

ORIGINAL



1 FENNEMORE CRAIG
2 A Professional Corporation
3 Jay L. Shapiro (No. 014650)
4 2394 East Camelback Road, Suite 600
5 Phoenix, Arizona 85016
6 Telephone (602) 916-5000

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Attorneys for Pima Utility Company

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6 IN THE MATTER OF THE APPLICATION
7 OF PIMA UTILITY COMPANY, AN
8 ARIZONA CORPORATION, FOR A
9 DETERMINATION OF THE FAIR VALUE
10 OF ITS UTILITY PLANTS AND
11 PROPERTY AND FOR INCREASES IN ITS
12 WATER RATES AND CHARGES FOR
13 UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02199A-11-0329

10 IN THE MATTER OF THE APPLICATION
11 OF PIMA UTILITY COMPANY, AN
12 ARIZONA CORPORATION, FOR A
13 DETERMINATION OF THE FAIR VALUE
14 OF ITS UTILITY PLANTS AND
15 PROPERTY AND FOR INCREASES IN ITS
16 WASTEWATER RATES AND CHARGES
17 FOR UTILITY SERVICE BASED
18 THEREON.

DOCKET NO. SW-02199A-11-0330

PETITION TO AMEND DECISION NO.
73573 PURSUANT TO A.R.S. § 40-252

16 Pima Utility Company ("Pima" or the "Company"), hereby submits this Petition to
17 Amend Decision No. 73573 Pursuant to A.R.S. § 40-252 to increase its water division and
18 wastewater division revenue requirements by including income tax expense based on the
19 Commission's Policy Statement on Income Tax Expense for Tax Pass-Through Entities
20 Revised 2/8/13 ("Income Tax Policy Statement"). The Income Tax Policy Statement was
21 adopted and codified by the Commission in Decision No. 73739 (February 22, 2013).
22 Based on that Income Tax Policy Statement, Pima requests that the Commission approve
23 adjusted rates and charges for water and wastewater services to be assessed prospectively
24 beginning on the date of the decision on this petition. Finally, Pima requests that this
25 petition be approved without hearing following review of the information and schedules
26 provided herein by Commission Staff.

1 **BACKGROUND**

2 Pima is organized as a Subchapter S Corporation. On August 29, 2011, Pima filed
3 applications for increases in its water and wastewater rates and charges.¹ In that rate case,
4 Pima requested Commission approval of the inclusion of income tax expense as part of
5 the test year revenue requirements. The Commission approved new rates and charges for
6 Pima in Decision No. 73573 (November 12, 2012), but denied Pima's request for
7 inclusion of income tax expense in the Company's revenue requirement. Given that the
8 Commission was in the process of evaluating that very issue in other dockets,
9 Decision No. 73573 specifically afforded Pima "the opportunity to file a motion pursuant
10 to A.R.S. § 40-252 to amend [the Decision] prospectively" to reflect any change in
11 Commission practice and/or policy.²

12 After consideration of income tax expense for S Corporations and limited liability
13 companies over several years through rate cases, workshops in a generic docket, and open
14 meetings, on February 22, 2013, the Commission issued Decision No. 73739 adopting the
15 Income Tax Policy Statement which allows for pass-through entities (i.e., limited liability
16 companies, Subchapter S corporations, and partnerships), as well as sole proprietorships,
17 to impute income tax expense in the cost of service and provides guidance on how to
18 calculate the amount "in a fair and balanced way."³ Specifically, the Commission found
19 in Decision No. 73739 that "[i]t is in the public interest to adopt the attached [Income
20 Tax] Policy Statement to guide the ratemaking treatment of income taxes for pass-through
21 public service corporations."⁴ The Income Tax Policy Statement further affirms that
22

23 ¹ Pima filed two separate applications. Docket Nos. W-02199A-11-0329 (water) and SW-02199A-11-
24 0330 (wastewater) were consolidated in the September 30, 2011 Rate Case Procedural Order.

25 ² Decision No. 73573 at 29:11-12. The Commission included similar language in recent rate case
26 decisions for other utilities organized as S Corporations or limited liability companies.

³ Income Tax Policy Statement at 2 – 3.

⁴ Decision No. 73739 at 2.

1 “companies that have been denied recognition of income tax expense in the past may
2 make a filing under A.R.S. § 252 to modify the revenue requirement authorized in their
3 most recent rate case order to include income tax expense prospectively from the date of
4 an order of the Commission approving the A.R.S. § 252 filing.”⁵

5 Having been denied recognition of income tax expense in Decision No. 73573, and
6 consistent with the Income Tax Policy Statement adopted in Decision No. 73739, Pima
7 files this petition and requests that the Commission issue an order amending Decision No.
8 73573 to authorize recovery of income tax expense as a cost of service and that Pima’s
9 revenue requirement be grossed up as reflected on the attached schedules (see
10 **Attachments 1 and 2**).⁶

11 OWNERSHIP OF PIMA

12 The EJR Revocable Trust owns 41.04090 percent of Pima, and its income tax filing
13 status during the test year was single. The KAR Subchapter S Trust, LLR Subchapter S
14 Trust, MER Subchapter S Trust, and SSR Subchapter S Trust each own 2.6390 percent of
15 Pima, and their income tax filing status during the test year was married filing jointly.
16 The RDR Subchapter S Trust owns 1.9881 percent of Pima, and its income tax filing
17 status during the test year was married filing jointly. KAR, LLR, MER, and SSR each
18 own 5.6412 percent of Pima, and RDR owns 2.8123 percent. The income tax filing status
19 of KAR during the test year was head of household. The income tax filing status of LLR,
20 MER, and SSR during the test year was married filing jointly. The income tax filing
21 status of RDR during the test year was single. The Arthur A. Carrol Irrevocable Trust
22 owns 0.9236 percent of Pima, the Roger Stevenson Irrevocable Trust owns 0.9708
23 percent, the Robert A. Micalizio Irrevocable Trust owns 2.7455 percent, and the MDR
24

25 ⁵ Income Tax Policy Statement at 2.

26 ⁶ Attachments 1 and 2 contain revised schedules A-1, C-1, C-2, C-3, H-2, and H-3 for Pima’s water and wastewater divisions. Pima will also file testimony in support if so ordered by the Commission.

1 1997 Irrevocable S Trust and RDR 1997 Irrevocable S Trust each own 1.0287 percent of
2 Pima. The income tax filing status of all of these entities during the test year was married
3 filing jointly. Finally, the Michael Norton Trust, Melanie Norton Trust, and Norton
4 Family Trust each own 4.6576 percent of Pima. The income tax filing status of the
5 Michael Norton Trust and Melanie Norton Trust during the test year was married filing
6 jointly. The income tax filing status of the Norton Family Trust during the test year was
7 married filing separately.

8 CALCULATION OF INCOME TAX EXPENSE

9 The Commission's Income Tax Policy Statement sets forth the methodology for
10 calculating income tax expense for pass-through entities. Pima has followed this
11 methodology. **Attachment 1** contains the revised A, C and H schedules for Pima's Water
12 Division and **Attachment 2** contains the revised A, C and H schedules for Pima's
13 Wastewater Division.

14 As reflected on Water Division Schedule A-1, inclusion of income tax expense
15 results in an increase in the Water Division revenue requirement of \$152,666.
16 As reflected on Wastewater Division Schedule A-1, inclusion of income tax expense
17 results in an increase in the Wastewater Division revenue requirement of \$168,722.

18 As reflected on Water Division Schedule H-2, the change in revenue requirement
19 increases the bill of a residential water customer with a 5/8 x 3/4 inch meter and average
20 monthly usage of 6,395 gallons by \$0.70 per month, from \$11.96 to \$12.66 an increase of
21 5.82 percent. As reflected on the Wastewater Division Schedule H-2, the change in
22 revenue requirement increases the bill of a residential wastewater customer with a 5/8 x
23 3/4 inch meter by \$1.20, from \$23.97 to \$25.17, an increase of 5.00 percent. The Water
24 Division Schedules H-2 and H-3 and Wastewater Division Schedules H-2 and H-3 set
25 forth Pima's proposed rate designs.

26

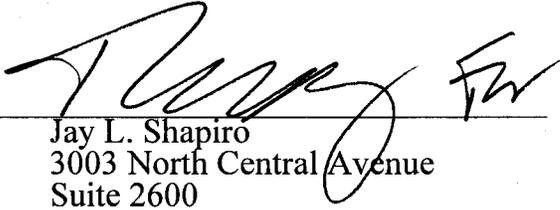
1 As reflected on Water Division Schedule C-3, page 9 and Wastewater Division
2 Schedule C-3, page 9, the income tax expense for both divisions using the weighted
3 average effective tax rate for the combined ownership of Pima as a Subchapter S
4 corporation is lower than the calculated income tax expense assuming Pima is a stand-
5 alone Subchapter C corporation.

6 **CONCLUSION**

7 For the foregoing reasons and pursuant to the Commission's Income Tax Policy
8 Statement adopted in Decision No. 73739, Pima requests that the Commission grant this
9 petition and amend Decision No. 73573 to increase the Company's water division and
10 wastewater division revenue requirements to reflect inclusion of income tax expense in
11 accordance with the Income Tax Policy Statement. Pima further requests that the
12 Commission approve adjusted rates and charges for water and wastewater service to be
13 charged prospectively as reflected in the attached schedules. Finally, Pima requests that
14 this Petition be granted without hearing following Commission Staff's review and
15 verification of the attached schedules.

16
17 RESPECTFULLY SUBMITTED this 29th day of March, 2013.

18 FENNEMORE CRAIG, P.C.

19
20 By 

Jay L. Shapiro
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Pima Utility Company

1 ORIGINAL and thirteen (13) copies
2 of the foregoing were filed
3 this 29th day of March, 2013 to:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
6 Phoenix, AZ 85007

6 COPY of the foregoing hand-delivered
7 this 29th day of March, 2013 to:

7 Teena Jibilian
8 Administrative Law Judge
9 Hearing Division
10 Arizona Corporation Commission
11 1200 W. Washington St.
12 Phoenix, AZ 85007

10 Robin Mitchell, Esq.
11 Legal Division
12 Arizona Corporation Commission
13 1200 W. Washington St.
14 Phoenix, AZ 85007

13 Dan Pozefsky, Esq.
14 RUCO
15 1110 West Washington, Suite 220
16 Phoenix, Arizona 85007

16 By: *Maria San Jose*

17 8050209.2/075040.0025

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ATTACHMENT 1

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

Exhibit
Schedule A-1

Line No.		<u>Decision 73573</u>	<u>40-252 Income Tax</u>	<u>Difference</u>
1	Fair Value Rate Base	\$ 9,122,677	\$ 9,122,677	\$ -
2				
3				
4	Operating Revenues	\$ 1,977,627	\$ 1,977,627	
5	Operating Expenses before Property Taxes and Income Taxes	1,618,740	1,618,740	
6	Property Taxes	77,191	77,191	
7	Income Taxes	-	23,128	
8	Adjusted Operating Income	<u>\$ 281,696</u>	<u>\$ 258,568</u>	\$ (23,128)
9				
10	Current Rate of Return	3.09%	2.83%	
11				
12	Required Operating Income	\$ 696,060	\$ 696,060	\$ -
13				
14	Required Rate of Return	7.63%	7.63%	
15				
16	Operating Income Deficiency	\$ 414,364	\$ 437,492	\$ 23,128
17				
18	Gross Revenue Conversion Factor	1.01357	1.30895	
19				
20	Increase in Gross Revenue			
21	Requirement	\$ 419,989	\$ 572,654	\$ 152,666
22				
23	Test Year Adjusted Revenues	\$ 1,977,627	\$ 1,977,627	\$ -
24	Increase in Revenue Requirement	\$ 419,989	\$ 572,654	\$ 152,666
25	Proposed Revenue Requirement	\$ 2,397,616	\$ 2,550,282	\$ 152,666
26	% Increase	21.24%	28.96%	7.72%
27				
28				
29				
30				
31				
32				
33	Property Taxes at Proposed Revenues	\$ 82,816	\$ 84,860	\$ 2,045
34	Income Taxes at Proposed Revenues	-	\$ 150,622	\$ 150,622
35			Total	152,666
36			Change in Revenue Requirement	152,666
37			Difference	0
38				
39				
40				
41				
42				
43	<u>SUPPORTING SCHEDULES</u>			
44	Decision			
45	C-1			
46	C-2			
47	C-3			
48				
49				
50				

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

Exhibit
 Schedule C-1
 Page 1

Line No.		Per Decision Adjusted Test Year	Income Tax	40-252 Adjusted Results	Proposed Rate Increase	40-252 Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 1,970,366	\$ -	\$ 1,970,366	\$ 572,654	\$ 2,543,020
3	Unmetered Water Revenues	-		-		-
4	Other Water Revenues	7,261		7,261		7,261
5		<u>\$ 1,977,627</u>		<u>\$ 1,977,627</u>	<u>\$ 572,654</u>	<u>\$ 2,550,282</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 220,827		\$ 220,827		\$ 220,827
8	Salaries and Wages - Off. and Dir.	13,686		13,686		13,686
9	Employee Pensions and Benefits	63,522		63,522		63,522
10	Purchased Water	-		-		-
11	Purchased Power	252,453		252,453		252,453
12	Chemicals	16,721		16,721		16,721
13	Repairs and Maintenance	71,396		71,396		71,396
14	Office Supplies and Expense	66,861		66,861		66,861
15	Contractual Services - Engineering	1,381		1,381		1,381
16	Contractual Services - Accounting	3,067		3,067		3,067
17	Contractual Services - Legal	14,175		14,175		14,175
18	Contractual Services - Other	54,382		54,382		54,382
19	Contr. Services - Water Testing	8,925		8,925		8,925
20	Rents - Equipment	3,203		3,203		3,203
21	Transportation Expenses	44,637		44,637		44,637
22	Insurance - Vehicle	17,464		17,464		17,464
23	Insurance - General Liability	10,840		10,840		10,840
24	Insurance - Worker's Comp	1,009		1,009		1,009
25	Reg. Comm. Exp.	3,671		3,671		3,671
26	Reg. Comm. Exp. - Rate Case	-		-		-
27	Bad Debt Expense	4,766		4,766		4,766
28	Miscellaneous Expense	15,934		15,934		15,934
29	Depreciation Expense	688,937		688,937		688,937
30	Taxes Other Than Income	40,883		40,883		40,883
31	Property Taxes	77,191		77,191	7,669	84,860
32	Income Tax	-	23,128	23,128	127,493	150,622
33	Reconciling Amount	(1)		(1)		(1)
34	Total Operating Expenses	<u>\$ 1,695,931</u>	<u>\$ 23,128</u>	<u>\$ 1,719,059</u>	<u>\$ 135,163</u>	<u>\$ 1,854,222</u>
35	Operating Income	<u>\$ 281,696</u>	<u>\$ (23,128)</u>	<u>\$ 258,568</u>	<u>\$ 437,492</u>	<u>\$ 696,060</u>

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

Exhibit
 Schedule C-2
 Page 1

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Property Taxes:		
2			
3			
4	DESCRIPTION		
5	Company Adjusted Test Year Revenues	\$ 1,977,627	\$ 1,977,627
6	Weight Factor	2	2
7	Subtotal (Line 1 * Line 2)	3,955,255	3,955,255
8	Company Recommended Revenue	1,977,627	2,550,282
9	Subtotal (Line 4 + Line 5)	5,932,882	6,505,537
10	Number of Years	3	3
11	Three Year Average (Line 5 / Line 6)	1,977,627	2,168,512
12	Department of Revenue Mutilplier	2	2
13	Revenue Base Value (Line 7 * Line 8)	3,955,255	4,337,024
14	Plus: 10% of CWIP - 2010	-	-
15	Less: Net Book Value of Licensed Vehicles	112,708	112,708
16	Full Cash Value (Line 9 + Line 10 - Line 11)	3,842,547	4,224,317
17	Assessment Ratio	20.0%	20.0%
18	Assessment Value (Line 12 * Line 13)	768,509	844,863
19	Composite Property Tax Rate - Obtained from ADOR	10.0442%	10.0442%
20	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 77,191	\$ 84,860
21	Tax on Parcels	-	-
22	Total Property Taxes (Line 16 + Line 17)	\$ 77,191	
23	Test Year Property Taxes	\$ 77,191	
24	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	\$ -	
25			
26	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 84,860
27	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 77,191
28	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 7,669
29			
30	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 7,669
	Increase in Revenue Requirement		\$ 572,654
	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.33923%

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

Exhibit
 Schedule C-3
 Page 1

Line No.	Description	Percentage of Incremental Gross Revenues
1	State and Federal Income Taxes	22.57%
2		
3		
4		
5	Other Taxes and Expenses	<u>1.04%</u>
6		
7		
8	Total Tax Percentage	23.60%
9		
10	Operating Income % = 100% - Tax Percentage	76.40%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.3089
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19	C-3 page 2	A-1
20		

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	23.6028%					
5	Subtotal (L3 - L4)	76.3972%					
6	Revenue Conversion Factor (L1 / L5)	1.308948					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	22.5658%					
9	One Minus Combined Income Tax Rate (L7 - L8)	77.4342%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate (L55 Col [E])	3.4229%					
14	Federal Taxable Income (L12 - L13)	96.5771%					
15	Applicable Federal Income Tax Rate (Line 44)	19.8213%					
16	Effective Federal Income Tax Rate (L14 x L15)	19.1428%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		22.5658%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	22.5658%					
20	One Minus Combined Income Tax Rate (L18-L19)	77.4342%					
21	Property Tax Factor	1.3392%					
22	Effective Property Tax Factor (L20*L21)		1.0370%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)				23.6028%		
24	Required Operating Income	\$ 696,060					
25	Adjusted Test Year Operating Income (Loss)	\$ 258,568					
26	Required Increase in Operating Income (L24 - L25)		\$ 437,492				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 150,622					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 23,128					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 127,493				
30	Recommended Revenue Requirement	\$ 2,550,282					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 84,860					
36	Property Tax on Test Year Revenue	\$ 77,191					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 7,669				
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 572,655				

	(A)	(B)	(C)	(D)	(E)	(F)
	Total	Test Year Water		Total	At Proposed Rates Water	
<u>Calculation of Income Tax:</u>						
39	Revenue	\$ 1,977,627	\$ 1,977,627	\$ 2,550,282	\$ 2,550,282	
40	Operating Expenses Excluding Income Taxes	\$ 1,695,931	\$ 1,695,931	\$ 1,703,600	\$ 1,703,600	
41	Synchronized Interest (L47)	\$ 136,840	\$ 136,840	\$ 136,840	\$ 136,840	
42	Arizona Taxable Income (L39 - L40 - L31)	\$ 144,856	\$ 144,856	\$ 709,842	\$ 709,842	
43	Arizona State Income Tax Rate (see Schedule C-3, page 3)	2.8666%	2.8666%	3.3094%	3.3094%	
44	Arizona Income Tax (L42 x L43)	\$ 4,152	\$ 4,152	\$ 23,492	\$ 23,492	
45	Federal Taxable Income (L42 - L44)	\$ 140,704	\$ 140,704	\$ 686,351	\$ 686,351	
46	Federal Tax Rate (see Schedule C-3, page 3)	13.4863%	13.4863%	18.5226%	18.5226%	
47	Federal Income Taxes (L45xL46)	\$ 18,976	\$ 18,976	\$ 127,130	\$ 127,130	
48						
49						
50						
51	Total Federal Income Tax (L47)	\$ 18,976	\$ 18,976	\$ 127,130	\$ 127,130	
52	Combined Federal and State Income Tax (L44 + L47)	\$ 23,128	\$ 23,128	\$ 150,622	\$ 150,622	\$ -

53	COMBINED Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (A), L51] / [Col. (D), L45 - Col. (A), L45]	19.8213%
54	Applicable Federal Income Tax Rate [Col. (E), L51 - Col. (B), L51] / [Col. (E), L45 - Col. (B), L45]	19.8213%
55	Applicable State Income Tax Rate [Col. (E), L44 - Col. (B), L44] / [Col. (E), L42 - Col. (B), L42]	3.4229%

<u>Calculation of Interest Synchronization:</u>		
56	Rate Base	\$ 9,122,677
57	Weighted Average Cost of Debt	1.5000%
58	Synchronized Interest (L56 X L57)	\$ 136,840

Shareholder	1st level		2nd Level		2nd Level		2nd Level		Federal		Wfd		State		Wtd	
	Ownership Type	Ownership Tax Status	Ownership Type	Ownership Tax Status	Ownership %	Ownership Tax Status	Ownership %	Ownership Tax Status	Effective Tax rate	Effective Tax rate	Average Fed. Tax Rate	Average State Tax Rate	Effective Tax rate	Effective Tax rate	Average State Tax Rate	Average Wtd Tax Rate
1	Individual	Taxable Individual	Individual	Taxable	0.0000%	Taxable	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
2	Individual	Taxable Individual	Individual	Taxable	41.4089840%	Taxable	Taxable	Taxable	18.4193%	18.4193%	7.6272%	7.6272%	3.2581%	3.2581%	1.3491%	1.3491%
3	Subchapter S Trust	Pass-Through	Individual	Taxable	2.63895350%	Individual	Taxable	100.0000% HOH	10.0000%	10.0000%	0.2639%	0.2639%	2.5900%	2.5900%	0.0683%	0.0683%
4	Subchapter S Trust	Pass-Through	Individual	Taxable	2.63895350%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.2639%	0.2639%	2.5900%	2.5900%	0.0683%	0.0683%
5	Subchapter S Trust	Pass-Through	Individual	Taxable	2.63895350%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.2639%	0.2639%	2.5900%	2.5900%	0.0683%	0.0683%
6	Subchapter S Trust	Pass-Through	Individual	Taxable	1.98810060%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.1988%	0.1988%	2.5900%	2.5900%	0.0515%	0.0515%
7	Subchapter S Trust	Pass-Through	Individual	Taxable	2.63895350%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.2639%	0.2639%	2.5900%	2.5900%	0.0683%	0.0683%
8	Individual	Taxable Individual	Individual	Taxable	5.64115810%	Individual	Taxable	100.0000% HOH	10.0000%	10.0000%	0.5641%	0.5641%	2.5900%	2.5900%	0.1461%	0.1461%
9	Individual	Taxable Individual	Individual	Taxable	5.64115810%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.5641%	0.5641%	2.5900%	2.5900%	0.1461%	0.1461%
10	Individual	Taxable Individual	Individual	Taxable	5.64115810%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.5641%	0.5641%	2.5900%	2.5900%	0.1461%	0.1461%
11	Individual	Taxable Individual	Individual	Taxable	2.81229210%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.2812%	0.2812%	2.5900%	2.5900%	0.0728%	0.0728%
12	Individual	Taxable Individual	Individual	Taxable	5.64115810%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.5641%	0.5641%	2.5900%	2.5900%	0.1461%	0.1461%
13	Irrevocable Trust	Taxable Trust	Individual	Taxable	0.92360680%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.0924%	0.0924%	2.5900%	2.5900%	0.0239%	0.0239%
14	Irrevocable Trust	Pass-Through	Individual	Taxable	0.97084110%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.0971%	0.0971%	2.5900%	2.5900%	0.0251%	0.0251%
15	Irrevocable Trust	Pass-Through	Individual	Taxable	2.74551450%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.2746%	0.2746%	2.5900%	2.5900%	0.0711%	0.0711%
16	Subchapter S Trust	Pass-Through	Individual	Taxable	1.02865640%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.1029%	0.1029%	2.5900%	2.5900%	0.0266%	0.0266%
17	Subchapter S Trust	Pass-Through	Individual	Taxable	1.02865640%	Individual	Taxable	100.0000% Single	10.0000%	10.0000%	0.1029%	0.1029%	2.5900%	2.5900%	0.0266%	0.0266%
18	Living Trust	Pass-Through	Individual	Taxable	4.65763400%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.4658%	0.4658%	2.5900%	2.5900%	0.1206%	0.1206%
19	Family Trust	Pass-Through	Individual	Taxable	4.65763400%	Individual	Taxable	100.0000% MFS	10.0000%	10.0000%	0.4658%	0.4658%	2.5900%	2.5900%	0.1206%	0.1206%
20	Living Trust	Pass-Through	Individual	Taxable	4.65763400%	Individual	Taxable	100.0000% MFJ	10.0000%	10.0000%	0.4658%	0.4658%	2.5900%	2.5900%	0.1206%	0.1206%

100.0000%

13.4863%

2.8666%

Pima Utility Company - Water Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

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Shareholder	Adjusted Test Year		Total Income	Federal Taxes	State Taxes
	Water Income Before Tax	Allocated Water			
1	\$ -	\$ -	\$ -	-	-
2	59,984	59,984	59,984	10,689	1,954
3	3,823	3,823	3,823	372	99
4	3,823	3,823	3,823	372	99
5	3,823	3,823	3,823	372	99
6	2,880	2,880	2,880	281	75
7	3,823	3,823	3,823	372	99
8	8,172	8,172	8,172	796	212
9	8,172	8,172	8,172	796	212
10	8,172	8,172	8,172	796	212
11	4,074	4,074	4,074	387	106
12	8,172	8,172	8,172	796	212
13	1,338	1,338	1,338	130	35
14	1,406	1,406	1,406	137	36
15	3,977	3,977	3,977	387	103
16	1,490	1,490	1,490	145	39
17	1,490	1,490	1,490	145	39
18	6,747	6,747	6,747	657	175
19	6,747	6,747	6,747	657	175
20	6,747	6,747	6,747	657	175

\$ 144,856 \$ 18,956 \$ 4,153

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Based upon 2010 Tax Tables

Shareholder	2	Single			
State Income Tax	State Income Tax	State Taxable Income			Taxes
Over	Over	Amount plus	%		
\$ -	\$ 10,000.00	\$ -	2.59%	\$ 59,984	\$ -
\$ 10,000.00	\$ 25,000.00	\$ (29.00)	2.88%		\$ -
\$ 25,000.00	\$ 50,000.00	\$ (149.00)	3.36%		\$ -
\$ 50,000.00	\$ 150,000.00	\$ (589.00)	4.24%		\$ 1,954.30
\$ 150,000.00	\$ 999,999,999.00	\$ (1,039.00)	4.54%		\$ -
					\$ 1,954.30
					3.26%

Effective Tax Rate		Federal Taxable Income			
Federal Income Tax	Federal Income Tax	Amount plus	%		Taxes
Over	Over	But not Over			
\$ -	\$ 8,375.00	\$ 6,375.00	10%	\$ 58,029	\$ -
\$ 8,375.00	\$ 34,000.00	\$ 34,000.00	15%		\$ -
\$ 34,000.00	\$ 82,400.00	\$ 82,400.00	25%		\$ 10,688.56
\$ 82,400.00	\$ 171,850.00	\$ 171,850.00	28%		\$ -
\$ 171,850.00	\$ 373,650.00	\$ 373,650.00	33%		\$ -
\$ 373,650.00	\$ 999,999,999.00	\$ 108,421.25	35%		\$ -
					\$ 10,688.56
					18.42%

Shareholder	3	HOH			
State Income Tax	State Income Tax	State Taxable Income			Taxes
Over	Over	Amount plus	%		
\$ -	\$ 20,000.00	\$ -	2.59%	\$ 3,823	\$ 99.01
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%		\$ -
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%		\$ -
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%		\$ -
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%		\$ -
					\$ 99.01
					2.59%

Effective Tax Rate		Federal Taxable Income			
Federal Income Tax	Federal Income Tax	Amount plus	%		Taxes
Over	Over	But not Over			
\$ -	\$ 11,950.00	\$ 11,950.00	10%	\$ 3,724	\$ 372.37
\$ 11,950.00	\$ 45,550.00	\$ 45,550.00	15%		\$ -
\$ 45,550.00	\$ 117,650.00	\$ 1,195.00	25%		\$ -
\$ 117,650.00	\$ 190,550.00	\$ 6,235.00	28%		\$ -
\$ 190,550.00	\$ 373,650.00	\$ 24,260.00	33%		\$ -
\$ 373,650.00	\$ 999,999,999.00	\$ 44,672.00	35%		\$ -
					\$ 372.37
					10.00%

Shareholder		7		MFJ			
State Income Tax	Over	State Taxable Income	Amount plus	State Taxable Income	Amount plus	Taxes	
\$ -	\$ -	\$ 20,000.00	\$ -	\$ 20,000.00	\$ -	\$ 99.01	
\$ 20,000.00	\$ 20,000.00	\$ 50,000.00	\$ (58.00)	\$ 50,000.00	\$ (58.00)	\$ -	2.59%
\$ 50,000.00	\$ 50,000.00	\$ 100,000.00	\$ (298.00)	\$ 100,000.00	\$ (298.00)	\$ -	2.88%
\$ 100,000.00	\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	\$ 300,000.00	\$ (1,178.00)	\$ -	3.36%
\$ 300,000.00	\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	\$ 999,999,999.00	\$ (2,078.00)	\$ -	4.24%
							4.54%
Effective Tax Rate						\$ 99.01	
Federal Income Tax						\$ 2.59%	
						\$ 3,823	

Shareholder		7		MFJ			
State Income Tax	Over	State Taxable Income	Amount plus	State Taxable Income	Amount plus	Taxes	
\$ -	\$ -	\$ 16,750.00	\$ -	\$ 16,750.00	\$ -	\$ 372.37	
\$ 16,750.00	\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	\$ 68,000.00	\$ 1,675.00	\$ -	10%
\$ 68,000.00	\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	\$ 137,300.00	\$ 9,362.50	\$ -	15%
\$ 137,300.00	\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	\$ 209,250.00	\$ 26,687.50	\$ -	25%
\$ 209,250.00	\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	\$ 373,650.00	\$ 46,833.50	\$ -	28%
\$ 373,650.00	\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	\$ 999,999,999.00	\$ 101,085.50	\$ -	33%
						\$ 372.37	35%
Effective Tax Rate						\$ 10.00%	

Shareholder		8		HOH			
State Income Tax	Over	State Taxable Income	Amount plus	State Taxable Income	Amount plus	Taxes	
\$ -	\$ -	\$ 20,000.00	\$ -	\$ 20,000.00	\$ -	\$ 211.64	
\$ 20,000.00	\$ 20,000.00	\$ 50,000.00	\$ (58.00)	\$ 50,000.00	\$ (58.00)	\$ -	2.59%
\$ 50,000.00	\$ 50,000.00	\$ 100,000.00	\$ (298.00)	\$ 100,000.00	\$ (298.00)	\$ -	2.88%
\$ 100,000.00	\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	\$ 300,000.00	\$ (1,178.00)	\$ -	3.36%
\$ 300,000.00	\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	\$ 999,999,999.00	\$ (2,078.00)	\$ -	4.24%
							4.54%
Effective Tax Rate						\$ 211.64	
Federal Income Tax						\$ 2.59%	
						\$ 8,172	

Shareholder		8		HOH			
State Income Tax	Over	State Taxable Income	Amount plus	State Taxable Income	Amount plus	Taxes	
\$ -	\$ -	\$ 11,950.00	\$ -	\$ 11,950.00	\$ -	\$ 795.99	
\$ 11,950.00	\$ 11,950.00	\$ 45,550.00	\$ 1,195.00	\$ 45,550.00	\$ 1,195.00	\$ -	10%
\$ 45,550.00	\$ 45,550.00	\$ 117,650.00	\$ 6,235.00	\$ 117,650.00	\$ 6,235.00	\$ -	15%
\$ 117,650.00	\$ 117,650.00	\$ 190,550.00	\$ 24,260.00	\$ 190,550.00	\$ 24,260.00	\$ -	25%
\$ 190,550.00	\$ 190,550.00	\$ 373,650.00	\$ 44,672.00	\$ 373,650.00	\$ 44,672.00	\$ -	28%
\$ 373,650.00	\$ 373,650.00	\$ 999,999,999.00	\$ 105,095.00	\$ 999,999,999.00	\$ 105,095.00	\$ -	33%
						\$ 795.99	35%
Effective Tax Rate						\$ 10.00%	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

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Shareholder		9.10.12	MFJ	State Taxable Income		%	8.172	Taxes
State Income Tax	Over	But not Over	Amount plus	Amount plus				
\$	-	\$ 20,000.00	\$	-	2.59%	\$	211.64	
\$	20,000.00	\$ 50,000.00	\$	(58.00)	2.88%	\$	-	
\$	50,000.00	\$ 100,000.00	\$	(298.00)	3.36%	\$	-	
\$	100,000.00	\$ 300,000.00	\$	(1,178.00)	4.24%	\$	-	
\$	300,000.00	\$ 999,999,999.00	\$	(2,078.00)	4.54%	\$	-	
Effective Tax Rate						\$	211.64	
Federal Income Tax						\$	2.59%	
Effective Tax Rate								
\$	-	But not Over	Amount plus	%		\$	795.99	
\$	16,750.00	\$ 16,750.00	\$	-	10%	\$	-	
\$	68,000.00	\$ 68,000.00	\$	1,675.00	15%	\$	-	
\$	137,300.00	\$ 137,300.00	\$	9,362.50	25%	\$	-	
\$	209,250.00	\$ 209,250.00	\$	26,687.50	28%	\$	-	
\$	373,650.00	\$ 373,650.00	\$	46,833.50	33%	\$	-	
\$	999,999,999.00	\$ 999,999,999.00	\$	101,085.50	35%	\$	-	
Effective Tax Rate						\$	795.99	
Effective Tax Rate							10.00%	
Shareholder		11	MFJ	State Taxable Income		%	4.074	Taxes
State Income Tax	Over	But not Over	Amount plus	Amount plus				
\$	-	\$ 20,000.00	\$	-	2.59%	\$	105.51	
\$	20,000.00	\$ 50,000.00	\$	(58.00)	2.88%	\$	-	
\$	50,000.00	\$ 100,000.00	\$	(298.00)	3.36%	\$	-	
\$	100,000.00	\$ 300,000.00	\$	(1,178.00)	4.24%	\$	-	
\$	300,000.00	\$ 999,999,999.00	\$	(2,078.00)	4.54%	\$	-	
Effective Tax Rate						\$	105.51	
Federal Income Tax						\$	2.59%	
Effective Tax Rate								
\$	-	But not Over	Amount plus	Federal Taxable Income		%	3.968	Taxes
\$	16,750.00	\$ 16,750.00	\$	-	10%	\$	396.83	
\$	68,000.00	\$ 68,000.00	\$	1,675.00	15%	\$	-	
\$	137,300.00	\$ 137,300.00	\$	9,362.50	25%	\$	-	
\$	209,250.00	\$ 209,250.00	\$	26,687.50	28%	\$	-	
\$	373,650.00	\$ 373,650.00	\$	46,833.50	33%	\$	-	
\$	999,999,999.00	\$ 999,999,999.00	\$	101,085.50	35%	\$	-	
Effective Tax Rate						\$	396.83	
Effective Tax Rate							10.00%	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Shareholder		15	MFJ		3,977	Taxes	103.01
State Income Tax	Over		State Taxable Income				
			Amount plus				
\$	\$	20,000.00	\$	(58.00)	2.59%	\$	\$
\$	\$	50,000.00	\$	(298.00)	2.88%	\$	\$
\$	\$	100,000.00	\$	(1,178.00)	3.36%	\$	\$
\$	\$	300,000.00	\$	(2,078.00)	4.24%	\$	\$
\$	\$	999,999,999.00	\$		4.54%	\$	\$
						\$	103.01
							2.59%
Effective Tax Rate							
Federal Income Tax			Federal Taxable Income		\$	3,874	
			Amount plus				
\$	\$	16,750.00	\$	1,675.00	10%	\$	\$
\$	\$	68,000.00	\$	9,362.50	15%	\$	\$
\$	\$	137,300.00	\$	26,687.50	25%	\$	\$
\$	\$	209,250.00	\$	46,833.50	28%	\$	\$
\$	\$	373,650.00	\$	101,085.50	33%	\$	\$
\$	\$	999,999,999.00	\$		35%	\$	\$
						\$	387.40
							10.00%
Effective Tax Rate							
Shareholder	16	MFJ					
State Income Tax	Over	State Taxable Income					
		Amount plus					
\$	\$	20,000.00	\$	(58.00)	2.59%	\$	\$
\$	\$	50,000.00	\$	(298.00)	2.88%	\$	\$
\$	\$	100,000.00	\$	(1,178.00)	3.36%	\$	\$
\$	\$	300,000.00	\$	(2,078.00)	4.24%	\$	\$
\$	\$	999,999,999.00	\$		4.54%	\$	\$
						\$	38.59
							2.59%
Effective Tax Rate							
Shareholder	16	MFJ					
State Income Tax	Over	State Taxable Income					
		Amount plus					
\$	\$	16,750.00	\$	1,675.00	10%	\$	\$
\$	\$	68,000.00	\$	9,362.50	15%	\$	\$
\$	\$	137,300.00	\$	26,687.50	25%	\$	\$
\$	\$	209,250.00	\$	46,833.50	28%	\$	\$
\$	\$	373,650.00	\$	101,085.50	33%	\$	\$
\$	\$	999,999,999.00	\$		35%	\$	\$
						\$	145.15
							10.00%
Effective Tax Rate							

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

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Shareholder	19	MFS					
State Income Tax	State Income Tax	State Taxable Income	But not Over	Amount plus	%	Taxes	
Over	Over	Amount plus					
\$ -	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -	2.59%	\$ 174.74	
\$ 10,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ (29.00)	2.88%	\$ -	
\$ 25,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ (149.00)	3.36%	\$ -	
\$ 50,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ (589.00)	4.24%	\$ -	
\$ 150,000.00	\$ 999,999,999.00	\$ 999,999,999.00	\$ 999,999,999.00	\$ (1,039.00)	4.54%	\$ -	
Effective Tax Rate						\$ 174.74	
Federal Income Tax		Federal Taxable Income				2.59%	
\$ -	\$ 8,375.00	\$ 8,375.00	\$ 8,375.00	\$ -	10%	\$ 657.21	
\$ 8,375.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00	\$ 837.50	15%	\$ -	
\$ 34,000.00	\$ 82,400.00	\$ 82,400.00	\$ 82,400.00	\$ 4,681.25	25%	\$ -	
\$ 82,400.00	\$ 171,850.00	\$ 171,850.00	\$ 171,850.00	\$ 16,781.25	28%	\$ -	
\$ 171,850.00	\$ 373,650.00	\$ 373,650.00	\$ 373,650.00	\$ 41,827.25	33%	\$ -	
\$ 373,650.00	\$ 999,999,999.00	\$ 999,999,999.00	\$ 999,999,999.00	\$ 108,421.25	35%	\$ -	
Effective Tax Rate						\$ 657.21	
						10.00%	

Pima Utility Company - Water Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

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Shareholder	Adjusted Test Year		Total Income	Federal Taxes	State Taxes
	Water Income Before Tax	Allocated Water			
1	\$ -	\$ -	\$ -	-	-
2	293,939	293,939	293,939	78,056	12,306
3	18,732	18,732	18,732	2,140	485
4	18,732	18,732	18,732	1,900	485
5	18,732	18,732	18,732	1,900	485
6	14,112	14,112	14,112	1,375	366
7	18,732	18,732	18,732	1,900	485
8	40,043	40,043	40,043	5,245	1,095
9	40,043	40,043	40,043	5,005	1,095
10	40,043	40,043	40,043	5,005	1,095
11	19,963	19,963	19,963	2,079	517
12	40,043	40,043	40,043	5,005	1,095
13	6,556	6,556	6,556	639	170
14	6,891	6,891	6,891	671	178
15	19,489	19,489	19,489	2,010	505
16	7,302	7,302	7,302	711	189
17	7,302	7,302	7,302	711	189
18	33,062	33,062	33,062	3,988	894
19	33,062	33,062	33,062	4,396	962
20	33,062	33,062	33,062	3,988	894
			\$ 709,842	\$ 126,721	\$ 23,492

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Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Shareholder		4,5	Married Filing Jointly		
State Income Tax			State Taxable Income	Taxes	
Over	But not Over		Amount plus		%
\$	\$	20,000.00	\$	(58.00)	2.59%
\$	\$	50,000.00	\$	(298.00)	2.88%
\$	\$	100,000.00	\$	(1,178.00)	3.36%
\$	\$	300,000.00	\$	(2,078.00)	4.24%
\$	\$	999,999,999.00	\$		4.54%
\$	\$	300,000.00	\$	485.17	
			\$	2.59%	
			\$	18,732	
			\$	485.17	
			\$	2.59%	
Effective Tax Rate					
Federal Income Tax					
Over	But not Over		Amount plus	Taxes	%
\$	\$	16,750.00	\$	1,675.00	10%
\$	\$	68,000.00	\$	9,362.50	15%
\$	\$	137,300.00	\$	26,687.50	25%
\$	\$	209,250.00	\$	46,833.50	28%
\$	\$	373,650.00	\$	101,085.50	33%
\$	\$	999,999,999.00	\$		35%
\$	\$	373,650.00	\$	1,899.59	
			\$	10.41%	
			\$	18,247	
			\$	365.51	
			\$	2.59%	
Effective Tax Rate					
Shareholder		6	Married Filing Jointly		
State Income Tax			State Taxable Income	Taxes	
Over	But not Over		Amount plus		%
\$	\$	20,000.00	\$	(58.00)	2.59%
\$	\$	50,000.00	\$	(298.00)	2.88%
\$	\$	100,000.00	\$	(1,178.00)	3.36%
\$	\$	300,000.00	\$	(2,078.00)	4.24%
\$	\$	999,999,999.00	\$		4.54%
\$	\$	20,000.00	\$	14,112	
			\$	365.51	
			\$	2.59%	
Effective Tax Rate					
Federal Income Tax					
Over	But not Over		Amount plus	Taxes	%
\$	\$	16,750.00	\$	1,675.00	10%
\$	\$	68,000.00	\$	9,362.50	15%
\$	\$	137,300.00	\$	26,687.50	25%
\$	\$	209,250.00	\$	46,833.50	28%
\$	\$	373,650.00	\$	101,085.50	33%
\$	\$	999,999,999.00	\$		35%
\$	\$	16,750.00	\$	1,374.69	
			\$	10.00%	
			\$	13,747	
			\$	1,374.69	
			\$	10.00%	
Effective Tax Rate					

Shareholder		7	MFJ				
State Income Tax			State Taxable Income	Amount plus	\$	18,732	Taxes
Over	But not Over					%	
\$ -	\$ 20,000.00	\$	\$ -		\$	2.59%	\$ 485.17
\$ 20,000.00	\$ 50,000.00	\$	\$ (58.00)		\$	2.88%	-
\$ 50,000.00	\$ 100,000.00	\$	\$ (298.00)		\$	3.36%	-
\$ 100,000.00	\$ 300,000.00	\$	\$ (1,178.00)		\$	4.24%	-
\$ 300,000.00	\$ 999,999,999.00	\$	\$ (2,078.00)		\$	4.54%	-
Effective Tax Rate					\$		485.17
Federal Income Tax			Federal Taxable Income		\$		2.59%
Over	But not Over		Amount plus			%	Taxes
\$ -	\$ 16,750.00	\$	\$ -		\$	10%	-
\$ 16,750.00	\$ 68,000.00	\$	\$ 1,675.00		\$	15%	\$ 1,899.59
\$ 68,000.00	\$ 137,300.00	\$	\$ 9,362.50		\$	25%	-
\$ 137,300.00	\$ 209,250.00	\$	\$ 26,687.50		\$	28%	-
\$ 209,250.00	\$ 373,650.00	\$	\$ 46,833.50		\$	33%	-
\$ 373,650.00	\$ 999,999,999.00	\$	\$ 101,085.50		\$	35%	-
Effective Tax Rate					\$		1,899.59
Federal Income Tax			Federal Taxable Income		\$		10.41%
Shareholder		8	HOH				
State Income Tax			State Taxable Income	Amount plus	\$	40,043	Taxes
Over	But not Over					%	
\$ -	\$ 20,000.00	\$	\$ -		\$	2.59%	-
\$ 20,000.00	\$ 50,000.00	\$	\$ (58.00)		\$	2.88%	\$ 1,095.25
\$ 50,000.00	\$ 100,000.00	\$	\$ (298.00)		\$	3.36%	-
\$ 100,000.00	\$ 300,000.00	\$	\$ (1,178.00)		\$	4.24%	-
\$ 300,000.00	\$ 999,999,999.00	\$	\$ (2,078.00)		\$	4.54%	-
Effective Tax Rate					\$		1,095.25
Federal Income Tax			Federal Taxable Income		\$		2.74%
Shareholder			MFJ				
State Income Tax			State Taxable Income	Amount plus	\$	38,948	Taxes
Over	But not Over					%	
\$ -	\$ 11,950.00	\$	\$ -		\$	10%	-
\$ 11,950.00	\$ 45,550.00	\$	\$ 1,195.00		\$	15%	\$ 5,244.71
\$ 45,550.00	\$ 117,650.00	\$	\$ 6,235.00		\$	25%	-
\$ 117,650.00	\$ 190,550.00	\$	\$ 24,260.00		\$	28%	-
\$ 190,550.00	\$ 373,650.00	\$	\$ 44,672.00		\$	33%	-
\$ 373,650.00	\$ 999,999,999.00	\$	\$ 105,095.00		\$	35%	-
Effective Tax Rate					\$		5,244.71
Federal Income Tax			Federal Taxable Income		\$		13.47%

Pima Utility Company - Water Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 8.3

Shareholder	9,10,12	MFJ		
State Income Tax	State Taxable Income	State Taxable Income		
Over	But not Over	Amount plus	%	Taxes
\$ -	\$ 20,000.00	\$ -	2.59%	\$ -
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	\$ 1,095.25
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	\$ -
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	\$ -
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	\$ -
				\$ 1,095.25
Effective Tax Rate				2.74%
Federal Income Tax		Federal Taxable Income		\$ 38,948

Shareholder	But not Over	Amount plus	%	Taxes
\$ -	\$ 16,750.00	\$ -	10%	\$ -
\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	15%	\$ 5,004.71
\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	25%	\$ -
\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	28%	\$ -
\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	33%	\$ -
\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%	\$ -
Effective Tax Rate				\$ 5,004.71
				12.85%

Shareholder	11	MFJ		
State Income Tax	State Taxable Income	State Taxable Income		
Over	But not Over	Amount plus	%	Taxes
\$ -	\$ 20,000.00	\$ -	2.59%	\$ 517.04
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	\$ -
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	\$ -
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	\$ -
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	\$ -
Effective Tax Rate				\$ 517.04
				2.59%
Federal Income Tax		Federal Taxable Income		\$ 19,446

Shareholder	But not Over	Amount plus	%	Taxes
\$ -	\$ 16,750.00	\$ -	10%	\$ -
\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	15%	\$ 2,079.37
\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	25%	\$ -
\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	28%	\$ -
\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	33%	\$ -
\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%	\$ -
Effective Tax Rate				\$ 2,079.37
				10.69%

Pima Utility Company - Water Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 8.4

Shareholder	13	MFJ	State Taxable Income	%	Taxes
State Income Tax		Amount plus			
Over	\$ -	\$ -	\$ -	2.59%	\$ 169.80
	\$ 20,000.00	\$ 20,000.00	\$ -	2.88%	-
	\$ 50,000.00	\$ 50,000.00	\$ (58.00)	3.36%	-
	\$ 100,000.00	\$ 100,000.00	\$ (298.00)	4.24%	-
	\$ 300,000.00	\$ 300,000.00	\$ (1,178.00)	4.54%	-
	\$ 999,999,999.00	\$ 999,999,999.00	\$ (2,078.00)		-
Effective Tax Rate					\$ 169.80
Federal Income Tax		Federal Taxable Income			2.59%
	\$ -	Amount plus			
Over	\$ 16,750.00	\$ 16,750.00	\$ -	10%	\$ 638.63
	\$ 68,000.00	\$ 68,000.00	\$ 1,675.00	15%	-
	\$ 137,300.00	\$ 137,300.00	\$ 9,362.50	25%	-
	\$ 209,250.00	\$ 209,250.00	\$ 26,687.50	28%	-
	\$ 373,650.00	\$ 373,650.00	\$ 46,833.50	33%	-
	\$ 999,999,999.00	\$ 999,999,999.00	\$ 101,085.50	35%	-
Effective Tax Rate					\$ 638.63
					10.00%
Shareholder	14	MFJ	State Taxable Income	%	Taxes
State Income Tax		Amount plus			
Over	\$ -	\$ -	\$ -	2.59%	\$ 178.49
	\$ 20,000.00	\$ 20,000.00	\$ (58.00)	2.88%	-
	\$ 50,000.00	\$ 50,000.00	\$ (298.00)	3.36%	-
	\$ 100,000.00	\$ 100,000.00	\$ (1,178.00)	4.24%	-
	\$ 300,000.00	\$ 300,000.00	\$ (2,078.00)	4.54%	-
	\$ 999,999,999.00	\$ 999,999,999.00	\$ (2,078.00)		-
Effective Tax Rate					\$ 178.49
Federal Income Tax		Federal Taxable Income			2.59%
	\$ -	Amount plus			
Over	\$ 16,750.00	\$ 16,750.00	\$ -	10%	\$ 671.30
	\$ 68,000.00	\$ 68,000.00	\$ 1,675.00	15%	-
	\$ 137,300.00	\$ 137,300.00	\$ 9,362.50	25%	-
	\$ 209,250.00	\$ 209,250.00	\$ 26,687.50	28%	-
	\$ 373,650.00	\$ 373,650.00	\$ 46,833.50	33%	-
	\$ 999,999,999.00	\$ 999,999,999.00	\$ 101,085.50	35%	-
Effective Tax Rate					\$ 671.30
					10.00%

Shareholder	17	Single	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 10,000.00	\$ -	2.59%	\$ 189.12	
\$ 10,000.00	\$ 25,000.00	\$ (29.00)	2.88%	\$ -	
\$ 25,000.00	\$ 50,000.00	\$ (149.00)	3.36%	\$ -	
\$ 50,000.00	\$ 150,000.00	\$ (589.00)	4.24%	\$ -	
\$ 150,000.00	\$ 999,999,999.00	\$ (1,039.00)	4.54%	\$ -	
Effective Tax Rate				\$ 189.12	
Federal Income Tax		Federal Taxable Income		\$ 7,113	2.59%
Over	But not Over	Amount plus	%	Taxes	
\$ -	\$ 8,375.00	\$ -	10%	\$ 711.27	
\$ 8,375.00	\$ 34,000.00	\$ 837.50	15%	\$ -	
\$ 34,000.00	\$ 82,400.00	\$ 4,681.25	25%	\$ -	
\$ 82,400.00	\$ 171,850.00	\$ 16,781.25	28%	\$ -	
\$ 171,850.00	\$ 373,650.00	\$ 41,827.25	33%	\$ -	
\$ 373,650.00	\$ 999,999,999.00	\$ 108,421.25	35%	\$ -	
Effective Tax Rate				\$ 711.27	
				\$ 10.00%	

Shareholder	18,20	MFJ	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 20,000.00	\$ -	2.59%	\$ -	
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	\$ 894.18	
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	\$ -	
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	\$ -	
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	\$ -	
Effective Tax Rate				\$ 894.18	
Federal Income Tax		Federal Taxable Income		\$ 32,168	2.70%
Over	But not Over	Amount plus	%	Taxes	
\$ -	\$ 16,750.00	\$ -	10%	\$ -	
\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	15%	\$ 3,987.65	
\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	25%	\$ -	
\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	28%	\$ -	
\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	33%	\$ -	
\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%	\$ -	
Effective Tax Rate				\$ 3,987.65	
				\$ 12.40%	

Shareholder	19	MFS					
State Income Tax	State Income Tax	State Taxable Income					
<u>Over</u>	<u>But not Over</u>	<u>Amount plus</u>	<u>%</u>	<u>Taxes</u>			
\$ -	\$ 10,000.00	\$ -	2.59%	\$ -	\$ 33,062		
\$ 10,000.00	\$ 25,000.00	\$ (29.00)	2.88%	\$ -			
\$ 25,000.00	\$ 50,000.00	\$ (149.00)	3.36%	\$ 961.88			
\$ 50,000.00	\$ 150,000.00	\$ (589.00)	4.24%	\$ -			
\$ 150,000.00	\$ 999,999,999.00	\$ (1,039.00)	4.54%	\$ -			
				\$ 961.88			
Effective Tax Rate				\$ 2.91%			
Federal Income Tax	Federal Taxable Income			\$ 32,100			
<u>Over</u>	<u>But not Over</u>	<u>Amount plus</u>	<u>%</u>	<u>Taxes</u>			
\$ -	\$ 8,375.00	\$ -	10%	\$ -			
\$ 8,375.00	\$ 34,000.00	\$ 837.50	15%	\$ 4,396.25			
\$ 34,000.00	\$ 82,400.00	\$ 4,681.25	25%	\$ -			
\$ 82,400.00	\$ 171,850.00	\$ 16,781.25	28%	\$ -			
\$ 171,850.00	\$ 373,650.00	\$ 41,827.25	33%	\$ -			
\$ 373,650.00	\$ 999,999,999.00	\$ 108,421.25	35%	\$ -			
Effective Tax Rate				\$ 4,396.25			
				13.70%			

Pima Utility Company - Water Division
 Test Year Ended December 31, 2010
 Effective Tax Rate and Income Tax Comparison to C-Corp.

Exhibit
 Schedule C-3
 Page 9

Line No.	<u>S-Corp</u>	<u>C-Corp.</u>	<u>Difference</u>
1			
2 State Income Taxes at Proposed Rates	\$ 23,492	\$ 63,462	\$ 39,971
3 Federal Income Taxes at Proposed Rates	127,130	\$ 288,083	160,953
4 Total Income Taxes	<u>\$ 150,622</u>	<u>\$ 351,545</u>	<u>\$ 200,924</u>
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16 <u>SUPPORTING SCHEDULES</u>			
17 C-3, page 2			
18 Work papers			
19			
20			

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

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2010	Median Bill		Proposed Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
			Dec. 73573 Present Rates	40-252 Proposed Rates			
1	5/8x3/4 Inch Residential	9,747	\$ 4,500	\$ 10.16	\$ 0.58	5.73%	95.87%
2	1 Inch Residential	220	22,500	41.38	2.47	5.97%	2.17%
3							
4	5/8x3/4 Inch Commercial	63	6,500	13.18	\$ 0.78	5.94%	0.62%
5	3/4 Inch Commercial	4	4,500	14.78	0.86	5.81%	0.04%
6	1 Inch Commercial	46	11,000	30.45	1.78	5.85%	0.45%
7	1 1/2 Inch Commercial	11	32,500	65.88	3.91	5.94%	0.11%
8	2 Inch Commercial	72	65,000	117.75	7.04	5.98%	0.71%
9							
10	Irrigation	4	8,864,900	4,701.10	\$ 354.60	7.54%	0.04%
11							
12							
13							
14							
15							
16							
17	Totals	10,167					100.00%
18							
19	Actual Year End Number of Customers:	10,188					
20							
21							
22							
23							
24							

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

Exhibit
 Schedule H-3
 Page 1

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Dec. 73573 Present Rates	40-252 Proposed Rates	Change	Percent Change
1	5/8x3/4 Inch	\$ 7.00	\$ 7.39	\$ 0.39	5.60%
2	3/4 Inch	10.50	11.09	0.59	5.60%
3	1 Inch	20.00	21.12	1.12	5.60%
4	1 1/2 Inch	35.00	36.96	1.96	5.60%
5	2 Inch	56.00	59.14	3.14	5.60%
6	3 Inch	130.00	137.28	7.28	5.60%
7	4 Inch	175.00	184.80	9.80	5.60%
8	6 Inch	350.00	369.60	19.60	5.60%
9	Irrigation	180.00	180.00	-	0.00%
10					
11					
12	Gallons In Minimum (All Classes, except irrigation)	-	-	-	
13					
14	<u>Gallons In Minimum (Irrigation)</u>	-	-	-	
15					
16					
17					
18					
19	<u>Commodity Rates</u>				
20					
21					
22	5/8x3/4 Inch - Residential				
23	4,001 gallons to 10,000 gallons	\$ 0.67	\$ 0.71	\$ 0.04	5.97%
24	over 10,000 gallons	\$ 0.95	\$ 1.01	\$ 0.06	6.32%
25		\$ 1.36	\$ 1.45	\$ 0.09	6.62%
26	3/4 Inch Meter - Residential				
27	1 gallons to 4,000 gallons	\$ 0.67	\$ 0.71	\$ 0.04	5.97%
28	4,001 gallons to 10,000 gallons	\$ 0.95	\$ 1.01	\$ 0.06	6.32%
29	over 10,000 gallons	\$ 1.36	\$ 1.45	\$ 0.09	6.62%
30	3/4 Inch Meter - Commercial				
31	1 gallons to 10,000 gallons	\$ 0.95	\$ 1.01	\$ 0.06	6.32%
32	over 10,000 gallons	\$ 1.36	\$ 1.45	\$ 0.09	6.62%
33					
34	NT = No Tariff				
35					

(Per 1,000 gallons)

Dec. 73573 40-252

Present Rate Proposed Rate

Change

Percent Change

ATTACHMENT 2

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

Exhibit
Schedule A-1

Line No.		<u>Decision 73573</u>	<u>40-252 Income Tax</u>	<u>Difference</u>
1	Fair Value Rate Base	\$ 9,895,103	\$ 9,895,103	\$ -
2				
3				
4	Operating Revenues	\$ 3,096,775	\$ 3,096,775	
5	Operating Expenses before Property Taxes and Income Taxes	2,350,766	2,350,766	
6	Property Taxes	124,635	124,635	
7	Income Taxes	-	<u>92,724</u>	
8	Adjusted Operating Income	<u>\$ 621,374</u>	<u>\$ 528,649</u>	\$ (92,724)
9				
10	Current Rate of Return	6.28%	5.34%	
11				
12	Required Operating Income	\$ 754,996	\$ 754,996	\$ -
13				
14	Required Rate of Return on Fair Value Rate Base	7.63%	7.63%	
15				
16	Operating Income Deficiency	\$ 133,623	\$ 226,347	\$ 92,724
17				
18	Gross Revenue Conversion Factor	1.01358	1.34378	
19				
20	Increase in Gross Revenue			
21	Requirement	\$ 135,438	\$ 304,160	\$ 168,722
22				
23	Test Year Adjusted Revenues	\$ 3,096,775	\$ 3,096,775	\$ -
24	Increase in Revenue Requirement	\$ 135,438	\$ 304,160	\$ 168,722
25	Proposed Revenue Requirement	\$ 3,232,213	\$ 3,400,935	\$ 168,722
26	% Increase	4.37%	9.82%	5.45%
27				
28				
29				
30				
31				
32				
33	Property Taxes at Proposed Revenues	\$ 126,451	\$ 128,713	\$ 2,262
34	Income Taxes at Proposed Revenues	-	\$ 166,458	166,458
35			Total	\$ 168,721
36			Change in Revenue Requirement	<u>168,722</u>
37			Difference	\$ (1)
38				
39				
40				
41	<u>SUPPORTING SCHEDULES</u>			
42	Decision			
43	C-1			
44	C-2			
45	C-3			
46				
47				
48				
49				
50				

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

Exhibit
 Schedule C-1
 Page 1

Line No.		Decision Adjusted Results	Income Taxes	40-252 Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Flat Rate Revenues	\$ 2,997,389		\$ 2,997,389	\$ 304,157	\$ 3,301,545
3	Misc. Service Revenues	93,356		93,356		93,356
4	Other Wastewater Revenues	6,030		6,030		6,030
5		<u>\$ 3,096,775</u>	<u>\$ -</u>	<u>\$ 3,096,775</u>	<u>\$ 304,157</u>	<u>\$ 3,400,931</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 345,644		\$ 345,644		\$ 345,644
8	Salaries and Wages - Off. and L	13,686		13,686		13,686
9	Employee Pensions and Benefit	114,342		114,342		114,342
10	Purchased Power	134,337		134,337		134,337
11	Chemicals	84,059		84,059		84,059
12	Materials and Supplies	162,141		162,141		162,141
13	Office Supplies and Expense	188,446		188,446		188,446
14	Contractual Services - Engineer	781		781		781
15	Contractual Services - Accountii	3,067		3,067		3,067
16	Contractual Services - Legal	108		108		108
17	Contractual Services - Other	54,362		54,362		54,362
18	Contr. Services - Water Testing	27,886		27,886		27,886
19	Rents - Equipment	698		698		698
20	Transportation Expenses	28,808		28,808		28,808
21	Insurance - Vehicle	3,067		3,067		3,067
22	Insurance - General Liability	20,916		20,916		20,916
23	Insurance - Worker's Comp	222		222		222
24	Reg. Comm. Exp.	630		630		630
25	Reg. Comm. Exp. - Rate Case	-		-		-
26	Bad Debt Expense	9,509		9,509		9,509
27	Miscellaneous Expense	2,174		2,174		2,174
28	Depreciation Expense	1,082,505		1,082,505		1,082,505
29	Amortization of Deferred Op. Cc	62,925		62,925		62,925
30	Taxes Other Than Income	10,449		10,449		10,449
31	Property Taxes	124,635		124,635	4,078	128,713
32	Income Tax	-	92,724	92,724	73,734	166,458
33	Reconciling Amount	3		3		3
34	Total Operating Expenses	<u>\$ 2,475,401</u>	<u>\$ 92,724</u>	<u>\$ 2,568,125</u>	<u>\$ 77,812</u>	<u>\$ 2,645,938</u>
35	Operating Income	<u>\$ 621,374</u>	<u>\$ (92,724)</u>	<u>\$ 528,649</u>	<u>\$ 226,344</u>	<u>\$ 754,994</u>

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

Exhibit
 Schedule C-2
 Page 1

Line
No.

1 Property Taxes:

2

3

4 DESCRIPTION

Test Year
as adjusted

Company
Recommended

5 Company Adjusted Test Year Revenues

\$ 3,096,775

\$ 3,096,775

6 Weight Factor

2

2

7 Subtotal (Line 1 * Line 2)

6,193,550

6,193,550

8 Company Recommended Revenue

3,096,775

3,400,931

9 Subtotal (Line 4 + Line 5)

9,290,325

9,594,481

10 Number of Years

3

3

11 Three Year Average (Line 5 / Line 6)

3,096,775

3,198,160

12 Department of Revenue Multiplier

2

2

13 Revenue Base Value (Line 7 * Line 8)

6,193,550

6,396,321

14 Plus: 10% of CWIP - 2010

3,971

3,971

15 Less: Net Book Value of Licensed Vehicles

-

-

16 Full Cash Value (Line 9 + Line 10 - Line 11)

6,197,521

6,400,292

17 Assessment Ratio

20.0%

20.0%

18 Assessment Value (Line 12 * Line 13)

1,239,504

1,280,058

19 Composite Property Tax Rate - Obtained from ADOR

10.0552%

10.0552%

20 Test Year Adjusted Property Tax Expense (Line 14 * Line 15)

\$ 124,635

\$ 128,713

21 Tax on Parcels

-

-

22 Total Property Taxes (Line 16 + Line 17)

\$ 124,635

23 Test Year Property Taxes

\$ 124,635

24 Adjustment to Test Year Property Taxes (Line 18 - Line 19)

\$ -

25

26 Property Tax on Company Recommended Revenue (Line 16 + Line 17)

\$ 128,713

27 Company Test Year Adjusted Property Tax Expense (Line 18)

\$ 124,635

28 Increase in Property Tax Due to Increase in Revenue Requirement

\$ 4,078

29

30 Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)

\$ 4,078

31 Increase in Revenue Requirement

\$ 304,157

Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)

1.34070%

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

Exhibit
 Schedule C-3
 Page 1

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Income Tax Rate	24.5716%
2		
3		
4		
5	Property Taxes	<u>1.0113%</u>
6		
7		
8	Total Tax Percentage	25.5829%
9		
10	Operating Income % = 100% - Tax Percentage	74.4171%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.3438
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
20		

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	25.5829%					
5	Subtotal (L3 - L4)	74.4171%					
6	Revenue Conversion Factor (L1 / L5)	1.343777					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	24.5716%					
9	One Minus Combined Income Tax Rate (L7 - L8)	75.4284%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate (L55 Col [E])	3.5255%					
14	Federal Taxable Income (L12 - L13)	96.4745%					
15	Applicable Federal Income Tax Rate (Line 44)	21.8152%					
16	Effective Federal Income Tax Rate (L14 x L15)	21.0461%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		24.5716%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	24.5716%					
20	One Minus Combined Income Tax Rate (L18-L19)	75.4284%					
21	Property Tax Factor	1.3407%					
22	Effective Property Tax Factor (L20*L21)		1.0113%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			25.5829%			
24	Required Operating Income	\$ 754,996					
25	Adjusted Test Year Operating Income (Loss)	528,649					
26	Required Increase in Operating Income (L24 - L25)		\$ 226,347				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 166,458					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 92,724					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 73,734				
30	Recommended Revenue Requirement	\$ 3,400,931					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ -					
36	Property Tax on Test Year Revenue	\$ 222					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ (222)				
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 299,860				

	(A)		(B)		(C)	(D)		(E)		(F)
	Total	Sewer	Total	Sewer		Total	Sewer	Total	Sewer	
<u>Calculation of Income Tax:</u>										
39	Revenue	\$ 3,096,775	\$ 3,096,775			\$ 3,400,931	\$ 3,400,931			
40	Operating Expenses Excluding Income Taxes	\$ 2,475,401	\$ 2,475,401			\$ 2,479,479	\$ 2,479,479			
41	Synchronized Interest (L47)	\$ 148,427	\$ 148,427			\$ 148,427	\$ 148,427			
42	Arizona Taxable Income (L39 - L40 - L31)	\$ 472,947	\$ 472,947			\$ 773,027	\$ 773,027			
43	Arizona State Income Tax Rate (see Schedule C-3, page 3)	3.2040%	3.2040%			3.3288%	3.3288%			
44	Arizona Income Tax (L42 x L43)	\$ 15,153	\$ 15,153			\$ 25,733	\$ 25,733			
45	Federal Taxable Income (L42 - L44)	\$ 457,794	\$ 457,794			\$ 747,294	\$ 747,294			
46	Federal Tax Rate (see Schedule C-3, page 3)	16.9445%	16.9445%			18.8314%	18.8314%			
47	Federal Income Taxes (L45xL46)	\$ 77,571	\$ 77,571			\$ 140,726	\$ 140,726			
48										
49										
50										
51	Total Federal Income Tax (L47)	\$ 77,571	\$ 77,571			\$ 140,726	\$ 140,726			
52	Combined Federal and State Income Tax (L44 + L47)	\$ 92,724	\$ 92,724	\$ -		\$ 166,458	\$ 166,458	\$ -		
53	COMBINED Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (A), L51] / [Col. (D), L45 - Col. (A), L45]					21.8152%				
54	Applicable Federal Income Tax Rate [Col. (E), L51 - Col. (B), L51] / [Col. (E), L45 - Col. (B), L45]							21.8152%		
55	Applicable State Income Tax Rate [Col. (E), L44 - Col. (B), L44] / [Col. (E), L42 - Col. (B), L42]								3.5255%	

<u>Calculation of Interest Synchronization:</u>		
56	Rate Base	\$ 9,895,103
57	Weighted Average Cost of Debt	1.5000%
58	Synchronized Interest (L56 X L57)	\$ 148,427

Pima Utility Company - Wastewater Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 4

Shareholder	Adjusted Test Year		Total Income	Federal Taxes	State Taxes
	WW Income Before Tax	Allocated WW Income			
1	\$ -	\$ -	\$ -	-	-
2	195,843	195,843	195,843	47,154	7,852
3	12,481	12,481	12,481	1,226	323
4	12,481	12,481	12,481	1,216	323
5	12,481	12,481	12,481	1,216	323
6	9,403	9,403	9,403	916	244
7	12,481	12,481	12,481	1,216	323
8	26,680	26,680	26,680	3,298	710
9	26,680	26,680	26,680	3,058	710
10	26,680	26,680	26,680	3,058	710
11	13,301	13,301	13,301	1,296	344
12	26,680	26,680	26,680	3,058	710
13	4,368	4,368	4,368	426	113
14	4,592	4,592	4,592	447	119
15	12,985	12,985	12,985	1,265	336
16	4,865	4,865	4,865	474	126
17	4,865	4,865	4,865	474	126
18	22,028	22,028	22,028	2,380	576
19	22,028	22,028	22,028	2,795	605
20	22,028	22,028	22,028	2,380	576
			\$ 472,947	\$ 77,351	\$ 15,153

Based upon 2010 Tax Tables

Shareholder State Income Tax Over	2		State Taxable Income Amount plus	%	Taxes
	But not Over	\$			
\$ -	10,000.00	\$ -	-	2.59%	\$ -
\$ 10,000.00	25,000.00	\$ (29.00)	(29.00)	2.88%	\$ -
\$ 25,000.00	50,000.00	\$ (149.00)	(149.00)	3.36%	\$ -
\$ 50,000.00	150,000.00	\$ (589.00)	(589.00)	4.24%	\$ -
\$ 150,000.00	999,999,999.00	\$ (1,039.00)	(1,039.00)	4.54%	\$ 7,852.25
					\$ 7,852.25
Effective Tax Rate					4.01%

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	\$			
\$ -	8,375.00	\$ -	-	10%	\$ -
\$ 8,375.00	34,000.00	\$ 837.50	837.50	15%	\$ -
\$ 34,000.00	82,400.00	\$ 4,681.25	4,681.25	25%	\$ -
\$ 82,400.00	171,850.00	\$ 16,781.25	16,781.25	28%	\$ -
\$ 171,850.00	373,650.00	\$ 41,827.25	41,827.25	33%	\$ 47,153.54
\$ 373,650.00	999,999,999.00	\$ 108,421.25	108,421.25	35%	\$ 47,153.54
					\$ 47,153.54
Effective Tax Rate					25.08%

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	\$			
\$ -	20,000.00	\$ -	-	2.59%	\$ 323.25
\$ 20,000.00	50,000.00	\$ (58.00)	(58.00)	2.88%	\$ -
\$ 50,000.00	100,000.00	\$ (298.00)	(298.00)	3.36%	\$ -
\$ 100,000.00	300,000.00	\$ (1,178.00)	(1,178.00)	4.24%	\$ -
\$ 300,000.00	999,999,999.00	\$ (2,078.00)	(2,078.00)	4.54%	\$ -
					\$ 323.25
Effective Tax Rate					2.59%

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	\$			
\$ -	11,950.00	\$ -	-	10%	\$ -
\$ 11,950.00	45,550.00	\$ 1,195.00	1,195.00	15%	\$ 1,226.14
\$ 45,550.00	117,650.00	\$ 6,235.00	6,235.00	25%	\$ -
\$ 117,650.00	190,550.00	\$ 24,260.00	24,260.00	28%	\$ -
\$ 190,550.00	373,650.00	\$ 44,672.00	44,672.00	33%	\$ -
\$ 373,650.00	999,999,999.00	\$ 105,095.00	105,095.00	35%	\$ -
					\$ 1,226.14
Effective Tax Rate					10.09%

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 5.1

Shareholder		4,5		Married Filing Jointly			
State Income Tax	Over	But not Over	Amount plus	State Taxable Income	Amount plus	Taxes	%
\$	-	\$ 20,000.00	\$ -	\$	12,481	\$ 323.25	2.59%
\$	20,000.00	\$ 50,000.00	\$ (58.00)	\$		\$ -	2.88%
\$	50,000.00	\$ 100,000.00	\$ (298.00)	\$		\$ -	3.36%
\$	100,000.00	\$ 300,000.00	\$ (1,178.00)	\$		\$ -	4.24%
\$	300,000.00	\$ 999,999,999.00	\$ (2,078.00)	\$		\$ -	4.54%
Effective Tax Rate						\$ 323.25	
Federal Income Tax				Federal Taxable Income		2.59%	
\$	-	\$ 16,750.00	\$ -	\$		\$ 1,215.76	10%
\$	16,750.00	\$ 68,000.00	\$ 1,675.00	\$		\$ -	15%
\$	68,000.00	\$ 137,300.00	\$ 9,362.50	\$		\$ -	25%
\$	137,300.00	\$ 209,250.00	\$ 26,687.50	\$		\$ -	28%
\$	209,250.00	\$ 373,650.00	\$ 46,833.50	\$		\$ -	33%
\$	373,650.00	\$ 999,999,999.00	\$ 101,085.50	\$		\$ -	35%
Effective Tax Rate						\$ 1,215.76	
Federal Income Tax				Federal Taxable Income		10.00%	
Shareholder		6		Married Filing Jointly			
State Income Tax	Over	But not Over	Amount plus	State Taxable Income	Amount plus	Taxes	%
\$	-	\$ 20,000.00	\$ -	\$	9,403	\$ 243.53	2.59%
\$	20,000.00	\$ 50,000.00	\$ (58.00)	\$		\$ -	2.88%
\$	50,000.00	\$ 100,000.00	\$ (298.00)	\$		\$ -	3.36%
\$	100,000.00	\$ 300,000.00	\$ (1,178.00)	\$		\$ -	4.24%
\$	300,000.00	\$ 999,999,999.00	\$ (2,078.00)	\$		\$ -	4.54%
Effective Tax Rate						\$ 243.53	
Federal Income Tax				Federal Taxable Income		2.59%	
\$	-	\$ 16,750.00	\$ -	\$		\$ 915.91	10%
\$	16,750.00	\$ 68,000.00	\$ 1,675.00	\$		\$ -	15%
\$	68,000.00	\$ 137,300.00	\$ 9,362.50	\$		\$ -	25%
\$	137,300.00	\$ 209,250.00	\$ 26,687.50	\$		\$ -	28%
\$	209,250.00	\$ 373,650.00	\$ 46,833.50	\$		\$ -	33%
\$	373,650.00	\$ 999,999,999.00	\$ 101,085.50	\$		\$ -	35%
Effective Tax Rate						\$ 915.91	
Federal Income Tax				Federal Taxable Income		10.00%	

Pima Utility Company - Wastewater Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 5.2

Shareholder		7		MFJ			
State Income Tax	Over	But not Over	State Taxable Income	Amount plus	%	Taxes	
\$ -	\$ -	20,000.00	\$ -	-	2.59%	\$ 323.25	
\$ 20,000.00	\$ 50,000.00	50,000.00	\$ (58.00)	(58.00)	2.88%	\$ -	
\$ 50,000.00	\$ 100,000.00	100,000.00	\$ (298.00)	(298.00)	3.36%	\$ -	
\$ 100,000.00	\$ 300,000.00	300,000.00	\$ (1,178.00)	(1,178.00)	4.24%	\$ -	
\$ 300,000.00	\$ 999,999,999.00	999,999,999.00	\$ (2,078.00)	(2,078.00)	4.54%	\$ -	
Effective Tax Rate						\$ 323.25	
Federal Income Tax						2.59%	
						\$ 12,481	
							10.00%
						\$ 1,215.76	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ 1,215.76	
Effective Tax Rate						10.00%	
						\$ 26,680	
							10.00%
						\$ 710.37	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ 710.37	
Effective Tax Rate						2.66%	
Federal Income Tax						\$ 25,969	
							12.70%
						\$ 3,297.90	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ 3,297.90	
Effective Tax Rate						12.70%	

Shareholder		8		HOH			
State Income Tax	Over	But not Over	State Taxable Income	Amount plus	%	Taxes	
\$ -	\$ -	20,000.00	\$ -	-	2.59%	\$ -	
\$ 20,000.00	\$ 50,000.00	50,000.00	\$ (58.00)	(58.00)	2.88%	\$ 710.37	
\$ 50,000.00	\$ 100,000.00	100,000.00	\$ (298.00)	(298.00)	3.36%	\$ -	
\$ 100,000.00	\$ 300,000.00	300,000.00	\$ (1,178.00)	(1,178.00)	4.24%	\$ -	
\$ 300,000.00	\$ 999,999,999.00	999,999,999.00	\$ (2,078.00)	(2,078.00)	4.54%	\$ -	
Effective Tax Rate						\$ 710.37	
Federal Income Tax						2.66%	
						\$ 25,969	
							12.70%
						\$ 3,297.90	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ -	
						\$ 3,297.90	
Effective Tax Rate						12.70%	

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Shareholder State Income Tax		MFJ State Taxable Income		Effective Tax Rate	
Over	But not Over	Amount plus	%	Taxes	
\$ -	\$ 20,000.00	\$ -	2.59%	\$ 113.14	
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	\$ -	
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	\$ -	
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	\$ -	
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	\$ -	
				\$ 113.14	
				\$ 4,368	
				\$ 2.59%	
				\$ 4,255	
				\$ 10.00%	
				\$ 425.50	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ 425.50	
				\$ 10.00%	
				\$ 4,592	
				\$ 2.59%	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ 118.92	
				\$ 2.59%	
				\$ 4,473	
				\$ 10.00%	
				\$ 447.26	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ -	
				\$ 447.26	
				\$ 10.00%	

Shareholder	15	MFJ	State Taxable Income	%	\$	Taxes
State Income Tax	Over	But not Over	Amount plus			
\$	-	\$ 20,000.00	\$ -	2.59%	\$ 12,985	\$ 336.31
\$	20,000.00	\$ 50,000.00	\$ (58.00)	2.88%		
\$	50,000.00	\$ 100,000.00	\$ (298.00)	3.36%		
\$	100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%		
\$	300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%		
Effective Tax Rate						\$ 336.31
Federal Income Tax					\$ 12,649	2.59%

Shareholder	16	MFJ	State Taxable Income	%	\$	Taxes
State Income Tax	Over	But not Over	Amount plus			
\$	-	\$ 16,750.00	\$ -	10%	\$ 4,865	\$ 1,264.85
\$	16,750.00	\$ 68,000.00	\$ 1,675.00	15%		
\$	68,000.00	\$ 137,300.00	\$ 9,362.50	25%		
\$	137,300.00	\$ 209,250.00	\$ 26,687.50	28%		
\$	209,250.00	\$ 373,650.00	\$ 46,833.50	33%		
\$	373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%		
Effective Tax Rate						\$ 1,264.85
Federal Income Tax					\$ 10,000%	10.00%

Shareholder	15	MFJ	State Taxable Income	%	\$	Taxes
State Income Tax	Over	But not Over	Amount plus			
\$	-	\$ 20,000.00	\$ -	2.59%	\$ 4,739	\$ 126.00
\$	20,000.00	\$ 50,000.00	\$ (58.00)	2.88%		
\$	50,000.00	\$ 100,000.00	\$ (298.00)	3.36%		
\$	100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%		
\$	300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%		
Effective Tax Rate						\$ 126.00
Federal Income Tax					\$ 4,739	2.59%

Shareholder	16	MFJ	State Taxable Income	%	\$	Taxes
State Income Tax	Over	But not Over	Amount plus			
\$	-	\$ 16,750.00	\$ -	10%	\$ 4,739	\$ 473.90
\$	16,750.00	\$ 68,000.00	\$ 1,675.00	15%		
\$	68,000.00	\$ 137,300.00	\$ 9,362.50	25%		
\$	137,300.00	\$ 209,250.00	\$ 26,687.50	28%		
\$	209,250.00	\$ 373,650.00	\$ 46,833.50	33%		
\$	373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%		
Effective Tax Rate						\$ 473.90
Federal Income Tax					\$ 10,000%	10.00%

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Shareholder State Income Tax	17	But not Over	Single State Taxable Income	%	\$	Taxes
Over			Amount plus			
\$ -	\$ -	10,000.00	\$ -	2.59%	\$ 4,865	126.00
\$ 10,000.00	\$ 10,000.00	25,000.00	(29.00)	2.88%		-
\$ 25,000.00	\$ 25,000.00	50,000.00	(149.00)	3.36%		-
\$ 50,000.00	\$ 50,000.00	150,000.00	(589.00)	4.24%		-
\$ 150,000.00	\$ 150,000.00	999,999,999.00	(1,039.00)	4.54%		-
					\$	126.00
						2.59%

Effective Tax Rate	Federal Taxable Income	\$	Taxes
Federal Income Tax			
\$ -	\$ -	\$ 4,739	473.90
\$ 8,375.00	8,375.00		-
\$ 34,000.00	34,000.00		-
\$ 82,400.00	82,400.00		-
\$ 171,850.00	171,850.00		-
\$ 373,650.00	373,650.00		-
\$ 373,650.00	373,650.00		-
		\$	473.90
			10.00%

Effective Tax Rate	18,20	But not Over	MFJ State Taxable Income	%	\$	Taxes
Shareholder State Income Tax	Over		Amount plus			
\$ -	\$ -	20,000.00	\$ -	2.59%	\$ 22,028	-
\$ 20,000.00	\$ 20,000.00	50,000.00	(68.00)	2.88%		576.41
\$ 50,000.00	\$ 50,000.00	100,000.00	(298.00)	3.36%		-
\$ 100,000.00	\$ 100,000.00	300,000.00	(1,178.00)	4.24%		-
\$ 300,000.00	\$ 300,000.00	999,999,999.00	(2,078.00)	4.54%		-
					\$	576.41
						2.62%

Effective Tax Rate	Federal Taxable Income	\$	Taxes
Federal Income Tax			
\$ -	\$ -	\$ 21,452	2,380.26
\$ 16,750.00	16,750.00		-
\$ 68,000.00	68,000.00		-
\$ 137,300.00	137,300.00		-
\$ 209,250.00	209,250.00		-
\$ 373,650.00	373,650.00		-
\$ 373,650.00	373,650.00		-
		\$	2,380.26
			11.10%

Effective Tax Rate

Shareholder	1st level Ownership Type	1st level Ownership Tax Status	1st level Ownership %	2nd Level Ownership Type	2nd Level Ownership Tax Status	2nd Level Ownership %	Taxable Ownership Tax Filing Status	Federal Effective Tax rate	Wtd Average Fed Tax Rate	State Effective Tax rate	Wtd Average State Tax Rate
1	Individual	Taxable Individual	0.0000%		Taxable		Single	0.0000%	0.0000%	0.0000%	0.0000%
2	Individual	Taxable Individual	41.4089840%		Taxable		HOH	28.1459%	11.6549%	4.2154%	1.7456%
3	Subchapter S Trust	Pass-Through	2.63895350%	Individual	Taxable	100.000%	HOH	11.9930%	0.3165%	2.5957%	0.0685%
4	Subchapter S Trust	Pass-Through	2.63895350%	Individual	Taxable	100.000%	MFJ	10.7852%	0.2846%	2.5957%	0.0685%
5	Subchapter S Trust	Pass-Through	2.63895350%	Individual	Taxable	100.000%	MFJ	10.7852%	0.2846%	2.5957%	0.0685%
6	Subchapter S Trust	Pass-Through	1.98810060%	Individual	Taxable	100.000%	MFJ	10.0000%	0.1988%	2.5900%	0.0515%
7	Subchapter S Trust	Pass-Through	2.63895350%	Individual	Taxable	100.000%	MFJ	10.7852%	0.2846%	2.5957%	0.0685%
8	Individual	Taxable Individual	5.64115810%				HOH	13.5911%	0.7667%	2.7470%	0.1550%
9	Individual	Taxable Individual	5.64115810%				MFJ	13.0252%	0.7348%	2.7470%	0.1550%
10	Individual	Taxable Individual	5.64115810%				MFJ	13.0252%	0.7348%	2.7470%	0.1550%
11	Individual	Taxable Individual	2.81229210%				MFJ	11.0442%	0.3106%	2.6132%	0.0735%
12	Individual	Taxable Individual	5.64115810%				MFJ	13.0252%	0.7348%	2.7470%	0.1550%
13	Irrevocable Trust	Taxable Trust	0.92360680%	Individual	Taxable		MFJ	10.0000%	0.0924%	2.5900%	0.0239%
14	Irrevocable Trust	Pass-Through	0.97084110%	Individual	Taxable	100.000%	MFJ	10.0000%	0.0971%	2.5900%	0.0251%
15	Irrevocable Trust	Pass-Through	2.74551450%	Individual	Taxable	100.000%	MFJ	10.9483%	0.3006%	2.6087%	0.0716%
16	Subchapter S Trust	Pass-Through	1.02865640%	Individual	Taxable	100.000%	MFJ	10.0000%	0.1029%	2.5900%	0.0266%
17	Subchapter S Trust	Pass-Through	1.02865640%	Individual	Taxable	100.000%	Single	10.0000%	0.1029%	2.5900%	0.0266%
18	Living Trust	Pass-Through	4.65763400%	Individual	Taxable	100.000%	MFJ	12.6089%	0.5873%	2.7189%	0.1266%
19	Family Trust	Pass-Through	4.65763400%	Individual	Taxable	100.000%	MFS	14.0718%	0.6554%	2.9482%	0.1372%
20	Living Trust	Pass-Through	4.65763400%	Individual	Taxable	100.000%	MFJ	12.6089%	0.5873%	2.7189%	0.1266%

18.8314%

3.3288%

Pima Utility Company - Wastewater Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 7

Shareholder	Adjusted Test Year		Total Income	Federal Taxes	State Taxes
	WW Income Before Tax	Allocated Water			
1	\$ -	\$ -	\$ -	-	-
2	320,103	320,103	320,103	86,298	13,494
3	20,400	20,400	20,400	2,383	530
4	20,400	20,400	20,400	2,143	530
5	20,400	20,400	20,400	2,143	530
6	15,369	15,369	15,369	1,497	398
7	20,400	20,400	20,400	2,143	530
8	43,608	43,608	43,608	5,764	1,198
9	43,608	43,608	43,608	5,524	1,198
10	43,608	43,608	43,608	5,524	1,198
11	21,740	21,740	21,740	2,338	568
12	43,608	43,608	43,608	5,524	1,198
13	7,140	7,140	7,140	695	185
14	7,505	7,505	7,505	731	194
15	21,224	21,224	21,224	2,263	553
16	7,952	7,952	7,952	775	206
17	7,952	7,952	7,952	775	206
18	36,005	36,005	36,005	4,416	979
19	36,005	36,005	36,005	4,917	1,061
20	36,005	36,005	36,005	4,416	979
			\$ 773,027	\$ 140,270	\$ 25,733

\$ 773,027 \$ 140,270 \$ 25,733

SUPPORTING SCHEDULE

Based upon 2010 Tax Tables

Shareholder State Income Tax Over	2		State Taxable Income Amount plus	%	Taxes
	But not Over	320,103			
\$ -	\$ 10,000.00	\$ -	2.59%	\$ -	
\$ 10,000.00	\$ 25,000.00	\$ (29.00)	2.88%	\$ -	
\$ 25,000.00	\$ 50,000.00	\$ (149.00)	3.36%	\$ -	
\$ 50,000.00	\$ 150,000.00	\$ (589.00)	4.24%	\$ -	
\$ 150,000.00	\$ 999,999,999.00	\$ (1,039.00)	4.54%	\$ 13,493.65	
Effective Tax Rate Federal Income Tax					\$ 13,493.65 4.22%

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	20,400			
\$ -	\$ 8,375.00	\$ -	10%	\$ -	
\$ 8,375.00	\$ 34,000.00	\$ 837.50	15%	\$ -	
\$ 34,000.00	\$ 82,400.00	\$ 4,681.25	25%	\$ -	
\$ 82,400.00	\$ 171,850.00	\$ 16,781.25	28%	\$ -	
\$ 171,850.00	\$ 373,650.00	\$ 41,827.25	33%	\$ 86,297.67	
\$ 373,650.00	\$ 999,999,999.00	\$ 108,421.25	35%	\$ 86,297.67 28.15%	
Effective Tax Rate					

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	19,870			
\$ -	\$ 20,000.00	\$ -	2.59%	\$ -	
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	\$ 529.51	
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	\$ -	
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	\$ -	
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	\$ -	
Effective Tax Rate Federal Income Tax					\$ 529.51 2.60%

Shareholder State Income Tax Over	3		State Taxable Income Amount plus	%	Taxes
	But not Over	105,095.00			
\$ -	\$ 11,950.00	\$ -	10%	\$ -	
\$ 11,950.00	\$ 45,550.00	\$ 1,195.00	15%	\$ 2,383.05	
\$ 45,550.00	\$ 117,650.00	\$ 6,235.00	25%	\$ -	
\$ 117,650.00	\$ 190,550.00	\$ 24,260.00	28%	\$ -	
\$ 190,550.00	\$ 373,650.00	\$ 44,672.00	33%	\$ -	
\$ 373,650.00	\$ 999,999,999.00	\$ 105,095.00	35%	\$ 2,383.05 11.98%	
Effective Tax Rate					

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Effective Tax Rate Computation at Present Rates

Shareholder State Income Tax Over	4.5	Married Filing Jointly		Federal Taxable Income	Effective Tax Rate Federal Income Tax	Taxes
		But not Over	State Taxable Income Amount plus			
\$ -	\$ 20,000.00	\$ -	\$ 20,400	\$ -	2.59%	\$ -
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	\$ -	\$ 19,870	2.88%	\$ 529.51
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	\$ -		3.36%	\$ -
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	\$ -		4.24%	\$ -
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	\$ -		4.54%	\$ -
						\$ 529.51
						2.60%

Shareholder State Income Tax Over	6	Married Filing Jointly		Federal Taxable Income	Effective Tax Rate Federal Income Tax	Taxes
		But not Over	State Taxable Income Amount plus			
\$ -	\$ 20,000.00	\$ -	\$ 15,369	\$ -	2.59%	\$ -
\$ 16,750.00	\$ 50,000.00	\$ (58.00)	\$ -	\$ 14,971	2.88%	\$ 398.05
\$ 68,000.00	\$ 100,000.00	\$ (298.00)	\$ -		3.36%	\$ -
\$ 137,300.00	\$ 300,000.00	\$ (1,178.00)	\$ -		4.24%	\$ -
\$ 209,250.00	\$ 999,999,999.00	\$ (2,078.00)	\$ -		4.54%	\$ -
\$ 373,650.00						\$ 398.05
						2.59%

Shareholder State Income Tax Over	4.5	Married Filing Jointly		Federal Taxable Income	Effective Tax Rate Federal Income Tax	Taxes
		But not Over	State Taxable Income Amount plus			
\$ -	\$ 20,000.00	\$ -	\$ 20,400	\$ -	10%	\$ -
\$ 16,750.00	\$ 50,000.00	\$ (58.00)	\$ -	\$ 19,870	15%	\$ 2,143.05
\$ 68,000.00	\$ 100,000.00	\$ (298.00)	\$ -		25%	\$ -
\$ 137,300.00	\$ 300,000.00	\$ (1,178.00)	\$ -		28%	\$ -
\$ 209,250.00	\$ 999,999,999.00	\$ (2,078.00)	\$ -		33%	\$ -
\$ 373,650.00					35%	\$ -
						\$ 2,143.05
						10.79%

Shareholder State Income Tax Over	6	Married Filing Jointly		Federal Taxable Income	Effective Tax Rate Federal Income Tax	Taxes
		But not Over	State Taxable Income Amount plus			
\$ -	\$ 20,000.00	\$ -	\$ 15,369	\$ -	10%	\$ -
\$ 16,750.00	\$ 50,000.00	\$ (58.00)	\$ -	\$ 14,971	15%	\$ 1,497.05
\$ 68,000.00	\$ 100,000.00	\$ (298.00)	\$ -		25%	\$ -
\$ 137,300.00	\$ 300,000.00	\$ (1,178.00)	\$ -		28%	\$ -
\$ 209,250.00	\$ 999,999,999.00	\$ (2,078.00)	\$ -		33%	\$ -
\$ 373,650.00					35%	\$ -
						\$ 1,497.05
						10.00%

Effective Tax Rate

Pima Utility Company - Wastewater Division
 Test Year Ended December 31, 2010
 Effective Tax Rate Computation at Present Rates

Exhibit
 Schedule C-3
 Page 8.4

Shareholder	13	MFJ	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 20,000.00	\$ -	2.59%	\$ 184.92	
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	-	
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	-	
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	-	
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	-	
				\$ 184.92	
Effective Tax Rate				2.59%	
Federal Income Tax				\$ 7,140	
				6,955	

Shareholder	14	MFJ	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 16,750.00	\$ -	10%	\$ 695.48	
\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	15%	-	
\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	25%	-	
\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	28%	-	
\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	33%	-	
\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%	-	
				\$ 695.48	
Effective Tax Rate				10.00%	

Shareholder	13	MFJ	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 20,000.00	\$ -	2.59%	\$ 194.38	
\$ 20,000.00	\$ 50,000.00	\$ (58.00)	2.88%	-	
\$ 50,000.00	\$ 100,000.00	\$ (298.00)	3.36%	-	
\$ 100,000.00	\$ 300,000.00	\$ (1,178.00)	4.24%	-	
\$ 300,000.00	\$ 999,999,999.00	\$ (2,078.00)	4.54%	-	
				\$ 194.38	
Effective Tax Rate				2.59%	
Federal Income Tax				\$ 7,310	
				7,310	

Shareholder	14	MFJ	State Taxable Income	%	Taxes
State Income Tax	But not Over	Amount plus			
\$ -	\$ 16,750.00	\$ -	10%	\$ 731.05	
\$ 16,750.00	\$ 68,000.00	\$ 1,675.00	15%	-	
\$ 68,000.00	\$ 137,300.00	\$ 9,362.50	25%	-	
\$ 137,300.00	\$ 209,250.00	\$ 26,687.50	28%	-	
\$ 209,250.00	\$ 373,650.00	\$ 46,833.50	33%	-	
\$ 373,650.00	\$ 999,999,999.00	\$ 101,085.50	35%	-	
				\$ 731.05	
Effective Tax Rate				10.00%	

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Effective Tax Rate and Income Tax Comparison to C-Corp.

Exhibit
Schedule C-3
Page 9

Line
No.

	<u>S-Corp</u>	<u>C-Corp.</u>	<u>Difference</u>
1			
2 State Income Taxes at Proposed Rates	\$ 25,733	\$ 68,836	\$ 43,103
3 Federal Income Taxes at Proposed Rates	140,726	312,476	171,750
4 Total Income Taxes	<u>\$ 166,458</u>	<u>\$ 381,311</u>	<u>\$ 214,853</u>

5

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16 SUPPORTING SCHEDULES

17 C-3, page 2

18 Work papers

19

20

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

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2010	Median Bill		Proposed Rates	Proposed Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
			Dec. 73573 Present Rates	40-252 Proposed Rates				
1	5/8x3/4 Inch Residential	9,747	\$ 23.97	\$ 25.17	\$ 1.20	5.00%	96.69%	
2	1 Inch Residential	220	62.56	65.69	3.13	5.00%	2.19%	
3								
4	5/8x3/4 Inch Commercial	24	23.97	25.17	1.20	5.00%	0.23%	
5	3/4 Inch Commercial	3	37.26	39.12	1.86	5.00%	0.03%	
6	1 Inch Commercial	24	62.56	65.69	3.13	5.00%	0.24%	
7	1 1/2 Inch Commercial	9	123.72	129.91	6.19	5.00%	0.09%	
8	2 Inch Commercial	52	197.54	207.42	9.88	5.00%	0.51%	
9								
10	Irrigation (effluent)	3	180.00	180.00	-	0.00%	0.03%	
11								
12								
13								
14								
15								
16								
17	Totals	10,081					100.00%	
18								
19	Actual Year End Number of Customers:	10,077						
20								
21								
22								
23								
24								

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

Exhibit
 Schedule H-3
 Page 1

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Dec. 73573 Present Rates	40-252 Proposed Rates	Change	Percent Change
1	5/8x3/4 Inch	\$ 23.97	\$ 25.17	\$ 1.20	5.00%
2	3/4 Inch	37.26	39.12	1.86	5.00%
3	1 Inch	62.56	65.69	3.13	5.00%
4	1 1/2 Inch	123.72	129.91	6.19	5.00%
5	2 Inch	197.54	207.42	9.88	5.00%
6	3 Inch	383.50	402.68	19.18	5.00%
7	4 Inch	599.22	629.18	29.96	
8	6 Inch	1,198.44	1,198.44	-	
9					
10	Effluent (all meter sizes)	180.00	180.00	-	0.00%
11					
12	<u>Gallons In Minimum (All Classes)</u>	-	-		
13					
14					
15					
16					
17	Effluent (all meter sizes)	\$ 0.46	\$ 0.48	\$ 0.02	5.00%
18					
19					
20					
21	NT = No Tariff				