
32												
33												
34												
35												
36												
TOTAL				1,750,670	-	1,750,670	110,278	2,340	112,618	542,740	2,409,249	13,703,644

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit: RLJ-RB1
 Schedule B-2.1 - Rebuttal
 Page 4
 Witness: Jones

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Adjusted		Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Plant Adjustments								
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	125,179	(125,179)	-	-	-	-	-	3,076	-	3,076
4	354	Structures & Improvements	3.33%	75,205	(75,000)	205	-	-	-	7,577	417,154	-	417,154
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	227,627	43,676	183,951
6	360	Collection Sewers - Force	2.00%	5,690	(2,923)	2,767	-	-	-	10,378	520,283	74,232	446,052
7	361	Collection Sewers - Gravity	2.00%	263,737	-	263,737	-	-	-	168,910	8,577,352	1,023,770	7,553,582
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	1,155	-	1,155	-	-	-	3,189	32,468	28,008	4,460
11	365	Flow Measuring Installations	10.00%	5,306	-	5,306	-	-	-	1,403	16,683	12,010	4,674
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	46,436	(19,255)	27,181	-	-	-	42,323	352,173	176,123	176,050
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	1,375,106	(19,867)	1,355,239	-	-	-	330,860	7,294,811	1,527,519	5,767,292
19	381	Plant Sewers	5.00%	-	-	-	-	4,569	-	894	15,599	674	14,925
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	4,833	(4,833)	-	12,419	12,419	-	1,490	16,134	(4,024)	20,158
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	1,295	19,412	4,361	15,052
23	390.1	Computers & Software	20.00%	5,648	-	5,648	-	-	-	2,709	16,369	6,860	9,509
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	21,037	105,183	34,896	70,287
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	3,187	31,865	8,224	23,641
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	322	6,449	1,101	5,348
30	397	Miscellaneous Equipment	10.00%	75,103	-	75,103	-	-	-	14,205	179,605	64,609	114,996
31	398	Other Tangible Plant	10.00%	238,828	-	238,828	-	-	-	11,941	238,828	11,941	226,887
32													
33													
34													
35													
36													
TOTAL				2,222,224	(247,056)	1,975,168	16,988	16,988	-	621,719	18,071,073	3,013,980	15,057,093

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008		Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Adjusted Plant Retirements					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	-	-	-	-	3,076	-	3,076
4	354	Structures & Improvements	3.33%	201,500	-	-	-	618,654	-	618,654
5	355	Power Generating Equipment	5.00%	25,729	-	-	8,008	253,356	51,685	201,672
6	360	Collection Sewers - Force	2.00%	21,950	-	-	-	-	-	-
7	361	Collection Sewers - Gravity	2.00%	-	-	-	10,625	542,233	84,857	457,377
8	362	Special Collecting Structures	2.00%	-	-	-	171,547	8,577,352	1,195,317	7,382,035
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	3,247	32,468	31,255	1,213
12	366	Reuse Services	2.00%	-	-	-	1,668	16,683	13,678	3,005
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-
15	371	Pumping Equipment	3.33%	-	-	-	-	-	-	-
16	374	Reuse Distribution Reservoirs	12.50%	40,191	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	2.50%	-	-	-	-	-	-	-
19	381	Plant Sewers	5.00%	150,102	-	-	46,534	392,364	222,656	169,707
20	382	Outfall Sewer Lines	5.00%	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	3.33%	-	-	-	368,493	7,444,914	1,896,013	5,548,901
22	390	Office Furniture & Equipment	6.67%	63,900	-	-	780	15,599	1,454	14,145
23	390.1	Computers & Software	6.67%	(2,928)	-	-	-	-	-	-
24	391	Transportation Equipment	20.00%	7,679	-	-	3,164	78,749	(2,145)	80,894
25	392	Stores Equipment	20.00%	62,812	-	-	1,106	13,764	2,747	11,017
26	393	Tools, Shop & Garage Equipment	4.00%	-	-	-	3,390	17,530	3,732	13,798
27	394	Laboratory Equipment	5.00%	-	-	-	27,318	167,995	62,214	105,781
28	395	Power Operated Equipment	10.00%	-	-	-	-	-	-	-
29	396	Communications Equipment	5.00%	-	-	-	3,387	35,865	15,611	20,254
30	397	Miscellaneous Equipment	10.00%	-	-	-	322	6,449	1,423	5,026
31	398	Other Tangible Plant	10.00%	10,826	-	-	-	-	-	-
32			10.00%	-	-	-	15,094	122,278	11,550	110,727
33				-	-	-	23,883	238,828	35,824	203,004
34				-	-	-	-	-	-	-
35				-	-	-	-	-	-	-
36		TOTAL		581,761	74,676	-	688,567	18,578,158	3,627,870	14,950,288

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Plant		Adjusted		Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant	
				Additions	Adjustments	Additions	Retirements									
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	3,076	-	3,076	
4	354	Structures & Improvements	3.33%	719,461	-	719,461	-	-	-	-	-	-	1,338,115	-	1,338,115	
5	355	Power Generating Equipment	5.00%	131,745	-	131,745	-	-	-	-	-	10,630	385,101	62,315	322,786	
6	360	Collection Sewers - Force	2.00%	3,775	-	3,775	-	-	-	-	-	10,882	546,008	95,739	450,269	
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	-	171,547	8,577,352	1,366,864	7,210,488	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	1,213	32,468	32,468	-	
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	1,668	16,683	15,346	1,337	
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	
15	371	Pumping Equipment	12.50%	19,160	-	19,160	-	-	-	-	-	-	-	-	-	
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	
18	380	Treatment and Disposal Equipment	5.00%	126,907	-	126,907	-	-	25,114	25,114	-	50,243	411,524	272,899	138,624	
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	374,791	7,546,707	2,245,690	5,301,018	
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	-	-	-	780	-	15,599	2,234	13,365	
22	390	Office Furniture & Equipment	6.67%	330	-	330	-	-	763	763	-	5,227	77,987	2,320	75,667	
23	390.1	Computers & Software	20.00%	348	-	348	-	-	-	-	-	929	14,094	3,676	10,418	
24	391	Transportation Equipment	20.00%	53,818	-	53,818	-	-	4,024	4,024	-	3,138	13,853	2,846	11,007	
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	38,981	221,813	101,195	120,618	
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	-	23,664	-	-	-	-	-	-	-	-	-	
27	394	Laboratory Equipment	10.00%	(4,000)	-	(4,000)	-	-	-	-	-	592	23,664	592	23,072	
28	395	Power Operated Equipment	5.00%	166,875	-	166,875	-	-	16,993	16,993	-	2,537	14,872	1,155	13,718	
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	4,494	173,324	5,917	167,406	
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	12,228	122,278	23,778	98,500	
32				-	-	-	-	-	-	-	-	23,883	238,828	59,707	179,121	
33				-	-	-	-	-	-	-	-	-	-	-	-	
34				-	-	-	-	-	-	-	-	-	-	-	-	
35				-	-	-	-	-	-	-	-	-	-	-	-	
36				-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL				1,242,081	-	1,242,081	-	-	46,894	46,894	-	713,763	19,773,345	4,294,740	15,478,605	

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Reconciliation of Plant Additions, Retirements and Accumulated Depreci

Exhibit: RU-RB1
 Schedule B-2.1 - Rebuttal
 Page 8
 Jones
 Witness:

(816,940)

Line No.	NARUC Account No.	Description	Allowed		2011 Adjusted		Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
			Rate	Deprec.	Plant Additions	Plant Adjustments					
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	-	-	-	-	-	3,076	-	3,076
4	354	Structures & Improvements	3.33%	97,553	(22,232)	-	-	-	1,413,437	-	1,413,437
5	355	Power Generating Equipment	5.00%	2,163,098	-	71,559	-	47,676	2,477,482	51,270	2,426,212
6	360	Collection Sewers - Force	2.00%	68,993	-	-	-	1,725	68,993	1,725	67,268
7	361	Collection Sewers - Gravity	2.00%	2,610,983	-	-	-	43,994	3,505,174	154,135	3,351,040
8	362	Special Collecting Structures	2.00%	102,815	-	-	-	173,602	8,731,500	1,712,526	7,018,974
9	363	Services to Customers	2.00%	25,533	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	3,217	173,621	4,698	168,923
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	32,468	32,468	-
12	366	Reuse Services	2.00%	-	-	-	-	-	16,683	16,683	-
13	367	Reuse Meters and Meter Installations	8.33%	2,310	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	92,784	-	-	-	96	2,310	96	2,214
15	371	Pumping Equipment	12.50%	1,045,747	-	-	-	1,545	92,784	1,545	91,239
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	121,729	1,496,705	448,533	1,048,172
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	13,217,795	-	1,170,423	-	-	-	-	-
19	381	Plant Sewers	5.00%	712,563	-	-	-	679,689	19,617,466	2,132,384	17,485,082
20	382	Outfall Sewer Lines	3.33%	2,256	-	-	-	18,785	731,973	21,894	710,079
21	389	Other Plant and Misc. Equipment	6.67%	323,894	-	-	-	38	2,256	38	2,218
22	390	Office Furniture & Equipment	6.67%	36,464	-	-	-	15,487	394,141	15,012	379,129
23	390.1	Computers & Software	20.00%	(1,448)	-	-	-	15,764	254,572	27,184	227,388
24	391	Transportation Equipment	20.00%	35,456	-	5,049	-	2,921	11,356	3,709	7,647
25	392	Stores Equipment	4.00%	-	-	4,750	-	51,291	271,810	194,028	77,783
26	393	Tools, Shop & Garage Equipment	5.00%	1,787	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	5,844	-	-	-	1,309	27,069	3,124	23,945
28	395	Power Operated Equipment	5.00%	8,343	-	1,657	-	1,532	17,418	793	16,624
29	396	Communications Equipment	10.00%	13,966	-	-	-	8,875	181,667	23,458	158,208
30	397	Miscellaneous Equipment	10.00%	8,796	-	-	-	1,021	17,191	1,182	16,009
31	398	Other Tangible Plant	10.00%	-	-	-	-	13,195	136,351	49,465	86,886
32								23,883	238,828	107,473	131,355
33											
34											
35											
36		TOTAL		20,575,535	(22,232)	20,553,303	4,750	1,227,373	39,916,333	5,003,422	34,912,911

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Working Capital

Exhibit: RLJ-RB1
Schedule B-5 - Rebuttal
Page 1
Witness: Jones

<u>Line No.</u>		<u>Working Capital</u>
1		
2	Cash Working Capital	\$ (101,279)
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	18,440
6		
7	Working Funds and Special Deposits	1,548,498
8		
9	Prepayments	13,641
10		
11	Total Working Capital Allowance	<u>\$ 1,479,299</u>
12		
13	Working Capital Allowance - As Filed	1,653,928
14		
15	Working Capital Allowance - Rebuttal Adjustment	<u>\$ (174,629)</u>
16		
17		
18	<u>Supporting Schedules:</u>	
19	E-1	
20		

Recap Schedules:
B-1

Line No.		Test Year Adjusted Amount	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead / Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	Salaries and Wages	\$ 877,462	45.5768	12.0000	33.5768	0.0920	\$ 80,719
3	Group Insurance	27,421	45.5768	(2.3334)	47.9102	0.1313	\$ 3,599
4	Sludge Removal	55,247	45.5768	239.8508	(194.2740)	(0.5323)	\$ (29,406)
5	Purchased Power	342,364	45.5768	59.8966	(14.3198)	(0.0392)	\$ (13,432)
6	Chemicals	219,910	45.5768	63.9648	(18.3880)	(0.0504)	\$ (11,079)
7	Repairs and Maintenance	181,981	45.5768	66.6282	(21.0514)	(0.0577)	\$ (10,496)
8	Contractural Services	225,861	45.5768	67.2163	(21.6395)	(0.0593)	\$ (13,390)
9	Rent - Buildings	20,669	45.5768	(18.5294)	64.1062	0.1756	\$ 3,630
10	Rent - Equipment	45,758	45.5768	25.4922	20.0846	0.0550	\$ 2,518
11	Transportation Expense	129,723	45.5768	(11.7634)	57.3402	0.1571	\$ 20,379
12	Insurance	62,877	45.5768	20.6635	24.9133	0.0683	\$ 4,292
13	Depreciation & Amortization	-	45.5768	-	45.5768	0.1249	\$ -
14	Other Operating Expenses ^{1 3}	64,587	45.5768	30.0000	15.5768	0.0427	\$ 2,756
15	TAXES						
16	Taxes Other than Income	76,451	45.5768	15.9481	29.6287	0.0812	\$ 6,206
17	Property Taxes ²	144,253	45.5768	729.6032	(684.0264)	(1.8740)	\$ (270,337)
18	Income Tax ²	271,374	45.5768	37.8750	7.7018	0.0211	\$ 5,726
19	INTEREST						
20	Interest Expense	1,523,207	45.5768	17.5322	28.0446	0.0768	\$ 117,035
21							
22							
23	WORKING CASH REQUIREMENT						<u>\$ (101,279)</u>
24							

¹All other Operating Expenses are assumed to be paid by the 30th of the month following the receipt of goods and services.

²At proposed rates.

³Bad Debt at proposed rates.

Workpapers:

29 FW Lead Lag Study - Rebuttal.xlsx

30

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Adjusted Test Year Income Statement

Exhibit: RLJ-RB1
 Schedule C-1 - Rebuttal
 Page 1
 Witness: Jones

Line No.		Actual for Test Year Ended <u>12/31/2011</u>	Total Pro forma <u>Adjustments</u>	Test Year Results After Pro forma <u>Adjustments</u>	Proposed Rate <u>Increase</u>	Adjusted With Rate <u>Increase</u>
1	Revenues					
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ (3,612)	\$ -		\$ -
3	521 Flat Rate Revenue	2,061,278	(8,119)	2,053,159	3,514,335	5,567,494
4	536 Other Sewer Revenues	43,064	-	43,064		43,064
5	541 Metered Reuse Revenue	131,759	-	131,759	-	131,759
6	Total Revenues	\$ 2,239,713	\$ (11,731)	\$ 2,227,982	\$ 3,514,335	\$ 5,742,317
7	Operating Expenses					
8	701 Salaries and Wages	\$ 683,996	\$ 116,713	\$ 800,709		\$ 800,709
9	703 Salaries and Wages - Officers and Directors	137,000	(60,247)	76,753		76,753
10	704 Employee Pension and Benefits	27,421	-	27,421		27,421
11	710 Purchased Sewer Treatment	-	-	-		-
12	711 Sludge Removal Expense	55,247	-	55,247		55,247
13	715 Purchased Power	288,248	54,116	342,364		342,364
14	718 Chemicals	219,910	-	219,910		219,910
15	720 Repairs and Maintenance	181,981	-	181,981		181,981
16	731 Contractual Services - Engineering	-	-	-		-
17	732 Contractual Services - Accounting	7,230	-	7,230		7,230
18	733 Contractual Services - Legal	43,865	(32,975)	10,890		10,890
19	734 Contractual Services - Management Fees	-	-	-		-
20	735 Contractual Services - Testing	147,025	-	147,025		147,025
21	736 Contractual Services - Other	60,716	-	60,716		60,716
22	741 Rent - Buildings	20,669	-	20,669		20,669
23	742 Rent - Equipment	45,758	-	45,758		45,758
24	750 Transportation Expense	129,723	-	129,723		129,723
25	756 Insurance - Vehicle	12,610	-	12,610		12,610
26	757 Insurance - General Liability	33,142	-	33,142		33,142
27	758 Insurance - Workman's Compensation	17,125	-	17,125		17,125
28	759 Insurance - Other	-	-	-		-
29	760 Advertising Expense	476	-	476		476
30	766 Regulatory Commission Expense - Rate Case	-	75,000	75,000		75,000
31	767 Regulatory Expense - Other	-	-	-		-
32	770 Bad Debt Expense	33,490	(20,450)	13,040	20,568	33,608
33	775 Miscellaneous Expense	30,503	-	30,503		30,503
34	403 Depreciation Expense	1,165,350	214,282	1,379,632		1,379,632
35	408 Taxes Other Than Income	74,250	2,201	76,451		76,451
36	408.11 Property Taxes	122,350	(26,622)	95,728	48,525	144,253
37	409 Income Tax	(492,891)	(565,559)	(1,058,450)	1,329,825	271,374
38	Total Operating Expenses	\$ 3,045,196	\$ (243,542)	\$ 2,801,653	\$ 1,398,918	\$ 4,200,572
39	Operating Income	\$ (805,483)	\$ 231,811	\$ (573,672)	\$ 2,115,417	\$ 1,541,745
40	Other Income (Expense)					
41	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ -	\$ 449,875		\$ 449,875
42	415 Revenue from Jobbing, Contract Work	26,176	-	26,176		26,176
43	416 Expenses from Jobbing, Contract Work	(26,176)	-	(26,176)		(26,176)
44	419 Interest and Dividend Income	246	-	246		246
45	420 AFUDC	748,855	-	748,855		748,855
46	421 Non-Utility Income	-	-	-		-
47	426 Miscellaneous Non-Utility Expenses	(33,219)	-	(33,219)		(33,219)
48	427 Interest Expense	(1,523,207)	413,151	(1,110,056)		(1,110,056)
49	428 Amortization of Debt Discount and Expense	(49,593)	-	(49,593)		(49,593)
50	429 Amortization of Premium on Debt	3,285	-	3,285		3,285
51	434 Extraordinary Deductions	(328,956)	-	(328,956)		(328,956)
52	Total Other Income (Expense)	\$ (732,714)	\$ 413,151	\$ (319,563)	\$ -	\$ (319,563)
53	Net Income (Loss)	\$ (1,538,197)	\$ 644,962	\$ (893,235)	\$ 2,115,417	\$ 1,222,182

Supporting Schedules:

E-2 C-2

Recap Schedules:

A-1

Line No.	Revenues	As Filed				Updated Adjustments				Total Adjustments	Test Year Adjusted Results
		ADJ IS-13 Rate Case	ADJ IS-14 Sync. Int.	ADJ IS-15 Depreciation	ADJ IS-16 Prop. Tax	ADJ IS-17 Income Tax					
1	413										
2	Flat Rate Revenue										
3	521										
4	536										
5	541										
6	Total Revenues										
7	Operating Expenses										
8	701										
9	703										
10	704										
11	710										
12	711										
13	715										
14	718										
15	720										
16	731										
17	732										
18	733										
19	734										
20	735										
21	736										
22	741										
23	742										
24	750										
25	756										
26	757										
27	758										
28	759										
29	760										
30	766										
31	767										
32	770										
33	775										
34	403										
35	408										
36	408.11										
37	409										
38	Total Operating Expenses										
39	Operating Income										
40	Other Income (Expense)										
41	409.20										
42	415										
43	416										
44	419										
45	420										
46	421										
47	426										
48	427										
49	428										
50	429										
51	434										
52	Total Other Income (Expense)										
53	Net Income (Loss)										
54											

Recap Schedules:
 C-1

Line
No.

1	<u>Adjust Revenue to Eliminate Income From Leased Utility Plant</u>	
2		
3	Revenues received from leased utility plant should be removed from revenue in order	
4	to match revenues to rate base, which excludes leased utility plant.	
5		
6		
7	Book revenue from Leased Utility Plant	\$ 3,612
8		
9	Increase/(Decrease) in Revenue	<u>\$ (3,612)</u>
10		
11		
12		
13		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-2

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 4
Witness: Jones

Line

No.

1 Adjust Revenue to eliminate unbilled revenue

2

3 Revenue is accrued at year-end to account for unbilled revenue based on an estimate
4 of the usage that has occurred since the December meter reading. The following year the
5 unbilled revenue entry is reversed. The net of these entries should be eliminated.

6

7 Flat Rate Revenue

8 Reversal of 2010 Unbilled Revenue (Residential) \$ (115,489)

9 Reversal of 2010 Unbilled Revenue (Commercial) (1,321)

10 Reversal of 2010 Unbilled Revenue (RV Parks) (2,493)

11 Booked 2011 Unbilled Revenue (Residential) 122,111

12 Booked 2011 Unbilled Revenue (Commercial) 1,432

13 Booked 2011 Unbilled Revenue (RV Parks) 3,879

14 Net Unbooked Revenue \$ 8,119

15

16 Increase/(Decrease) in Revenues \$ (8,119)

17

18

19

20

21

22 Workpaper

23 FW Rate Case Data.xlsx - Trial Bal Adj

24

Line

No.

1 Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities

2

3 The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,
 4 the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded
 5 Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs
 which is known and measureable and should be included in the Company's expenses.

6

7 Del Oro WWTP

8 Test Year Purchased Power \$ 69,246

9 Purchased Power for 5-month period 12/30/2011 - 6/4/2012 36,235

10 Annualized Cost of Purchased Power divide by (5/12) 86,965

11

12 Increase/(Decrease) in Purchased Power \$ 17,719

13

14 Section 14 & Palm Shadows

15 Test Year Purchased Power \$ 102,835

16 Purchased Power for 5-month period 12/30/2011 - 6/4/2012 58,013

17 Annualized Cost of Purchased Power divide by (5/12) 139,232

18

19 Increase/(Decrease) in Purchased Power \$ 36,397

20

21 Total Increase/(Decrease) in Purchased Power \$ 54,116

22

26

27 Workpaper

28 FW Rate Case Data.xlsx - Power

29

Line			
<u>No.</u>			
1	<u>Annualize Salaries and Wages</u>		
2			
3	Salaries and wages are annualized based on current staffing levels, current salary levels and estimated 2012 hours.		
4			
5	<u>Officers and Directors</u>		
6	Test Year Salaries and Wages	\$ 137,000	
7	Annualized Salaries and Wages	137,000	
8			
9	Increase (Decrease) in Salaries and Wages	<u>\$ (0)</u>	
10			
11	<u>Employee Salaries and Wages</u>		
12	Test Year Salaries and Wages	\$ 683,996	
13	Annualized Salaries and Wages	802,071	
14			
15	Increase (Decrease) in Salaries and Wages	<u>\$ 118,075</u>	
16			
19	<u>Taxes Other Than Income</u>		
20	Test Year Payroll Taxes	\$ 74,250	
21	Annualized Payroll Taxes	76,451	
22			
23	Increase (Decrease) in Payroll Taxes	<u>\$ 2,201</u>	
24			
25	Total Increase (Decrease)	<u>\$ 120,275</u>	
26			
27	<u>Workpaper</u>		
28	FW Rate Case Data.xlsx - Payroll		
29			

Adjust Rate Case Expense

Line			
<u>No.</u>			
1	Estimated Rate Case Expense	\$	225,000
2			
3	Amortization Period (Years)		3
4			
5	Annualized Rate Case Expense	\$	75,000
6			
7	Test Year Rate Case Expense		-
8			
9	Increase / (Decrease) in Rate Case Expense		75,000
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Synchronize Interest Expense with Rate Base

Line			
<u>No.</u>			
1	Adjusted Rate Base	\$ 20,556,601	Sch. B-1
2			
3	Weighted Cost of Long-Term Debt	5.000%	Sch. D-1
4	Weighted Cost of Short-Term Debt	0.400%	Sch. D-1
5			
6	Synchronized Long-Term Interest	\$ 1,027,830	
7	Synchronized Short-Term Interest	<u>82,226</u>	
8	Synchronized Interest Expense	1,110,056	
9			
10	Test Year Interest Expense	1,523,207	
11			
12	Increase / (Decrease) In Interest Expense	(413,151)	
13			
14			
15			
16			
17			

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line	Acct	Description	As Filed Adjusted Test Year Balance 12/31/2011	Rebuttal Adjustments	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1							
2	351	Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	352	Franchise Cost	3,076	-	3,076	0.00%	-
4	353	Land and Land Rights	1,413,437	-	1,413,437	0.00%	-
5	354	Structures & Improvements	2,477,482	(247,436)	2,230,046	3.33%	74,261
6	355	Power Generating Equipment	68,993	(5,197)	63,796	5.00%	3,190
7	360	Collection Sewers - Force	3,504,328	(239,078)	3,265,250	2.00%	65,305
8	361	Collection Sewers - Gravity	8,727,577	(622,519)	8,105,058	2.00%	162,101
9	362	Special Collecting Structures	-	-	-	2.00%	-
10	363	Sevices to Customers	173,621	-	173,621	2.00%	3,472
11	364	Flow Measuring Devices	32,468	-	32,468	10.00%	3,247
12	365	Flow Measuring Installations	16,683	-	16,683	10.00%	1,668
13	366	Reuse Services	-	-	-	2.00%	-
14	367	Reuse Meters and Meter Installations	2,310	(168)	2,142	8.33%	178
15	370	Receiving Wells	74,227	(10,154)	64,073	3.33%	2,134
16	371	Pumping Equipment	1,395,638	(85,993)	1,309,645	12.50%	163,706
17	374	Reuse Distribution Reserviors	-	-	-	2.50%	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-	2.50%	-
19	380	Treatment and Disposal Equipment	17,685,412	(1,485,333)	16,200,079	5.00%	810,004
20	381	Plant Sewers	623,671	(80,467)	543,204	5.00%	27,160
21	382	Outfall Sewer Lines	1,805	(247)	1,558	3.33%	52
22	389	Other Plant and Misc. Equipment	394,141	(35,447)	358,694	6.67%	23,925
23	390	Office Furniture & Equipment	254,572	(620)	253,952	6.67%	16,939
24	390	Computers & Software	11,356	-	11,356	20.00%	2,271
25	391	Transportation Equipment	271,810	-	271,810	20.00%	54,362
26	392	Stores Equipment	-	-	-	4.00%	-
27	393	Tools, Shop & Garage Equipment	27,069	-	27,069	5.00%	1,353
28	394	Laboratory Equipment	17,418	-	17,418	10.00%	1,742
29	395	Power Operated Equipment	181,667	-	181,667	5.00%	9,083
30	396	Communications Equipment	17,191	(240)	16,951	10.00%	1,695
31	397	Miscellaneous Equipment	136,351	-	136,351	10.00%	13,635
32	398	Other Tangible Plant	238,828	-	238,828	10.00%	23,883
33							
34							
35		TOTALS	\$ 37,751,132	\$ (2,812,899)	\$ 34,938,233		\$ 1,465,366
36							
37		Less: Amortization of CIAC	\$ 1,726,854		1,726,854	4.9648%	\$ 85,734
38							
39		Adjusted Test Year Depreciation Expense					\$ 1,379,632
40							
41		Test Year Depreciation Expense					\$ 1,165,350
42							
43		Increase / (Decrease) in Depreciation Expense					\$ 214,282
44							

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company As Adjusted	Company Proposed
1	Adjusted Test Year Revenue	\$ 2,227,982	\$ 2,227,982
2	Adjusted Test Year Revenue	2,227,982	2,227,982
3	Adjusted Test Year Revenue	2,227,982	
4	Proposed Revenues after Increase		5,742,317
5	Average of three year's of revenue	2,227,982	3,399,427
6	Average of three year's of revenue, times 2	4,455,963	6,798,853
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,621,916	6,964,806
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	924,383	1,392,961
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	\$ 95,728	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	\$ (26,622)	
20			
21	Property Tax a Proposed Rates		\$ 144,253
22	Adjusted Test Year Property Tax		95,728
23	Increase in Property Tax due to Rate Increase		\$ 48,525
24			
25	Increase to Property Tax Expense		\$ 48,525
26	Increase in Revenue Requirement		\$ 3,514,335
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Adjusted Test Year	Proposed with Increase
1			
2	<u>Calculation of Income Tax:</u>		
3	Revenue	\$ 2,227,982	\$ 5,742,317
4	Less: Operating Expenses (Excluding Income Taxes)	3,860,104	3,929,197
5	Less: Synchronized Interest	<u>1,110,056</u>	<u>1,110,056</u>
6	Arizona Taxable Income	\$ (2,742,178)	\$ 703,063
7	Arizona State Income Tax Rate	<u>6.9680%</u>	<u>6.9680%</u>
8	Arizona Income Tax	\$ (191,075)	\$ 48,989
9	Federal Taxable Income	\$ (2,551,103)	\$ 654,074
10			
11	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (7,500)	\$ 7,500
12	Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%	(6,250)	6,250
13	Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%	(8,500)	8,500
14	Federal Tax on Fourth Income Bracket (\$100,001 - 335,000) @ 39%	(91,650)	91,650
15	Federal Tax on Fifth Income Bracket (\$335,001 - 10,000,000) @ 34%	<u>(753,475)</u>	<u>108,485</u>
16	Total Federal Income Tax	<u>\$ (867,375)</u>	<u>\$ 222,385</u>
17			
18	Combined Federal and State Income Tax	<u>\$ (1,058,450)</u>	<u>\$ 271,374</u>
19			
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		34.0000%
22			
23	<u>Calculation of Interest Synchronization</u>		
24	Rate Base	\$ 20,556,601	
25	Weighted Average Cost of Debt	<u>5.400%</u>	
26	Synchronized Interest	\$ 1,110,056	
27			
28	<u>Income Tax Adjustments</u>		
29	Test Year Income Taxes - Booked	\$ (492,891)	
30	Increase / (decrease) in Income Taxes (L24 - L35)	<u>(565,559)</u>	
31			
32	Test Year Income Taxes - Adjusted		\$ (1,058,450)
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)		<u>1,329,825</u>
34			
35			

Line			
<u>No.</u>	<u>Calculation of Gross Revenue Conversion Factor</u>		
1	Revenue		100.0000%
2	Uncollectable Factor (Line 11)		0.3594%
3	Revenue (L1 - L2)		99.6406%
4	Combined Income Tax and Property Tax Rate (Line 23)		39.4467%
5	Operating Income Percentage (L3 -L4)		60.1939%
6	Gross Revenue Conversion Factor (L1 / L5)		<u>1.661297</u>
	<u>Calculation of Uncollectable Factor</u>		
7	Unity		100.0000%
8	Combined Federal and State Tax Rate (Line 17)		38.5989%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)		61.4011%
10	Uncollectable Rate (Line 26)		0.5853%
11	Uncollectable Factor (L9 * L10)		0.3594%
	<u>Calculation of Effective Tax Rate</u>		
12	Operating Income Before Taxes		100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)		6.9680%
14	Federal Taxable Income (L12 - L13)		93.0320%
15	Applicable Federal Tax Rate (from Schedule C-2)		34.0000%
16	Effective Federal Tax Rate (L14 * L15)		31.6309%
17	Combined Federal and State Tax Rate (L13 + L16)		<u>38.5989%</u>
	<u>Calculation of Effective Property Tax Rate</u>		
18	Unity		100.0000%
19	Combined Federal and State Tax Rate (Line 17)		38.5989%
20	One Minus Combined Income Tax Rate (L18 - L19)		61.4011%
21	Property Tax Factor (from Schedule C-2)		1.3808%
22	Effective Property Tax Factor (L20 * L21)		<u>0.8478%</u>
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)		<u>39.4467%</u>
	<u>Calculation of Uncollectable Rate</u>		
24	Bad Debt Expense (from Schedule C-1)	\$ 13,040	
25	Total Revenues (from Schedule C-1)	<u>2,227,982</u>	
26	Uncollectable Rate (L24 / L25)		0.5853%
27	Revenue Increase (from Schedule C-1)	\$ 3,514,335	
28	Uncollectable Rate (Line 26)	<u>0.5853%</u>	
29	Bad Debt Expense due to Increase	\$ 20,568	
30	<u>Supporting Schedules:</u>		<u>Recap Schedules:</u>
31			A-1

Line No.	Invested Capital	End of Test Year (Adjusted)			End of Projected Year (Current Rates)			End of Projected Year (Proposed Rates)			
		Amount	Percent of Total	Weighted Cost Rate ¹	Amount	Percent of Total	Weighted Cost Rate	Amount	Percent of Total	Weighted Cost Rate	
1											
2	Long-Term Debt	\$ 25,977,448	74.23%	6.7%	\$ 25,597,448	78.96%	6.7%	\$ 25,597,448	74.12%	6.7%	
3				5.0%			5.3%			5.0%	
4	Short-Term Debt	1,732,342	4.95%	8.1%	1,145,715	3.53%	10.0%	1,145,715	3.32%	10.0%	
5				0.4%			0.4%			0.3%	
6	Adjusted Common Equity	\$ 7,285,912	20.82%	10.0%	\$ 5,676,399	17.51%	10.0%	\$ 7,791,816	22.56%	10.0%	
7				2.1%			1.8%			2.3%	
8	Totals	<u>\$ 34,995,702</u>	<u>100.00%</u>		<u>\$ 32,419,562</u>	<u>100.00%</u>		<u>\$ 34,534,979</u>	<u>100.00%</u>	<u>7.6%</u>	
9				<u>7.5%</u>			<u>7.5%</u>				
10	¹ Cost of Long-Term Debt Per Projected Year (10% cost of debt for Zenon Loan)										
11											
12	Equity Adjustments										
13	Common Equity per Sch. E-1	\$ 7,565,963		(Consolidated Basis)							
14											
15	P/S Equity Adjustments	\$ (1,064,330)									
16	A/D Equity Adjustments	464,468									
17	AIAC Equity Adjustment	-									
18	CIAC Equity Adjustment	713,313									
19	AA CIAC Equity Adjustment	(393,502)									
20											
21	Adjusted Common Equity	<u>\$ 7,285,912</u>									
22											

Supporting Schedules:
 D-2 D-3
 D-4 E-1
 Recap Schedules:
 A-3

Line No.	End of Test Year			End of Projected Year			
	Amount Outstanding	Annual Interest	Interest Rate	Amount Outstanding	Annual Interest	Interest Rate	
4	<u>Long-Term Debt</u>						
5	IDA Series 2007A - Term 1	\$ 2,695,000	\$ 175,175	6.500%	\$ 2,315,000	\$ 175,175	6.500%
6	IDA Series 2007A - Term 2	21,340,000	\$ 1,360,425	6.375%	21,340,000	1,360,425	6.375%
7	Zenon / Liberation Capital	1,942,448	\$ 201,705	12.000%	-	\$ 57,626	12.000%
8	Harry Elliott Trust				1,942,448	\$ 145,684	10.000%
9							
10	Total Long-Term Debt	<u>\$ 25,977,448</u>	<u>\$ 1,737,305</u>	<u>6.8%</u>	<u>\$ 25,597,448</u>	<u>\$ 1,738,910</u>	<u>6.7%</u>
11							
12							
13	<u>Short-Term Debt</u>						
14	Hardknocks Ltd	\$ 75,000	-	0.00%	\$ -		
15	Scott Spencer	175,000	28,640	12.00%	-		
16	Harry Elliott	301,248	-	0.00%	-		
17	Gallager & Kennedy	36,837	-	12.00%	1,458	2,121	12.00%
18	Schechert Trust	1,144,257	147,269	10.00%	1,144,257	114,426	10.00%
19							
20	Total Short-Term Debt	<u>\$ 1,732,342</u>	<u>\$ 175,909</u>	<u>8.1%</u>	<u>\$ 1,145,715</u>	<u>\$ 116,547</u>	<u>10.0%</u>
21							
22							
23	Total All Debt	<u>\$ 27,709,790</u>	<u>\$ 1,913,214</u>	<u>6.9%</u>	<u>\$ 26,743,163</u>	<u>\$ 1,855,457</u>	<u>6.8%</u>
24							
25							
26	<u>IDA Debt Detail by Service</u>						
27		<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
28	Series 2007A - Term 1	\$ 2,173,211	\$ 521,789	\$ 2,695,000	\$ 1,866,784	\$ 448,216	\$ 2,315,000
29	Series 2007A - Term 2	17,208,285	4,131,715	21,340,000	17,208,285	4,131,715	21,340,000
30	Total IDA Debt 12/31/11	<u>\$ 19,381,496</u>	<u>\$ 4,653,504</u>	<u>\$ 24,035,000</u>	<u>\$ 19,075,069</u>	<u>\$ 4,579,931</u>	<u>\$ 23,655,000</u>
31							
32	<u>Workpapers:</u>						
33	FW IDA Bond Amortization.xlsx						
34							
35	<u>Supporting Schedules:</u>						
36	E-1						
37							

Recap Schedules:
 D-1

Line
No.

- 1
- 2 Not Applicable - No preferred stock issued or outstanding
- 3
- 4 Supporting Schedules:
- 5
- 6

Recap Schedules:
D-1

Line
No.

- 1
- 2 Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony
- 3
- 4 Supporting Schedules:
- 5
- 6

Recap Schedules:
D-1

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS			
2	PROPERTY PLANT AND EQUIPMENT			
3	101 Utility Plant In Service	\$ 42,605,611	\$ 22,034,826	\$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	Net Plant	\$ 38,379,295	\$ 37,566,992	\$ 35,322,026
10				
11	CURRENT ASSETS			
12	131 Cash and Equivalents	\$ 1,794	\$ (50,289)	\$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receivable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	Total Current Assets	\$ 2,391,631	\$ 2,144,444	\$ 2,223,444
22				
23	DEFERRED DEBITS			
24	181 Unamortized Debt Discount and Expense	\$ 836,551	\$ 868,726	\$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	Total Deferred Debits	\$ 3,278,252	\$ 2,385,079	\$ 1,940,092
28				
29	TOTAL ASSETS	\$ 44,049,178	\$ 42,096,515	\$ 39,485,562
30	LIABILITIES AND STOCKHOLDERS' EQUITY			
31	CAPITAL ACCOUNTS			
32	201 Common Stock Issued	\$ -	\$ -	\$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	Total Capital	\$ 6,136,135	\$ 4,641,091	\$ 2,252,564
37				
38	LONG-TERM DEBT			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	Total long-Term Debt	\$ 21,323,943	\$ 21,914,277	\$ 19,941,944
43				
44	CURRENT LIABILITIES			
45	231 Accounts Payable	\$ 1,004,027	\$ 1,698,596	\$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	Total Current Liabilities	\$ 3,358,071	\$ 2,081,555	\$ 4,138,192
54				
55	DEFERRED CREDITS			
56	251 Unamortized Premium on Debt	\$ 85,413	\$ 88,698	\$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	\$ 1,193,404	\$ 1,246,165	\$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	Total Deferred Credits	\$ 13,231,029	\$ 13,459,591	\$ 13,152,862
63				
64	Total Liabilities & Common Equity	\$ 44,049,178	\$ 42,096,515	\$ 39,485,562

Line No.	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS		
2	PROPERTY PLANT AND EQUIPMENT		
3	\$ 31,480,517	\$ 31,010,947	\$ 29,941,953
4	102 Utility Plant Leased to Others 217,503	217,503	217,503
5	103 Property Held for Future Use -	-	-
6	105 Construction Work in Progress 1,147,584	1,248,691	1,636,400
7	108 Less: Accumulated Depreciation (13,749,565)	(12,765,995)	(11,772,704)
8	108.2 Less: Accumulated Depreciation - Leased Plant (10,740)	(3,580)	-
9	Net Plant		
	<u>\$ 19,085,298</u>	<u>\$ 19,707,566</u>	<u>\$ 20,023,152</u>
10			
11	CURRENT ASSETS		
12	\$ 5,841	\$ (88,844)	\$ 55,040
13	131 Cash and Equivalents 371,762	339,839	370,674
14	141 Customer Accounts Receivable 630,894	625,173	631,736
15	142 Other Accounts Receivable -	500	1,050
16	143 Accumulated Provision for Uncollectable Accounts (57,973)	-	-
17	146 Notes/Receivables from Associated Companies 126,336	197,642	149,446
18	151 Plant Materials and Supplies 79,130	78,292	74,719
19	162 Prepayments 56,890	55,618	53,555
21	174 Miscellaneous Current and Accrued Assets -	-	-
22	Total Current Assets		
	<u>\$ 1,212,879</u>	<u>\$ 1,208,220</u>	<u>\$ 1,336,220</u>
23			
24	DEFERRED DEBITS		
25	\$ 184,025	\$ 191,102	\$ 198,180
26	181 Unamortized Debt Discount and Expense 61,722	64,096	66,470
27	186 Deferred Debits (1,216,910)	(617,281)	-
28	190 Accumulated Deferred Income Tax		
	<u>\$ (971,164)</u>	<u>\$ (362,083)</u>	<u>\$ 264,650</u>
29			
30	TOTAL ASSETS		
	<u>\$ 19,327,013</u>	<u>\$ 20,553,704</u>	<u>\$ 21,624,022</u>
31			
32	LIABILITIES AND STOCKHOLDERS' EQUITY		
33	CAPITAL ACCOUNTS		
34	\$ 900,000	\$ 900,000	\$ 900,000
35	201 Common Stock Issued 7,087,369	7,087,369	7,087,369
36	211 Paid in Capital (17,889,015)	(14,855,775)	(11,637,268)
37	211.1 Capital from Water Division 11,331,474	10,353,132	9,345,989
38	215 Retained Earnings		
	<u>\$ 1,429,828</u>	<u>\$ 3,484,726</u>	<u>\$ 5,696,089</u>
39			
40	LONG-TERM DEBT		
41	4,653,504	4,723,200	4,788,056
42	221 Bonds -	-	-
43	223 Advances from Associated Companies 765,987	453,351	-
44	224 Other Long-Term Debt		
	<u>\$ 5,419,492</u>	<u>\$ 5,176,552</u>	<u>\$ 4,788,056</u>
45			
46	CURRENT LIABILITIES		
47	\$ 558,626	\$ 603,234	\$ 881,372
48	231 Accounts Payable 36,837	-	-
49	232 Notes Payable 79,713	40,938	10,038
50	233 Accounts Payable to Associated Companies 22,000	-	-
51	234 Payable to Associated Companies 48,500	69,777	55,270
52	235 Customer Deposits -	-	-
53	236 Accrued Taxes 237,116	133,473	63,626
54	237 Accrued Interest 1,218,378	825,785	532,252
54	241 Miscellaneous Current Liabilities		
	<u>\$ 2,201,170</u>	<u>\$ 1,673,207</u>	<u>\$ 1,542,558</u>
55	Total Current Liabilities		
56			
57	DEFERRED CREDITS		
58	\$ 20,611	\$ 21,404	\$ 22,196
59	251 Unamortized Premium on Debt 5,200,253	5,973,861	5,419,197
60	252 Advances in Aid of Construction 12,500	37,500	75,000
61	253 Other Deferred Credits 7,284,567	6,285,022	6,064,711
62	271 Contributions in Aid of Construction (2,241,407)	(2,098,567)	(1,983,787)
63	272 Accumulated Amortization CIAC -	-	-
64	281 Accumulated Deferred Income Tax		
	<u>\$ 10,276,524</u>	<u>\$ 10,219,219</u>	<u>\$ 9,597,318</u>
65	Total Deferred Credits		
66	<u>\$ 19,327,013</u>	<u>\$ 20,553,704</u>	<u>\$ 21,624,022</u>
67	Total Liabilities & Common Equity		

Line No.	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS		
2	PROPERTY PLANT AND EQUIPMENT		
3	\$ 74,086,128	\$ 53,045,773	\$ 51,123,605
4	101 Utility Plant In Service	435,005	435,005
5	102 Utility Plant Leased to Others	-	-
6	103 Property Held for Future Use	3,584,935	22,152,620
7	105 Construction Work in Progress	(20,619,994)	(18,351,681)
8	108 Less: Accumulated Depreciation	(21,480)	(7,160)
9	108.2 Less: Accumulated Depreciation - Leased Plant		
10	Net Plant	\$ 57,464,593	\$ 55,345,178
11	CURRENT ASSETS		
12	\$ 7,634	\$ (139,132)	\$ 54,831
13	131 Cash and Equivalents	1,920,260	1,914,636
14	132 Special Deposits	1,067,682	956,101
15	141 Customer Accounts Receivable	4,000	5,050
16	142 Other Accounts Receivable	(91,462)	-
17	143 Accumulated Provision for Uncollectable Accounts	528,296	569,156
18	146 Notes/Receivables from Associated Companies	97,570	96,172
19	151 Plant Materials and Supplies	70,531	65,811
20	162 Prepayments	-	10,638
21	174 Miscellaneous Current and Accrued Assets		
22	Total Current Assets	\$ 3,604,510	\$ 3,559,663
23	DEFERRED DEBITS		
24	\$ 1,020,575	\$ 1,059,829	\$ 1,099,082
25	181 Unamortized Debt Discount and Expense	695,960	749,661
26	186 Deferred Debits	590,552	247,416
27	190 Accumulated Deferred Income Tax		356,000
28	Total Deferred Debits	\$ 2,307,088	\$ 2,204,742
29	TOTAL ASSETS		
30	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
31	LIABILITIES AND STOCKHOLDERS' EQUITY		
32	CAPITAL ACCOUNTS		
33	\$ 900,000	\$ 900,000	\$ 900,000
34	201 Common Stock Issued	9,430,633	9,430,633
35	211 Paid in Capital	(2,764,670)	(2,381,979)
36	215 Retained Earnings		
37	Total Capital	\$ 7,565,963	\$ 7,948,653
38	LONG-TERM DEBT		
39	24,035,000	24,395,000	24,730,000
40	221 Bonds	-	-
41	223 Advances from Associated Companies	2,708,435	2,695,829
42	224 Other Long-Term Debt		
43	Total long-Term Debt	\$ 26,743,435	\$ 24,730,000
44	CURRENT LIABILITIES		
45	\$ 1,562,653	\$ 2,301,830	\$ 4,704,564
46	231 Accounts Payable	624,923	-
47	232 Notes Payable	88,741	(4,504)
48	233 Accounts Payable to Associated Companies	1,166,257	-
49	234 Payable to Associated Companies	74,859	81,864
50	235 Customer Deposits	-	79,065
51	236 Accrued Taxes	415,563	274,631
52	237 Accrued Interest	1,626,246	1,100,940
53	241 Miscellaneous Current Liabilities		712,706
54	Total Current Liabilities	\$ 5,559,241	\$ 5,680,751
55	DEFERRED CREDITS		
56	\$ 106,024	\$ 110,102	\$ 114,180
57	251 Unamortized Premium on Debt	16,015,223	16,843,633
58	252 Advances in Aid of Construction	1,205,904	1,283,665
59	253 Other Deferred Credits	9,724,735	8,725,189
60	271 Contributions in Aid of Construction	(3,544,332)	(3,283,779)
61	272 Accumulated Amortization CIAC	-	-
62	281 Accumulated Deferred Income Tax		
63	Total Deferred Credits	\$ 23,507,553	\$ 22,750,179
64	Total Liabilities & Common Equity		
65	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
66			

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	521 Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536 Other Sewer Revenues	43,064	67,480	180,670
5	541 Metered Reuse Revenue	131,759	103,241	104,537
6	Total Revenues	<u>\$ 2,239,713</u>	<u>\$ 2,209,632</u>	<u>\$ 2,132,099</u>
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 472,735	\$ 404,740
9	703 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704 Employee Pension and Benefits	27,421	31,352	33,334
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	83,830	102,450
13	715 Purchased Power	288,248	251,261	257,010
14	718 Chemicals	219,910	215,788	199,086
15	720 Repairs and Maintenance	181,981	100,337	122,341
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	105,840	289
18	733 Contractual Services - Legal	43,865	60,038	342,907
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	109,806	104,008
21	736 Contractual Services - Other	60,716	39,114	12,160
22	741 Rent - Buildings	20,669	20,311	19,292
23	742 Rent - Equipment	45,758	195,574	96,621
24	750 Transportation Expense	129,723	77,407	60,404
25	756 Insurance - Vehicle	12,610	10,767	9,155
26	757 Insurance - General Liability	33,142	39,173	24,445
27	758 Insurance - Workman's Compensation	17,125	13,722	13,726
28	759 Insurance - Other	-	-	9,000
29	760 Advertising Expense	476	284	25
30	766 Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	-	5,630
34	775 Miscellaneous Expense	30,503	16,741	18,181
35	403 Depreciation Expense	1,165,350	655,457	625,330
36	408 Taxes Other Than Income	74,250	65,731	49,975
37	408.11 Property Taxes	122,350	92,177	79,555
38	409 Income Tax	(492,891)	-	-
39	Total Operating Expenses	<u>\$ 3,045,196</u>	<u>\$ 2,782,352</u>	<u>\$ 2,786,863</u>
40	Operating Income	<u>\$ (805,483)</u>	<u>\$ (572,720)</u>	<u>\$ (654,764)</u>
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ 508,697	\$ 41,000
43	415 Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419 Interest and Dividend Income	246	393	2,201
46	420 AFUDC	748,855	933,278	858,409
47	421 Non-Utility Income	-	29,911	551
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427 Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	Total Other Income (Expense)	<u>\$ (732,714)</u>	<u>\$ (257,259)</u>	<u>\$ (1,055,279)</u>
54	Net Income (Loss)	<u>\$ (1,538,197)</u>	<u>\$ (829,979)</u>	<u>\$ (1,710,043)</u>

Supporting Schedules:

Recap Schedules:

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
<u>1</u>	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	461 Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471 Miscellaneous Service Revenues	180,755	136,947	139,318
5	474 Other Water Revenues	18,390	3,827	227
6	Total Revenues	<u>\$ 5,736,321</u>	<u>\$ 5,645,361</u>	<u>\$ 5,688,822</u>
7	Operating Expenses			
8	601 Salaries and Wages	\$ 779,073	\$ 744,001	\$ 695,855
9	603 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604 Employee Pension and Benefits	38,354	44,248	32,816
11	610 Purchased Water	504,953	530,880	672,225
12	615 Purchased Power	417,557	373,540	435,827
13	618 Chemicals	171,859	154,481	146,810
14	620 Repairs and Maintenance	151,953	110,175	172,796
15	621 Office Supplies Expense	-	-	-
16	631 Contractual Services - Engineering	-	-	-
17	632 Contractual Services - Accounting	11,884	29,011	578
18	633 Contractual Services - Legal	3,330	8,012	185
19	634 Contractual Services - Management Fees	-	-	-
20	635 Contractual Services - Testing	27,822	30,516	54,394
21	636 Contractual Services - Other	27,517	45,644	19,145
22	641 Rent - Buildings	46,595	45,998	40,333
23	642 Rent - Equipment	9,629	22,040	2,087
24	650 Transportation Expense	89,523	68,459	53,061
25	656 Insurance - Vehicle	9,264	10,179	8,320
26	657 Insurance - General Liability	26,403	23,929	21,750
27	658 Insurance - Workman's Compensation	11,664	9,860	21,734
28	659 Insurance - Other	-	-	-
29	660 Advertising Expense	8,409	8,184	7,710
30	666 Regulatory Commission Expense - Rate Case	-	-	-
31	667 Regulatory Expense - Other	-	-	-
32	668 Water Resource Conservation Expense	-	-	-
33	670 Bad Debt Expense	57,973	-	16,538
34	675 Miscellaneous Expense	40,389	33,807	19,553
35	403 Depreciation Expense	857,449	889,617	846,294
36	408 Taxes Other Than Income	87,071	97,328	79,514
37	408.11 Property Taxes	239,106	203,310	218,933
38	409 Income Tax	754,044	-	-
39	Total Operating Expenses	<u>\$ 4,508,819</u>	<u>\$ 3,587,719</u>	<u>\$ 3,641,227</u>
40	Operating Income	<u>\$ 1,227,502</u>	<u>\$ 2,057,642</u>	<u>\$ 2,047,595</u>
41	Other Income (Expense)			
42	409 Income Tax - Other Income and Deductions	\$ 154,415	\$ (617,371)	\$ -
43	415 Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419 Interest and Dividend Income	248	689	5,491
46	420 AFUDC	55,096	75,491	90,603
47	421 Non-Utility Income	107	-	11,344
48	426 Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427 Interest Expense	(429,371)	(397,166)	(375,626)
50	428 Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429 Amortization of Premium on Debt	793	793	793
52	434 Extraordinary Deductions	5,939	(101,463)	(198,428)
53	Total Other Income (Expense)	<u>\$ (249,160)</u>	<u>\$ (1,050,499)</u>	<u>\$ (551,260)</u>
54	Net Income (Loss)	<u>\$ 978,342</u>	<u>\$ 1,007,143</u>	<u>\$ 1,496,336</u>
55				

Line No.	Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1			
2	\$ 7,976,034	\$ 7,854,993	\$ 7,820,921
3			
4	Operating Expenses		
5	\$ 2,022,799	\$ 1,545,074	\$ 1,471,624
6	1,802,844	1,501,337	1,316,283
7	417,557	373,540	435,827
8	504,953	530,880	672,225
9	329,388	427,980	533,666
10	391,769	370,269	345,896
11	361,456	295,487	298,489
12	1,462,095	1,325,504	1,354,079
13			
14	\$ 7,292,861	\$ 6,370,071	\$ 6,428,090
15			
16	\$ 683,173	\$ 1,484,922	\$ 1,392,831
17			
18	Other Income (Expense)		
19	\$ -	\$ 2,028	\$ -
20	601	30,993	19,587
21	(1,148,627)	(687,684)	(756,769)
22	4,078	4,078	4,078
23	(59,045)	(59,045)	(59,045)
24	(60,154)	(5,281)	(150,991)
25	(323,017)	(484,173)	(704,398)
26			
27	\$ (1,586,164)	\$ (1,199,084)	\$ (1,647,539)
28			
29	\$ (902,991)	\$ 285,838	\$ (254,708)
30			
31	\$ 343,137	\$ (108,674)	\$ 41,000
32			
33	\$ (559,855)	\$ 177,164	\$ (213,708)
34			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Comparative Statement of Changes in Financial Position

Exhibit: RLJ-RB1
 Schedule E-3 - Rebuttal
 Page 1
 Witness: Jones

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	<u>Source of Funds</u>			
2	Cash Flow from Operations:			
3	Net Income	\$ (1,538,197)	\$ (829,979)	\$ (1,710,043)
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	659,037	625,330
6	Other Adjustments	-	-	-
7	Changes in Assets & Liabilities			
8	Accounts Receivable	(27,681)	(51,253)	(41,357)
9	Notes/Receivables from Associated Companies	(30,446)	(74,705)	(104,537)
10	Plant Materials and Supplies	(560)	(680)	(17,200)
11	Prepayments	(3,448)	16,486	10,371
12	Miscellaneous Current and Accrued Assets	-	10,638	(10,638)
13	Special Deposits	(132,970)	128,435	10,918
14	Deferred Debits	(893,173)	(444,986)	30,781
15	Accounts Payable	(694,569)	(2,124,596)	677,366
16	Notes Payable	588,085	-	-
17	Payable to Associated Companies	1,198,726	(37,427)	(8,015)
18	Customer Deposits	14,271	(11,708)	3,886
19	Accrued Taxes	-	-	-
20	Accrued Interest	37,289	22,392	11,162
21	Miscellaneous Current Liabilities	132,713	94,701	91,490
22	Deferred Credits	(56,047)	(40,785)	71,715
23	Total From Operations	\$ (233,496)	\$ (2,684,431)	\$ (358,771)
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(270,144)	(254,016)
27	Long-Term Debt	(300,030)	2,242,478	-
28	Advances in Aid of Construction	(54,802)	465,228	373,611
29	Contributions in Aid of Construction	-	-	-
30	Paid in Capital	3,033,241	3,218,507	4,340,552
31	Total From Financing	\$ 2,388,104	\$ 5,656,068	\$ 4,460,147
32				
33	<u>Application of Funds</u>			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(2,102,526)	(3,021,716)	(4,101,586)
36	Dividends Paid			
37	Other	-	-	-
38	Total From Investing Activities	\$ (2,102,526)	\$ (3,021,716)	\$ (4,101,586)
39				
40	Net Increase/(Decrease) in Cash	\$ 52,082	\$ (50,079)	\$ (209)
41				
42	Cash, Beginning of Year	\$ (50,289)	\$ (209)	\$ -
43	Cash, End of Year	\$ 1,794	\$ (50,289)	\$ (209)
44				
45				
46				
47	<u>Workpapers:</u>			<u>Recap Schedules:</u>
48				A-5
49				

Line No.		Common Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
4	Balance, December 31, 2008		\$ -	\$ 9,639,980	\$ (11,315,379)	\$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	\$ -	\$ 13,980,532	\$ (11,727,968)	\$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	\$ -	\$ 17,199,039	\$ (12,557,947)	\$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	\$ -	\$ 20,232,279	\$ (14,096,145)	\$ 6,136,135
21						
22						
23	<u>Supporting Schedules:</u>				<u>Recap Schedules:</u>	
24						
25						

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2010	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2011
1					
2	351	Organization Cost	\$ -	-	\$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reservoirs	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33					
34					
35					
36		TOTAL SEWER PLANT	\$ 22,034,826	\$ 20,570,785	\$ 42,605,611

Workpapers:

FW Rate Case Data.xlsx - Trial Bal Adj

Recap Schedules:

E-1

A-4

41

Line No.	Test Year Ended	Prior Year Ended	Prior Year Ended	
	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	
1				
2	Total Wastewater Treated	275,467,000	269,368,000	267,231,000
3				
4	Average Number of Customers			
5				
6	Residential	7,067	6,819	6,849
7	Commercial	44	44	44
8	RV Park (Customers)	4	4	4
9	Total Customers	7,115	6,867	6,897
10				
11	RV Park (RV Spaces)	713	713	713
12				
13				
14	Wastewater Treated Per Customer	38,716	39,228	38,744
15				
16	Revenue Per Residential Customer	\$ 284	\$ 291	\$ 279
17				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Taxes Charged to Operations

Exhibit: RLJ-RB1
Schedule E-8 - Rebuttal
Page 1
Witness: Jones

Line No.	Description	Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1	Description			
2				
3	Federal Income Tax	(402,095)	-	-
4	State Income Tax	(90,796)	-	-
5	Payroll Tax	63,196	47,050	38,864
6	Property Tax	122,350	92,177	79,555
7				
8	Totals	<u>(307,345)</u>	<u>139,227</u>	<u>118,419</u>
9				
10				
11				
12				

Recap Schedules:

Line

No.

1
2 The Company financial statements are reviewed by an independent outside CPA Firm. However
3 the 2011 review is not complete as of the date of this filing. The review will be made available
4 during the processing of this case.

5
6 The Company uses the NARUC System of Accounts.

7
8 The Company normalizes Income Tax Expense.

9

10

11 Supporting Schedules:

Recap Schedules:

12

13

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Income Statements - Present and Proposed Rates

Exhibit: RLJ-RB1
 Schedule F-1 - Rebuttal
 Page 1
 Witness: Jones

Line No.		Actual Test Year Ended <u>12/31/2011</u>	At Present Rates Year Ended Ended <u>12/31/2012</u>	At Proposed Rates Year Ended Ended <u>12/31/2012</u>
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ -	\$ -
3	521 Flat Rate Revenue	2,061,278	2,053,159	5,567,494
4	536 Other Sewer Revenues	43,064	43,064	43,064
5	541 Metered Reuse Revenue	131,759	131,759	131,759
6	Total Revenues	<u>\$ 2,239,713</u>	<u>\$ 2,227,982</u>	<u>\$ 5,742,317</u>
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 824,730	\$ 824,730
9	703 Salaries and Wages - Officers and Directors	137,000	76,753	76,753
10	704 Employee Pension and Benefits	27,421	28,243	28,243
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	55,247	55,247
13	715 Purchased Power	288,248	347,499	347,499
14	718 Chemicals	219,910	223,209	223,209
15	720 Repairs and Maintenance	181,981	184,711	184,711
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	7,338	7,338
18	733 Contractual Services - Legal	43,865	11,053	11,053
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	149,231	149,231
21	736 Contractual Services - Other	60,716	61,627	61,627
22	741 Rent - Buildings	20,669	20,979	20,979
23	742 Rent - Equipment	45,758	46,445	46,445
24	750 Transportation Expense	129,723	131,669	131,669
25	756 Insurance - Vehicle	12,610	12,799	12,799
26	757 Insurance - General Liability	33,142	33,640	33,640
27	758 Insurance - Workman's Compensation	17,125	17,382	17,382
28	759 Insurance - Other	-	-	-
29	760 Advertising Expense	476	483	483
30	766 Regulatory Commission Expense - Rate Case	-	76,125	76,125
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	13,040	33,608
34	775 Miscellaneous Expense	30,503	30,960	30,960
35	403 Depreciation Expense	1,165,350	1,379,632	1,379,632
36	408 Taxes Other Than Income	74,250	76,451	76,451
37	408 Property Taxes	122,350	95,728	144,253
38	409 Income Tax	(492,891)	(1,058,450)	271,374
39	Total Operating Expenses	<u>\$ 3,045,196</u>	<u>\$ 2,846,524</u>	<u>\$ 4,245,442</u>
40	Operating Income	<u>\$ (805,483)</u>	<u>\$ (618,543)</u>	<u>\$ 1,496,874</u>
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ (176,061)	\$ (176,061)
43	415 Revenue from Jobbing, Contract Work	26,176	26,176	26,176
44	416 Expenses from Jobbing, Contract Work	(26,176)	(26,176)	(26,176)
45	419 Interest and Dividend Income	246	246	246
46	420 AFUDC	748,855	374,428	374,428
47	421 Non-Utility Income	-	-	-
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(33,219)	(33,219)
49	427 Interest Expense	(1,523,207)	(1,110,056)	(1,110,056)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(0)	(0)
53	Total Other Income (Expense)	<u>\$ (732,714)</u>	<u>\$ (990,971)</u>	<u>\$ (990,971)</u>
54	Net Income (Loss)	<u>\$ (1,538,197)</u>	<u>\$ (1,609,513)</u>	<u>\$ 505,903</u>

56 Supporting Schedules:
 57 E-2
 58

Recap Schedules:
 A-2

Line No.	Test Year Ended 12/31/2011	At Present Rates Year Ended 12/31/2012	At Proposed Rates Year Ended 12/31/2012
1	<u>Source of Funds</u>		
2	Cash Flow from Operations:		
3	\$ (1,538,197)	\$ (1,609,513)	\$ 505,903
4	Adjustments to reconcile net income to net cash		
5	Depreciation and Amortization 1,172,510	1,379,632	1,379,632
6	Deferred Income Tax -		
7	Other Adjustments -		
8	Changes in Assets & Liabilities		
9	Customer Accounts Receivable (27,681)		
10	Notes/Receivables from Associated Companies (30,446)		
11	Plant Materials and Supplies (560)		
12	Prepayments (3,448)		
13	Miscellaneous Current and Accrued Assets -		
14	Special Deposits (132,970)		
15	Deferred Debits (893,173)	(693,173)	-
16	Accounts Payable (694,569)		
17	Notes Payable 588,085		(588,085)
18	Payable to Associated Companies 1,198,726		
19	Customer Deposits 14,271		
20	Accrued Taxes -		
21	Accrued Interest 37,289		
22	Miscellaneous Current Liabilities 132,713		
	Deferred Credits (56,047)		
23	Total From Operations	\$ (233,496)	\$ (923,054) \$ 1,297,450
24	Cash Flow from Financing:		
25	Bonds (290,304) (380,000) (380,000)		
26	Long-Term Debt (300,030) 0 0		
27	Advances in Aid of Construction (54,802) (54,802) (54,802)		
28	Contributions in Aid of Construction -		
29	Paid in Capital 3,033,241 4,000,000 900,000		
30	Total From Financing	\$ 2,388,104	\$ 3,565,198 \$ 465,198
31	<u>Application of Funds</u>		
32	Cash Flow from Investing Activities		
33	Capital Expenditures (2,102,526) (2,044,670) (2,044,670)		
34	Dividends Paid -		
35	Other -		
36	Total From Investing Activities	\$ (2,102,526)	\$ (2,044,670) \$ (2,044,670)
37	Net Increase/(Decrease) in Cash	\$ 52,082	\$ 597,474 \$ (282,022)
38	Cash, Beginning of Year	\$ (50,289)	\$ 1,794 \$ 1,794
39	Cash, End of Year	\$ 1,794	\$ 599,267 \$ (280,228)
40	<u>Supporting Schedules:</u>		
41	E-3	<u>Recap Schedules:</u>	
42	F-3	A-5	
43			
44			
45			
46			
47			
48			
49			
50			

Line
 No.

	Actual	Projected		
	Test Year	Thru	Thru	Thru
	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
3	<u>Property Classification</u>			
4				
5	\$ 97,553	\$ -	\$ -	\$ -
6				
7	4,971,423	-	75,000	75,000
8				
9	15,395,039	2,024,670	69,500	520,000
10				
11	2,310	-	-	-
12				
13	104,459	20,000	20,000	20,000
14				
15	<u>\$ 20,570,785</u>	<u>\$ 2,044,670</u>	<u>\$ 164,500</u>	<u>\$ 615,000</u>

16
 17
 18
 19
 20

Workpapers:
 FW Capital Expenditures.xlsx

Recap Schedules:
 F-2 A-4

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Assumptions Used in Developing Projection

Exhibit: RLJ-RB1
Schedule F-4 - Rebuttal
Page 1
Witness: Jones

Line
No.

- 1
- 2 No Customer Growth
- 3
- 4 No Change in Per Customer Consumption
- 5
- 6 Per Test Year Adjustments
- 7
- 8 Salaries and Pensions increase by 3.0%
- 9
- 10 All other expenses increased by 1.5%
- 11
- 12 Supporting Schedules:
- 13
- 14

Recap Schedules:

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB2

Name		S.LASBARI		Reconcile R		
Description		Las Barrancas #1		Date	000 00,00	
Normal Bal		C		Balance	0.00	
Next Ref#		0		Closing Bal	984,196.78	
# of Items		4		Opening Bal	0.00	
Date	Ref	Description	Amount	Balance	Account	Re
Dec 31,06		LAS BARRANCAS #1 SEWER LINES	622,518.53	622,518.53	AJES06-00B	
Dec 31,06	50% FWS	LAS BARRANCAS #1 ADMIN DEPOSIT	7,500.00	630,018.53	AJES06-00B	
Dec 31,06	50% FWS	LAS BARRANCAS #1 ADMIN COSTS	113.75-	629,904.78	AJES06-00B	
May 21,07		H&S-LAS BARANC#1-OFFSITE SEWER	354,292.00	984,196.78	13126-02	
Date	Ref	Description	Amount	Balance	Account	Re

Far West Water & Sewer, Inc.
Account QuickReport
All Transactions

Type	Date	Num	Name	Memo	Amount
25200-9 · Advances for Construction (Advances in Aid of Construction)					
25200-2 · Advances for Construction (Advances in Aid of Construction)					
25231-2 · Las Barrancas #1 (Las Barrancas #1)					
General Journal	12/31/2007	OJE		Opening Entry	984,196.78
Bill	06/26/2008	622420	2 FENNEMORE CRAIG, PC	INV#622420 LAS BARRANCAS EXTENSION NO 1	-216.00
Bill	07/02/2008	625222	2 FENNEMORE CRAIG, PC	INV#625222 LAS BARRANCAS EXT	-360.00
Bill	09/26/2008	632717	2 FENNEMORE CRAIG, PC	INV#632717 PROF SERVICES/LAS BARRANCAS EXT ...	-36.00
Bill	11/20/2008	639979	2 FENNEMORE CRAIG, PC	#639979/LAS BARRANCAS EXT 1-SEWER	-111.60
Bill	12/31/2008	644723	2 FENNEMORE CRAIG, PC	PROF SERVICES DEC08 (1/2) LAS BARRANCAS #1	-13.95
Total 25231-2 · Las Barrancas #1 (Las Barrancas #1)					<u>983,459.23</u>
Total 25200-2 · Advances for Construction (Advances in Aid of Construction)					<u>983,459.23</u>
Total 25200-9 · Advances for Construction (Advances in Aid of Construction)					<u>983,459.23</u>
TOTAL					<u>983,459.23</u>

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB3

Line No.	Vendor	Pay Date	Amount	Service Period		Avg Service Period	Lag/Lead	Dollars Days
				From	To			
1	INTEREST							
2								
3								
4	Vendor							
5								
6	IDA Services 2007	12/16/2010	104,764.80	12/1/2010	12/31/2010	15.50	0.50	52,382.40
7	IDA Services 2007	1/19/2011	104,764.80	1/1/2011	1/31/2011	15.50	3.50	366,676.80
8	IDA Services 2007	2/17/2011	104,764.80	2/1/2011	2/28/2011	14.00	3.00	314,294.40
9	IDA Services 2007	3/17/2011	104,764.80	3/1/2011	3/31/2011	15.50	1.50	157,147.20
10	IDA Services 2007	4/20/2011	104,764.80	4/1/2011	4/30/2011	15.00	5.00	523,824.00
11	IDA Services 2007	5/19/2011	104,764.80	5/1/2011	5/31/2011	15.50	3.50	366,676.80
12	IDA Services 2007	6/17/2011	104,764.80	6/1/2011	6/30/2011	15.00	2.00	209,529.60
13	IDA Services 2007	7/19/2011	104,764.80	7/1/2011	7/31/2011	15.50	3.50	366,676.80
14	IDA Services 2007	8/25/2011	104,764.80	8/1/2011	8/31/2011	15.50	9.50	995,265.60
15	IDA Services 2007	10/25/2011	104,764.80	9/1/2011	9/30/2011	15.00	40.00	4,190,592.00
16	IDA Services 2007	11/25/2011	104,764.80	10/1/2011	10/31/2011	15.50	40.50	4,242,974.40
17	IDA Services 2007	11/30/2011	104,764.80	11/1/2011	11/30/2011	15.00	15.00	1,571,472.00
18								
19	Zenon/Liberation Capital	9/30/2011	68,768.39	7/1/2011	9/30/2011	46.00	46.00	3,163,345.94
20	Zenon/Liberation Capital	12/29/2011	64,168.39	10/1/2011	12/31/2011	46.00	44.00	2,823,409.16
21								
22	Hardknocks							
23								
24	Scott Spencer	12/9/2011	28,639.56	9/29/2010	11/30/2011	214.00	223.00	6,386,621.88
25								
26	Harry Elliot							
27								
28	Gallager & Kennedy							
29								
30	Schechert Trust	5/25/2011	5,475.17	4/29/2011	5/25/2011	13.50	13.50	73,914.80
31	Schechert Trust	6/27/2011	10,360.37	5/26/2011	6/27/2011	16.50	16.50	170,946.11
32	Schechert Trust	7/11/2011	5,596.81	6/28/2011	7/11/2011	7.00	7.00	39,177.67
33	Schechert Trust	7/28/2011	6,600.39	7/12/2011	7/28/2011	8.50	8.50	56,103.32
34	Schechert Trust	8/18/2011	9,270.05	7/29/2011	8/18/2011	10.50	10.50	97,335.53
35	Schechert Trust	8/19/2011	449.03	8/19/2011	8/19/2011	0.50	0.50	224.52
36	Schechert Trust	8/22/2011	1,341.28	8/20/2011	8/22/2011	1.50	1.50	2,011.92
37	Schechert Trust	8/23/2011	441.98	8/23/2011	8/23/2011	0.50	0.50	220.99
38	Schechert Trust	8/24/2011	439.36	8/24/2011	8/24/2011	0.50	0.50	219.68
39	Schechert Trust	8/26/2011	865.27	8/25/2011	8/26/2011	1.00	1.00	865.27
40	Schechert Trust	8/31/2011	2,154.77	8/27/2011	8/31/2011	2.50	2.50	5,386.93
41	Schechert Trust	9/6/2011	2,559.13	9/1/2011	9/6/2011	3.00	3.00	7,677.39
42	Schechert Trust	9/7/2011	418.46	9/7/2011	9/7/2011	0.50	0.50	209.23
43	Schechert Trust	9/19/2011	4,999.83	9/8/2011	9/19/2011	6.00	6.00	29,998.98
44	Schechert Trust	9/22/2011	1,228.59	9/20/2011	9/22/2011	1.50	1.50	1,842.89
45	Schechert Trust	9/26/2011	1,631.79	9/23/2011	9/26/2011	2.00	2.00	3,263.58
46	Schechert Trust	9/29/2011	1,207.51	9/27/2011	9/29/2011	1.50	1.50	1,811.27
47	Schechert Trust	9/30/2011	397.36	9/30/2011	9/30/2011	0.50	0.50	198.68
48	Schechert Trust	10/3/2011	1,177.33	10/1/2011	10/3/2011	1.50	1.50	1,766.00
49	Schechert Trust	10/5/2011	773.20	10/4/2011	10/5/2011	1.00	1.00	773.20
50	Schechert Trust	10/6/2011	387.50	10/6/2011	10/6/2011	0.50	0.50	193.75
51	Schechert Trust	10/7/2011	387.60	10/7/2011	10/7/2011	0.50	0.50	193.80
52	Schechert Trust	10/19/2011	4,551.14	10/8/2011	10/19/2011	6.00	6.00	27,306.84
53	Schechert Trust	10/21/2011	772.43	10/20/2011	10/21/2011	1.00	1.00	772.43
54	Schechert Trust	10/25/2011	1,532.01	10/22/2011	10/25/2011	2.00	2.00	3,064.02
55	Schechert Trust	10/26/2011	380.00	10/26/2011	10/26/2011	0.50	0.50	190.00
56	Schechert Trust	10/28/2011	745.14	10/27/2011	10/28/2011	1.00	1.00	745.14
57	Schechert Trust	11/1/2011	1,466.43	10/29/2011	11/1/2011	2.00	2.00	2,932.86
58	Schechert Trust	11/2/2011	361.99	11/2/2011	11/2/2011	0.50	0.50	181.00
59	Schechert Trust	11/4/2011	724.17	11/3/2011	11/4/2011	1.00	1.00	724.17
60	Schechert Trust	11/8/2011	1,495.71	11/5/2011	11/8/2011	2.00	2.00	2,991.42
61	Schechert Trust	11/9/2011	366.80	11/9/2011	11/9/2011	0.50	0.50	183.40
62	Schechert Trust	11/14/2011	1,820.82	11/10/2011	11/14/2011	2.50	2.50	4,552.05
63	Schechert Trust	11/21/2011	2,609.22	11/15/2011	11/21/2011	3.50	3.50	9,132.27
64	Schechert Trust	11/22/2011	372.23	11/22/2011	11/22/2011	0.50	0.50	186.12
65	Schechert Trust	11/23/2011	365.48	11/23/2011	11/23/2011	0.50	0.50	182.74
66	Schechert Trust	11/25/2011	717.46	11/24/2011	11/25/2011	1.00	1.00	717.46
67	Schechert Trust	11/28/2011	1,097.33	11/26/2011	11/28/2011	1.50	1.50	1,646.00
68	Schechert Trust	11/29/2011	355.12	11/29/2011	11/29/2011	0.50	0.50	177.56
69	Schechert Trust	12/1/2011	728.79	11/30/2011	12/1/2011	1.00	1.00	728.79
70	Schechert Trust	12/31/2011	11,554.25	12/2/2011	12/31/2011	15.00	15.00	173,313.75
	Totals		<u>1,508,933.24</u>					<u>26,454,952.51</u>