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2013 MAR 29 P 3: 26

AZ CORP COMMISSION
DOCKET CONTROL

Transcript Exhibit(s)

Docket #(s): W-01412A-12-0195

Arizona Corporation Commission
DOCKETED
MAR 29 2013
DOCKETED BY

Exhibit # : A2, A3, A4, S1, S2, S3
S4, S5, S6, S7

Part 2 of 2

SETTLEMENT AGREEMENT

The purpose of this Settlement Agreement ("Agreement") is to settle all issues related to Arizona Corporation Commission Docket No. W-01412A-12-0195, Valley Utilities Water Company's application for a determination of fair value and the setting of rates thereon (the "Docket" or "Rate Case"). This Agreement is entered into by Valley Utilities Water Company, Inc. ("VUWCO" or "Company") and Arizona Corporation Commission Utilities Division ("Staff"), the only two parties to this Docket (a "Party", or collectively, the "Parties").

Terms And Conditions

In consideration of the promises and agreements contained herein, the Parties agree that each, every and all of the following numbered sections and subsections comprise the Parties' Agreement.

1. Recitals

1.1 On May 30, 2012, VUWCO filed with the Commission an application for rate increases (Docket No. W-01412-12-0195).

1.2 No other entity filed to intervene.

1.3 A Procedural Order was issued on July 5, 2012, scheduling an evidentiary hearing on the rate application to begin on March 4, 2013. In a subsequent Procedural Order, issued on July 23, 2012, the hearing was set on February 27, 2013.

1.4 This Agreement is a result of the Parties' good faith efforts to settle all of the issues presented in the Rate Case.

1.5 The Parties agree and represent on their belief that the terms and conditions of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by VUWCO's Rate Case. The adoption of this Agreement will further serve the public interest by allowing all parties to obtain greater certainty and avoid the expense, delay, and risk associated with continued protracted litigation.

1.6 As further reflected in this Agreement, the Parties acknowledge that under Arizona law the Commission has plenary authority over the determination of fair value and setting of rates.

EXHIBIT
A-2

2. Resolution of Issues in Dispute

2.1 In order to reach a full settlement, the Parties have agreed that the issues in dispute in the Rate Case should be resolved as follows:

(a) Staff Rate Base Adjustments – VUWCO agrees to Staff Rate Base adjustments Nos. 1-6.

(b) Working Capital Allowance – the Company's working capital allowance shall be reduced by $28,220 adopting the cash working capital adjustment portion of Staff Rate Base Adjustment No. 7. The Company's WIFA Debt Service Reserve Fund in the amount of $146,105 will be included in the working capital allowance as proposed by the Company.

(c) Property Tax Expense – the correct level of property expense should be $63,677.

(d) Bad Debt Expense – the correct level of bad debt expense should be $3,304.

(e) Late Charge – the Company's late charge will remain at $10 per month. In addition, Staff and VUWCO agree to meet within 45 days of a decision in this Docket case to discuss additional remedies the Company will employ to further reduce the delinquency rates. This Docket shall remain open until December 31, 2013, for this issue only to allow the Company to file any remedy resulting from discussions with Staff.

(f) Rate Design – the rate design should provide that 40 percent of the metered revenue be collected from the monthly minimum as proposed by Staff. The resulting minimum charges are $18.40 (5/8"x3/4" meters), $27.60 (3/4" meters), $46.00 (1" meters), $92.00 (1 1/2" meters), $147.20 (2" meters), $294.40 (3" meters), $460.00 (4" meters) and $920 (6" meters). The break over points for 5/8" x 3/4" and 3/4" meters are not in dispute and shall be 3,000 and 10,000 gallons for residential meters and 10,000 gallons for commercial meters. The break over between the 2nd and 3rd tiers for the 1" and larger meters shall be as proposed by the Company. Specifically, the tier break over points would be 23,000 gallons for 1" meters, 58,000 for 1-1/2" meters, 95,000 for 2" meters, 207,000 for 3" meters, 335,000 for 4" meters and 690,000 for 6" meters. The commodity rates for each of the three tiers shall be $1.60, $2.88 and $3.80 for the first, second and third tiers, respectively.

3. Revenue Requirement – Rate Base, Operating Income, Rate of Return

3.1 For ratemaking purposes and for the purposes of this Agreement, the Parties agree to each of the following settlement terms and conditions:

(a) Rate increases should be based on adjusted test year revenues of $1,454,522, which includes the test year Arsenic Surcharge Remediation Mechanism ("ARSM") revenue.

(b) The ARSM should be discontinued.

(c) VUWCO should receive a total revenue increase of $160,147, which revenue increase results in total revenue requirements of $1,614,989 for the Company.

(d) The Company's fair value rate base should be $2,109,695. All Parties agree that fair value rate base shall be equal to original cost less depreciation.

(e) The Company's total adjusted test year operating expenses should be $1,442,240. The total operating expenses at proposed rates for VUWCO should be $1,477,859.

(f) The revenue requirement should be based on Staff's proposed depreciation rates.

(g) An overall rate of return equal to 6.5 percent is fair and reasonable. This return includes a 0.3 percent upward adjustment to the weighted average cost of capital and is based on a capital structure consisting of 12.9 percent equity and 87.1 percent debt. The cost of the debt is 5.8 percent and the authorized return on equity is 9.1 percent.

(h) The return on rate base and recovery of operating expenses set forth herein result in total operating income of $137,130.

(i) The revenue requirement agreed to herein results in an overall 11.03 percent rate increase over test year revenues, which revenues included the ARSM.

(i) The rates that result from the increased revenue requirements agreed to herein are just and reasonable and would result in VUWCO recovering its reasonable operating expenses and a just and reasonable return on its fair value rate base given the evidence presented to the Commission in this Rate Case and the terms and conditions of this Agreement.

3.2 The Settlement Schedules attached hereto as **Exhibit A** reflect the Parties' agreed upon rate base, operating expenses and operating income, cost of capital and rate design.

4. Commission Approval

4.1 The Parties acknowledge and agree that the determination of VUWCO's fair value rate base and establishment of just and reasonable rates thereon, requires Commission approval, and that the Commission will independently consider and evaluate the terms of this Agreement. With respect to approval of this Agreement, the Parties agree as follows:

(a) To support and defend the Agreement by filing the testimony as required by the Administrative Law Judge, appearing at any and all hearings, open meetings or other proceedings in the Docket related to the Agreement, and taking any and all other steps reasonably necessary to obtain Commission adoption of the material terms of the Agreement, including, but not limited to, eliciting support from its constituents.

(b) To waive all rights to appeal a Commission decision providing the Commission adopts the material terms of this Agreement.

(c) A final, non-appealable Commission order adopting the material terms of this Agreement shall constitute Commission approval of the Agreement for purposes of the Agreement.

(d) Consistent with any order of the Commission, but not less than fifteen days after the Commission issues an order in this matter, VUWCO shall file compliance tariffs for Staff review and approval. Such compliance tariffs, however, will become effective upon the effective date of the rate increase stated in the Commission's Order.

4.2 The Parties further agree that in the event the Commission fails to issue an order adopting all material terms of this Agreement or modifies or adds material terms to this Agreement, any or all of the Parties may withdraw from this Agreement, and such Party or Parties may pursue their respective remedies at law without prejudice. For the purposes of this Agreement, whether a term is material shall be left to the reasonable discretion of the Party choosing to withdraw from the Agreement. The Parties agree that this Agreement will not have any binding force or effect until its material terms are adopted as an order of the Commission. This provision shall not relieve the Parties of their obligations pursuant to this Section 5 of this Agreement.

5. Miscellaneous Provisions

5.1 With respect to the Parties' Agreement as set forth herein, the Parties further agree to the following general terms and conditions of their agreement to settle their disputed claims in the rate case:

(a) That each person whose signature appears below is fully authorized and empowered to execute this Agreement.

(b) That each Party is represented by competent legal counsel and that they understand all of the terms of this Agreement, that it has had an opportunity to participate in the drafting of this Agreement and fully review this Agreement with its counsel before signing, and that it executes this Agreement with full knowledge of the terms of the Agreement.

(c) Nothing in this Agreement shall be construed as an admission by any of the Parties that any of the positions taken by any Party in this proceeding is unreasonable or unlawful. In addition, acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any party in these proceedings.

(d) This Agreement represents the Parties' mutual desire to compromise and settle in good faith all disputed issues in the Rate Case in a manner consistent with the public interest. The terms and provisions of this Agreement apply solely to and are binding only in the context of the circumstances and those purposes. None of

the positions taken in this Agreement by any of the Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

(e) All negotiations relating to this Agreement are privileged and confidential. No Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement. The Parties expressly agree that evidence of conduct or statements made in the course of negotiating this Agreement shall not be offered and are not admissible before this Commission, any other regulatory agency, or any court.

(f) Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable except upon express consent of the Parties.

(g) This Agreement may be executed in counterparts. This Agreement also may be executed electronically or by facsimile.

Executed this 22nd day of February, 2013.

VALLEY UTILITIES WATER COMPANY, Inc.

By: _____

Its: President

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION STAFF

By: _____

Its: Director

Exhibit A

Settlement Schedules

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Increase in Gross Revenue Requirements

Line No.			
1	Original Cost Adjusted Rate Base	$ 2,109,695	
2			
3	Adjusted Operating Income	12,282	
4			
5	Current Rate of Return	0.58%	
6			
7	Required Operating Income	$ 137,130	
8			
9	Required Rate of Return	6.500%	
10			
11	Operating Income Deficiency	$ 124,848	
12			
13	Gross Revenue Conversion Factor	1.2853	
14			
15	Increase in Gross Revenue	$ 160,467	11.03%
16			
17			

	Customer Classification	Projected Revenue Increase Due To Rates	% Dollar Increase
18			
19			
20			
21			
22			
23	Fire Service	$ 330	48.39%
24	Residential	99,086	10.22%
25	Commercial	7,526	10.49%
26	Commercial (Multifamily)	32,924	15.21%
27	Commercial (Irrigation)	24,111	17.47%
28	Other Water Revenue	-	0.00%
29			
30	Total Revenue Increase	$ 163,977	11.27%
31			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

Schedule B-1 Settlement-Final
Page 1

Line No.		Company As Filed	Accepted Staff Surrebuttal Adjustments	Staff ADJ NO.	Adjusted End of Test Year
1					
2	Gross Utility Plant in Service	$ 10,331,861	$ (86,051)	1,2,3,4,5	$ 10,245,810
3					
4	Less: Accumulated Depreciation	(3,034,427)	22,782	6	(3,011,645)
5					
6	Net Utility Plant in Service	7,297,434	(63,269)		7,234,165
7					
8	Less:				
9	Advances in Aid of Construction	3,933,272	-		3,933,272
10					
11	Contributions in Aid of Construction	1,561,727	-		1,561,727
12	Accumulated Amortization of CIAC	(438,464)	-		(438,464)
13	Contributions in Aid of Construction - Net	1,123,263	-		1,123,263
14					
15	Customer Security Deposits	78,425	-		78,425
16	Deferred Income Taxes	195,362	-		195,362
17					
18	Plus:				
19	Working Capital	234,073	(28,220)	7	205,853
20	Net Regulatory Asset / (Liability)				
21					
22	Rate Base	$ 2,201,184	$ (91,489)		$ 2,109,695

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Adjusted Test Year Income Statement

Schedule C-1 Settlement-Final
Page 1

Line No.			Company Test Year As Filed	Proposed Rate Increase	Adjusted With Rate Increase
1	**Revenues**				
2	460	Unmetered Water Revenue	$ 682	330	$ 1,012
3	461	Metered Water Revenues	1,395,426	160,137	1,555,564
4	474	Other Water Revenues	58,414		58,414
5	**Total Revenues**		$ 1,454,522	$ 160,467	$ 1,614,989
6	**Operating Expenses**				
7	601	Salaries and Wages	$ 452,645		$ 452,645
8	604	Employee Pension and Benefits	73,738		73,738
9	610	Purchased Water	4,045		4,045
10	615	Purchased Power	143,759		143,759
11	618	Chemicals	7,567		7,567
12	620	Repairs and Maintenance	128,499		128,499
13	621	Office Supplies Expense	8,119		8,119
14	631	Contractual Services - Engineering	2,020		2,020
15	632	Contractual Services - Accounting	2,879		2,879
16	633	Contractual Services - Legal	4,259		4,259
17	634	Contractual Services - Management Fees	-		-
18	635	Contractual Services - Testing	10,732		10,732
19	636	Contractual Services - Other	14,069		14,069
20	641	Rent - Buildings	35,553		35,553
21	642	Rent - Equipment	2,215		2,215
22	650	Transportation Expense	29,087		29,087
23	656	Insurance - Vehicle	-		-
24	657	Insurance - General Liability	20,878		20,878
25	658	Insurance - Workman's Compensation	2,528		2,528
26	659	Insurance - Other	-		-
27	660	Advertising Expense	-		-
28	666	Regulatory Commission Expense - Rate Case	40,000		40,000
29	667	Regulatory Expense - Other	14,169		14,169
30	668	Water Resource Conservation Expense	-		-
31	670	Bad Debt Expense	2,975	328	3,304
32	675	Miscellaneous Expense	49,017		49,017
33	403	Depreciation Expense	322,982		322,982
34	408	Taxes Other Than Income	33,756		33,756
35	408.11	Property Taxes	61,408	2,258	63,667
36	409	Income Tax	(24,660)	33,033	8,373
37	**Total Operating Expenses**		$ 1,442,240	$ 35,620	$ 1,477,859
38	**Operating Income**		$ 12,282	$ 124,848	$ 137,130
39	**Other Income (Expense)**				
40	419	Interest and Dividend Income	$ 68		$ 68
41	421	Non-Utility Income	164		164
42	426	Miscellaneous Non-Utility Expenses	(15,828)		(15,828)
43	427	Interest Expense	(106,193)		(106,193)
44	**Total Other Income (Expense)**		$ (121,789)	$ -	$ (121,789)
45	**Net Income (Loss)**		$ (109,506)	$ 124,848	$ 15,342
46					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Schedule H-1 Settlement-Final
Page 1

Line No.	Customer Classification	Revenues in the Test Year: Present Rates	Revenues in the Test Year: Proposed Rates	Proposed Increase: Amount	Proposed Increase: %
1					
2	Unmetered Water Revenue				
3	Fire Service	$ 682	$ 1,012	$ 330	48.39%
4					
5	Metered Water Revenue				
6	Residential	969,595	1,068,681	99,086	10.22%
7	Commercial	71,753	79,279	7,526	10.49%
8	Commercial (Multifamily)	216,458	249,382	32,924	15.21%
9	Commercial (Irrigation)	137,973	162,083	24,111	17.47%
10					
11	Other Water Revenue	58,414	58,414	-	0.00%
12					
13	Total Water Revenues	$ 1,454,874	$ 1,618,851	$ 163,977	11.27%
14					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Schedule H-2 Settlement-Final
Page 1

Line No.	Description	Average Number Customers	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Amount	Proposed Increase %
1							
2	Unmetered Water Revenue						
3	6" Fire Service	5		$ 682	$ 1,012	$ 330	48.39%
4							
5	Metered Water Revenue						
6	5/8 x 3/4" Residential	98	7,055	$ 40,404	$ 44,115	$ 3,712	9.19%
7	3/4" Residential	831	9,425	495,875	541,742	45,867	9.25%
8	1" Residential	371	19,463	431,501	480,846	49,345	11.44%
9	1 1/2" Residential	1	25,283	1,815	1,978	163	8.98%
10							
11	5/8 x 3/4" Commercial	7	1,389	$ 1,683	$ 1,770	87	5.17%
12	3/4" Commercial	4	5,605	1,988	2,155	166	8.37%
13	1" Commercial	12	34,596	20,810	23,832	3,022	14.52%
14	1 1/2" Commercial	8	32,516	16,576	18,285	1,708	10.30%
15	2" Commercial	9	28,478	23,037	24,862	1,825	7.92%
16	3" Commercial (Construction)	1	42,243	7,658	8,376	717	9.37%
17							
18	1" Commercial (Multifamily)	1	26,832	$ 1,391	$ 1,567	177	12.69%
19	2" Commercial (Multifamily)	33	141,164	215,067	247,815	32,748	15.23%
20							
21	3/4" Commercial (Irrigation)	-	-	$ -	$ -	-	
22	1" Commercial (Irrigation)	8	38,186	14,059	16,146	2,086	14.84%
23	1 1/2" Commercial (Irrigation)	3	93,833	13,063	15,110	2,047	15.67%
24	2" Commercial (Irrigation)	8	338,181	110,851	130,827	19,977	18.02%
25							
26	**Totals:**						
27	Unmetered Water Revenue						
28	Fire Service	5		$ 682	$ 1,012	$ 330	48.39%
29							
30	Metered Water Revenue						
31	Residential	1,301	12,121	$ 969,595	$ 1,068,681	99,086	10.22%
32	Commercial	41	24,536	71,753	79,279	7,526	10.49%
33	Commercial (Multifamily)	34	137,801	216,458	249,382	32,924	15.21%
34	Commercial (Irrigation)	19	173,286	137,973	162,083	24,111	17.47%
35	Subtotal Metered	1,395		$ 1,395,778	$ 1,559,425	$ 163,647	11.72%
36							
37	Other Water Revenue			$ 58,414	$ 58,414	-	0.00%
38							
39	Total	1,400		$ 1,454,874	$ 1,618,851	$ 163,977	11.27%
40							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Schedule H-3 Settlement-Final
Page 1

Line No.	General Water Service Rates				Base Charge			Volume Charge		
	Description	Block			Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
5	5/8 x 3/4" Residential Meter	Tier 1	3,000	gal.	$ 12.40	$ 18.40	$ 6.00	$ 1.50	$ 1.60	$ 0.10
6		Tier 2	10,000	gal.				$ 2.44	$ 2.88	$ 0.44
7		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
8	3/4" Residential Meter	Tier 1	3,000	gal.	$ 18.60	$ 27.60	$ 9.00	$ 1.50	$ 1.60	$ 0.10
9		Tier 2	10,000	gal.				$ 2.44	$ 2.88	$ 0.44
10		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
11	5/8" x 3/4" Commercial Meter	Tier 2	10,000	gal.	$ 12.40	$ 18.40	$ 6.00	$ 2.44	$ 2.88	$ 0.44
12		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
13	3/4" Commercial Meter	Tier 2	10,000	gal.	$ 18.60	$ 27.60	$ 9.00	$ 2.44	$ 2.88	$ 0.44
14		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
15	1" All Meters	Tier 2	23,000	gal.	$ 31.00	$ 46.00	$ 15.00	$ 2.44	$ 2.88	$ 0.44
16		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
17	1 1/2" All Meters	Tier 2	58,000	gal.	$ 62.00	$ 92.00	$ 30.00	$ 2.44	$ 2.88	$ 0.44
18		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
19	2" All Meters	Tier 2	95,000	gal.	$ 99.00	$ 147.20	$ 48.20	$ 2.44	$ 2.88	$ 0.44
20		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
21	3" All Meters	Tier 2	207,000	gal.	$ 198.00	$ 294.40	$ 96.40	$ 2.44	$ 2.88	$ 0.44
22		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
23	4" All Meters	Tier 2	335,000	gal.	$ 310.00	$ 460.00	$ 150.00	$ 2.44	$ 2.88	$ 0.44
24		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
25	6" All Meters	Tier 2	690,000	gal.	$ 620.00	$ 920.00	$ 300.00	$ 2.44	$ 2.88	$ 0.44
26		Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
27	Construction Water	Tier 3	999,999,000	gal.		By Meter Size		$ 3.15	$ 3.80	$ 0.65

Arsenic Surcharge (Decision No. 71287)

Meter Size	Present Rate	Proposed Rate
5/8 x 3/4" All Meters	$ 5.51	$ -
3/4" All Meters	$ 8.26	$ -
1" All Meters	$ 13.77	$ -
1 1/2" All Meters	$ 27.54	$ -
2" All Meters	$ 44.06	$ -
3" All Meters	$ 88.12	$ -
4" All Meters	nt	$ -
6" All Meters	nt	$ -

Monthly Service Charge for Fire Sprinkler

	Present Rates	Proposed Rates
All Meter Sizes	***	***

*** Greater of $10.00 or 2 percent of the general service rate for a similar size meter

Line No.	Other Service Charges	Present Rates	Proposed Rates
1			
2			
3	Establishment	$ 40.00	$ 40.00
4	Establishment (After Hours)	$ 60.00	n/t
5	Reconnection (Delinquent)	$ 40.00	$ 40.00
6	Reconnection (Delinquent and After Hours)	$ 60.00	n/t
7	Meter Test (If correct)	$ 30.00	$ 30.00
8	After Hours Charge	n/t	$ 40.00
9	Deposit Requirement (Residential)	2 times the average bill	2 times the average bill
10	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill	2-1/2 times the average bill
11	Deposit Interest	6.0%	6.0%
12	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum bill	Number of Months off system times the monthly minimum bill
13	NSF Check	$ 25.00	$ 30.00
14	Deferred Payment, Per Month	1.5%	1.5%
15	Meter Re-Read (If correct)	$ 10.00	$ 30.00
16	Moving Customer Meter at Customer Request	Cost	Cost
17	Late Charge per month	$ 10.00	$ 10.00
18	After Hours Servcie Charge, per R14-2-403(D)	$ 50.00	n/t

19

20 In addition to the collection of regular rates, the utility will collect from its
21 customers a proportionate share of any privilege, sales, use, and franchise tax,
22 per Commission rule A.A.C. 14-2-409(D)(5).

23

24 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

25

26 n/t - no tariff

27

28	Service Line and Meter Installation Charges	Present Rates			Proposed Rates		
29		Srv. Line	Meter	Total	Srv. Line*	Meter	Total
30	5/8" Meter	$ 445	$ 155	$ 600	$ 445	$ 155	$ 600
31	3/4" Meter	$ 445	$ 255	$ 700	$ 445	$ 255	$ 700
32	1" Meter	$ 495	$ 315	$ 810	$ 495	$ 315	$ 810
33	1 1/2" Meter	$ 550	$ 525	$ 1,075	$ 550	$ 525	$ 1,075
34	2" Turbine Meter	$ 830	$ 1,045	$ 1,875	$ 830	$ 1,045	$ 1,875
35	2" Compound Meter	$ 830	$ 1,890	$ 2,720	$ 830	$ 1,890	$ 2,720
36	3" Turbine Meter	$ 1,045	$ 1,670	$ 2,715	$ 1,045	$ 1,670	$ 2,715
37	3" Compound Meter	$ 1,165	$ 2,545	$ 3,710	$ 1,165	$ 2,545	$ 3,710
38	4" Turbine Meter	$ 1,490	$ 2,670	$ 4,160	$ 1,490	$ 2,670	$ 4,160
39	4" Compound Meter	$ 1,670	$ 3,645	$ 5,315	$ 1,670	$ 3,645	$ 5,315
40	6" Turbine Meter	$ 2,210	$ 5,025	$ 7,235	$ 2,210	$ 5,025	$ 7,235
41	6" Compound Meter	$ 2,330	$ 6,920	$ 9,250	$ 2,330	$ 6,920	$ 9,250
42	8" or Larger Meter	Cost	Cost	Cost	Cost	Cost	Cost

43 * Note: To include the actual cost incurred when road crossing is required

44

45 All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes,
46 including gross-up taxes for Federal and State taxes, if applicable.

47

48 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

49

50

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 17.91	$ 18.40	$ 0.49	2.74%
2	Base Charge:	$	12.40	1,000	$ 19.41	$ 20.00	$ 0.59	3.04%
3	Arsenic Surcharge:	$	5.51	2,000	$ 20.91	$ 21.60	$ 0.69	3.30%
4				3,000	$ 22.41	$ 23.20	$ 0.79	3.53%
5	Tier One Rate:	$	1.50	4,000	$ 24.85	$ 26.08	$ 1.23	4.95%
6	Tier Two Rate:	$	2.44	5,000	$ 27.29	$ 28.96	$ 1.67	6.12%
7	Tier Three Rate:	$	3.15	6,000	$ 29.73	$ 31.84	$ 2.11	7.10%
8				7,000	$ 32.17	$ 34.72	$ 2.55	7.93%
9	Tier One Breakover (M gal):		3	8,000	$ 34.61	$ 37.60	$ 2.99	8.64%
10	Tier Two Breakover (M gal):		10	9,000	$ 37.05	$ 40.48	$ 3.43	9.26%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 39.49	$ 43.36	$ 3.87	9.80%
12				12,000	$ 45.79	$ 50.96	$ 5.17	11.29%
13				14,000	$ 52.09	$ 58.56	$ 6.47	12.42%
14	**Proposed Rates:**			16,000	$ 58.39	$ 66.16	$ 7.77	13.31%
15	Base Charge:	$	18.40	18,000	$ 64.69	$ 73.76	$ 9.07	14.02%
16	Arsenic Surcharge:	$	-	20,000	$ 70.99	$ 81.36	$ 10.37	14.61%
17				25,000	$ 86.74	$ 100.36	$ 13.62	15.70%
18	Tier One Rate:	$	1.60	30,000	$ 102.49	$ 119.36	$ 16.87	16.46%
19	Tier Two Rate:	$	2.88	35,000	$ 118.24	$ 138.36	$ 20.12	17.02%
20	Tier Three Rate:	$	3.80	40,000	$ 133.99	$ 157.36	$ 23.37	17.44%
21				45,000	$ 149.74	$ 176.36	$ 26.62	17.78%
22	Tier One Breakover (M gal):		3	50,000	$ 165.49	$ 195.36	$ 29.87	18.05%
23	Tier Two Breakover (M gal):		10	60,000	$ 196.99	$ 233.36	$ 36.37	18.46%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 228.49	$ 271.36	$ 42.87	18.76%
25				80,000	$ 259.99	$ 309.36	$ 49.37	18.99%
26				90,000	$ 291.49	$ 347.36	$ 55.87	19.17%
27				100,000	$ 322.99	$ 385.36	$ 62.37	19.31%
28								
29				Average Usage				
30				7,055	$ 32.30	$ 34.88	$ 2.58	7.99%
31				Median Usage				
32				4,546	$ 26.18	$ 27.65	$ 1.47	5.61%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	18.60
3	Arsenic Surcharge:	$	8.26
4			
5	Tier One Rate:	$	1.50
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		3
10	Tier Two Breakover (M gal):		10
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	27.60
16	Arsenic Surcharge:	$	-
17			
18	Tier One Rate:	$	1.60
19	Tier Two Rate:	$	2.88
20	Tier Three Rate:	$	3.80
21			
22	Tier One Breakover (M gal):		3
23	Tier Two Breakover (M gal):		10
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.86	$ 27.60	$ 0.74	2.76%
1,000	$ 28.36	$ 29.20	$ 0.84	2.96%
2,000	$ 29.86	$ 30.80	$ 0.94	3.15%
3,000	$ 31.36	$ 32.40	$ 1.04	3.32%
4,000	$ 33.80	$ 35.28	$ 1.48	4.38%
5,000	$ 36.24	$ 38.16	$ 1.92	5.30%
6,000	$ 38.68	$ 41.04	$ 2.36	6.10%
7,000	$ 41.12	$ 43.92	$ 2.80	6.81%
8,000	$ 43.56	$ 46.80	$ 3.24	7.44%
9,000	$ 46.00	$ 49.68	$ 3.68	8.00%
10,000	$ 48.44	$ 52.56	$ 4.12	8.51%
12,000	$ 54.74	$ 60.16	$ 5.42	9.90%
14,000	$ 61.04	$ 67.76	$ 6.72	11.01%
16,000	$ 67.34	$ 75.36	$ 8.02	11.91%
18,000	$ 73.64	$ 82.96	$ 9.32	12.66%
20,000	$ 79.94	$ 90.56	$ 10.62	13.28%
25,000	$ 95.69	$ 109.56	$ 13.87	14.49%
30,000	$ 111.44	$ 128.56	$ 17.12	15.36%
35,000	$ 127.19	$ 147.56	$ 20.37	16.02%
40,000	$ 142.94	$ 166.56	$ 23.62	16.52%
45,000	$ 158.69	$ 185.56	$ 26.87	16.93%
50,000	$ 174.44	$ 204.56	$ 30.12	17.27%
60,000	$ 205.94	$ 242.56	$ 36.62	17.78%
70,000	$ 237.44	$ 280.56	$ 43.12	18.16%
80,000	$ 268.94	$ 318.56	$ 49.62	18.45%
90,000	$ 300.44	$ 356.56	$ 56.12	18.68%
100,000	$ 331.94	$ 394.56	$ 62.62	18.86%
Average Usage				
9,425	$ 47.04	$ 50.90	$ 3.86	8.21%
Median Usage				
7,013	$ 41.15	$ 43.96	$ 2.81	6.83%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 1"
Class: Residential
Rate Code: R3

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 44.77	$ 46.00	$ 1.23	2.75%
2	Base Charge:	$	31.00	1,000	$ 47.21	$ 48.88	$ 1.67	3.54%
3	Arsenic Surcharge:	$	13.77	2,000	$ 49.65	$ 51.76	$ 2.11	4.25%
4				3,000	$ 52.09	$ 54.64	$ 2.55	4.90%
5	Tier One Rate:	$	-	4,000	$ 54.53	$ 57.52	$ 2.99	5.48%
6	Tier Two Rate:	$	2.44	5,000	$ 56.97	$ 60.40	$ 3.43	6.02%
7	Tier Three Rate:	$	3.15	6,000	$ 59.41	$ 63.28	$ 3.87	6.51%
8				7,000	$ 61.85	$ 66.16	$ 4.31	6.97%
9	Tier One Breakover (M gal):		-	8,000	$ 64.29	$ 69.04	$ 4.75	7.39%
10	Tier Two Breakover (M gal):		23	9,000	$ 66.73	$ 71.92	$ 5.19	7.78%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 69.17	$ 74.80	$ 5.63	8.14%
12				12,000	$ 74.05	$ 80.56	$ 6.51	8.79%
13				14,000	$ 78.93	$ 86.32	$ 7.39	9.36%
14	**Proposed Rates:**			16,000	$ 83.81	$ 92.08	$ 8.27	9.87%
15	Base Charge:	$	46.00	18,000	$ 88.69	$ 97.84	$ 9.15	10.32%
16	Arsenic Surcharge:	$	-	20,000	$ 93.57	$ 103.60	$ 10.03	10.72%
17				25,000	$ 107.19	$ 119.84	$ 12.65	11.80%
18	Tier One Rate:	$	-	30,000	$ 122.94	$ 138.84	$ 15.90	12.93%
19	Tier Two Rate:	$	2.88	35,000	$ 138.69	$ 157.84	$ 19.15	13.81%
20	Tier Three Rate:	$	3.80	40,000	$ 154.44	$ 176.84	$ 22.40	14.50%
21				45,000	$ 170.19	$ 195.84	$ 25.65	15.07%
22	Tier One Breakover (M gal):		-	50,000	$ 185.94	$ 214.84	$ 28.90	15.54%
23	Tier Two Breakover (M gal):		23	60,000	$ 217.44	$ 252.84	$ 35.40	16.28%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 248.94	$ 290.84	$ 41.90	16.83%
25				80,000	$ 280.44	$ 328.84	$ 48.40	17.26%
26				90,000	$ 311.94	$ 366.84	$ 54.90	17.60%
27				100,000	$ 343.44	$ 404.84	$ 61.40	17.88%
28								
29				Average Usage				
30				19,463	$ 92.26	$ 102.05	$ 9.79	10.61%
31				Median Usage				
32				13,096	$ 76.72	$ 83.72	$ 7.00	9.12%
33								
34								

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Attorneys for Valley Utilities Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01412A-12-0195

SETTLEMENT TESTIMONY OF

RAY L. JONES, P.E.

MARCH 7, 2013

EXHIBIT
A-3

TABLE OF CONTENTS

I. Introduction 1
II. Purpose and Scope of Testimony 1
III. Settlement Process 1
IV. Settlement Terms 2
V. Settlement Benefits 4

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ray L. Jones, P.E. My business address is 25213 N. 49th Drive, Phoenix, Arizona 85083.

Q. ARE YOU THE SAME RAY L. JONES THAT FILED DIRECT, REBUTTAL AND REJOINDER TESTIMONY IN THIS DOCKET?

A. Yes.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. This testimony has been prepared to support the Settlement Agreement filed February 25, 2013 (the "Agreement"). I will discuss the settlement process, the settlement terms and the settlement benefits.

III. SETTLEMENT PROCESS

Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE PROCEEDINGS LEADING UP TO SETTLEMENT.

A. On May 30, 2012, Valley Utilities Water Company, Inc. ("Valley" or the "Company") filed with the Commission an application for a permanent increase in rates. The Company requested an increase of $157,015, or 10.79% over test year revenues.[1] Subsequently, the Company's requested increase in revenues had been adjusted to $164,947, or 11.34% of test year revenues at the time the settlement discussions commenced. The increase in revenue requirement was attributable to a 14.73% increase in property tax for Valley that occurred subsequent to Valley making its original filing.

[1] Increase and increase percentages throughout this testimony are based on test year revenue of $1,454,522, which includes the test year Arsenic Surcharge Remediation Mechanism ("ARSM") revenue.

Q. DID ANY OTHER PARTIES INTERVENE?

A. No. Valley and Utilities Division Staff ("Staff") are the only parties to the case. Staff issued and the Company responded to five sets of formal data requests and numerous informal data requests. The Company issued and Staff responded to two sets of data requests. The parties filed direct, rebuttal, surrebuttal and rejoinder testimony.

Q. WHEN DID THE PARTIES BEGIN DISCUSSING SETTLEMENT?

A. On February 13, 2013, after receiving Staff's Surrebuttal Testimony, the Company made a formal settlement offer. Immediately after that, Staff filed a Notice of Settlement Discussions providing three working days notice of Staff's intent to enter into negotiations with Valley. Valley and Staff entered into settlement discussions on February 19, 2013.

On February 20, 2013, the Company and Staff reached agreement on the conceptual framework for a settlement. After settlement schedules and supporting materials were prepared, both parties executed the Agreement on February 22, 2013, and it was filed in the docket on February 25, 2013. The Agreement is the result of a genuine desire and commitment by the Company and Staff to find common ground on the disputed issues. The result – just and reasonable rates that fairly balance the interests of the Company and the Company's customers.

IV. <u>SETTLEMENT TERMS</u>

Q. PLEASE DESCRIBE THE MAJOR TERMS OF THE AGREEMENT.

A. The following are the most critical components of the Agreement:

1. The Company should receive a total revenue increase of $160,147, which revenue increase results in total revenue requirement of $1,614,989 for the Company.

2. The Company's fair value rate base should be $2,109,695. This rate base includes a working capital allowance of $205,853.

3. The Company's total operating expenses should be $1,477,859.

4. An overall rate of return equal to 6.5 percent is fair and reasonable. This is based on a capital structure consisting of 12.9 percent equity and 87.1 percent debt. The cost of the debt is 5.8 percent and the authorized return on equity is 9.1 percent.

5. The return on rate base and recovery of operating expenses set forth herein result in total operating income of $137,130.

6. The ARSM should be discontinued.

7. The revenue requirement agreed to herein results in an overall 11.03 percent rate increase over test year revenues, which revenues included the ARSM.

8. Late Charge – the Company's late charge will remain at $10 per month. In addition, Staff and Company agree to meet within 45 days of a decision in this Docket case to discuss additional remedies the Company might employ to further reduce delinquency rates.

9. Rate Design – the rate design should provide that 40 percent of the metered revenue be collected from the monthly minimum. The break over points and resulting minimum charges are reflected in Settlement Schedule H-3, page 1, a copy of which is attached to my testimony as **Exhibit RLJ-ST1**.

10. The Company and Staff agree to support and defend the Agreement and take any and all other steps reasonably necessary to obtain Commission adoption of the material terms of the Agreement.

Q. ARE THERE OTHER SETTLEMENT SCHEUDLES?

A. Yes. The Settlement Schedules were attached with the Agreement when it was filed last month. These schedules show the parties' agreement on all the specific elements, rate base, operating expenses, such as labor, purchased power and property tax expense, among others. Depreciation expense is based on Staff's typical and customary depreciation rates. As I mentioned, the Settlement Schedules also reflect the parties' agreed upon rate design.

The specific schedules are as follows:

Schedule A-1 – Gross Revenue Requirements

Schedule B-1 – Rate Base

Schedule C-1 – Income Statement

Schedule H-1 – Revenues by Customer Classification

Schedule H-2 – Revenue by Detailed Class

Schedule H-3 – Rate Schedules

Schedule H-4 – Typical Bill Analysis (Residential 5/8" x 3/4", 3/4" and 1")

These are the key schedules from the Commission's standard rate case filing schedules.

Q. HAVE ALL ISSUES IN DISPUTE BEEN RESOLVED?

A. Yes, including the disputes over Staff's plant disallowance, working capital allowance, the late charge and rate design. Staff and the Company have agreed on rate base, operating expenses levels, the rate of return and the rate design as reflected in the Agreement and attached Settlement Schedules.

V. <u>SETTLEMENT BENEFITS</u>

Q. IN YOUR OPINION, WOULD APPROVAL OF THE AGREEMENT BE IN THE PUBLIC INTEREST?

A. Yes. As I discussed, there were only two parties to this rate case and over the course of the case, through data requests and testimony, we were able to educate each other, resolve our differences and reach agreement on every issue in dispute. The result is a necessary but reasonable increase in the Company's rates.

Q. ARE THERE SPECIFIC BENEFITS YOU'D LIKE TO MENTION?

A. Yes, in addition to the benefits I have discussed in this testimony, I would also note that the Agreement –

- Allows a clear and orderly end to the ARSM as previously ordered by the Commission and provides for rate base treatment for substantial investments in arsenic treatment facilities without imposing unduly large rate increases on any customer group.

- Strengthens Valley's conservation oriented rate design, promoting additional water conservation and providing financial incentive and savings for customers who use less water.
- Provides Valley the opportunity to earn a reasonable return on rate base, which will allow it to continue improving its financial condition and increasing equity investment.

Q. DO YOU BELIEVE THE COMMISSION'S ADOPTION OF THIS PROPOSED AGREEMENT STRIKES A FAIR BALANCE OF INTERESTS BETWEEN VALLEY AND ITS CUSTOMERS?

A. Yes, under the circumstances of the instant case, I believe that the proposed Agreement effects a fair balance between the interests of Valley's shareholders and its customers.

Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A. Yes.

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VALLEY UTILITIES WATER COMPANY, INC.
W-01412A-12-0195

SETTLEMENT TESTIMONY

Exhibit RLJ-ST1
(Schedules)

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Increase in Gross Revenue Requirements

Line No.			
1	Original Cost Adjusted Rate Base	$ 2,109,695	
2			
3	Adjusted Operating Income	12,282	
4			
5	Current Rate of Return	0.58%	
6			
7	Required Operating Income	$ 137,130	
8			
9	Required Rate of Return	6.500%	
10			
11	Operating Income Deficiency	$ 124,848	
12			
13	Gross Revenue Conversion Factor	1.2853	
14			
15	Increase in Gross Revenue	$ 160,467	11.03%
16			
17			

18		Projected Revenue Increase Due To Rates	% Dollar Increase
19			
20			
21	Customer Classification		
22			
23	Fire Service	$ 330	48.39%
24	Residential	99,086	10.22%
25	Commercial	7,526	10.49%
26	Commercial (Multifamily)	32,924	15.21%
27	Commercial (Irrigation)	24,111	17.47%
28	Other Water Revenue	-	0.00%
29			
30	Total Revenue Increase	$ 163,977	11.27%
31			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

Schedule B-1 Settlement-Final
Page 1

Line No.		Company As Filed	Accepted Staff Surrebuttal Adjustments	Staff ADJ NO.	Adjusted End of Test Year
1					
2	Gross Utility Plant in Service	$ 10,331,861	$ (86,051)	1,2,3,4,5	$ 10,245,810
3					
4	Less: Accumulated Depreciation	(3,034,427)	22,782	6	(3,011,645)
5					
6	Net Utility Plant in Service	7,297,434	(63,269)		7,234,165
7					
8	Less:				
9	Advances in Aid of Construction	3,933,272	-		3,933,272
10					
11	Contributions in Aid of Construction	1,561,727	-		1,561,727
12	Accumulated Amortization of CIAC	(438,464)	-		(438,464)
13	Contributions in Aid of Construction - Net	1,123,263	-		1,123,263
14					
15	Customer Security Deposits	78,425	-		78,425
16	Deferred Income Taxes	195,362	-		195,362
17					
18	Plus:				
19	Working Capital	234,073	(28,220)	7	205,853
20	Net Regulatory Asset / (Liability)				
21					
22	Rate Base	$ 2,201,184	$ (91,489)		$ 2,109,695

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Adjusted Test Year Income Statement

Schedule C-1 Settlement-Final
Page 1

Line No.			Company Test Year As Filed	Proposed Rate Increase	Adjusted With Rate Increase
1	**Revenues**				
2	460	Unmetered Water Revenue	$ 682	330	$ 1,012
3	461	Metered Water Revenues	1,395,426	160,137	1,555,564
4	474	Other Water Revenues	58,414		58,414
5	**Total Revenues**		$ 1,454,522	$ 160,467	$ 1,614,989
6	**Operating Expenses**				
7	601	Salaries and Wages	$ 452,645		$ 452,645
8	604	Employee Pension and Benefits	73,738		73,738
9	610	Purchased Water	4,045		4,045
10	615	Purchased Power	143,759		143,759
11	618	Chemicals	7,567		7,567
12	620	Repairs and Maintenance	128,499		128,499
13	621	Office Supplies Expense	8,119		8,119
14	631	Contractual Services - Engineering	2,020		2,020
15	632	Contractual Services - Accounting	2,879		2,879
16	633	Contractual Services - Legal	4,259		4,259
17	634	Contractual Services - Management Fees	-		-
18	635	Contractual Services - Testing	10,732		10,732
19	636	Contractual Services - Other	14,069		14,069
20	641	Rent - Buildings	35,553		35,553
21	642	Rent - Equipment	2,215		2,215
22	650	Transportation Expense	29,087		29,087
23	656	Insurance - Vehicle	-		-
24	657	Insurance - General Liability	20,878		20,878
25	658	Insurance - Workman's Compensation	2,528		2,528
26	659	Insurance - Other	-		-
27	660	Advertising Expense	-		-
28	666	Regulatory Commission Expense - Rate Case	40,000		40,000
29	667	Regulatory Expense - Other	14,169		14,169
30	668	Water Resource Conservation Expense	-		-
31	670	Bad Debt Expense	2,975	328	3,304
32	675	Miscellaneous Expense	49,017		49,017
33	403	Depreciation Expense	322,982		322,982
34	408	Taxes Other Than Income	33,756		33,756
35	408.11	Property Taxes	61,408	2,258	63,667
36	409	Income Tax	(24,660)	33,033	8,373
37	**Total Operating Expenses**		$ 1,442,240	$ 35,620	$ 1,477,859
38	**Operating Income**		$ 12,282	$ 124,848	$ 137,130
39	**Other Income (Expense)**				
40	419	Interest and Dividend Income	$ 68		$ 68
41	421	Non-Utility Income	164		164
42	426	Miscellaneous Non-Utility Expenses	(15,828)		(15,828)
43	427	Interest Expense	(106,193)		(106,193)
44	**Total Other Income (Expense)**		$ (121,789)	$ -	$ (121,789)
45	**Net Income (Loss)**		$ (109,506)	$ 124,848	$ 15,342
46					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Schedule H-1 Settlement-Final
Page 1

Line No.	Customer Classification	Revenues in the Test Year: Present Rates	Revenues in the Test Year: Proposed Rates	Proposed Increase: Amount	Proposed Increase: %
1					
2	Unmetered Water Revenue				
3	Fire Service	$ 682	$ 1,012	$ 330	48.39%
4					
5	Metered Water Revenue				
6	Residential	969,595	1,068,681	99,086	10.22%
7	Commercial	71,753	79,279	7,526	10.49%
8	Commercial (Multifamily)	216,458	249,382	32,924	15.21%
9	Commercial (Irrigation)	137,973	162,083	24,111	17.47%
10					
11	Other Water Revenue	58,414	58,414	-	0.00%
12					
13	Total Water Revenues	$ 1,454,874	$ 1,618,851	$ 163,977	11.27%
14					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Schedule H-2 Settlement-Final
Page 1

Line No.	Description	Average Number Customers	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Amount	Proposed Increase %
1							
2	Unmetered Water Revenue						
3	6" Fire Service	5		$ 682	$ 1,012	$ 330	48.39%
4							
5	Metered Water Revenue						
6	5/8 x 3/4" Residential	98	7,055	$ 40,404	$ 44,115	$ 3,712	9.19%
7	3/4" Residential	831	9,425	495,875	541,742	45,867	9.25%
8	1" Residential	371	19,463	431,501	480,846	49,345	11.44%
9	1 1/2" Residential	1	25,283	1,815	1,978	163	8.98%
10							
11	5/8 x 3/4" Commercial	7	1,389	$ 1,683	$ 1,770	87	5.17%
12	3/4" Commercial	4	5,605	1,988	2,155	166	8.37%
13	1" Commercial	12	34,596	20,810	23,832	3,022	14.52%
14	1 1/2" Commercial	8	32,516	16,576	18,285	1,708	10.30%
15	2" Commercial	9	28,478	23,037	24,862	1,825	7.92%
16	3" Commercial (Construction)	1	42,243	7,658	8,376	717	9.37%
17							
18	1" Commercial (Multifamily)	1	26,832	$ 1,391	$ 1,567	177	12.69%
19	2" Commercial (Multifamily)	33	141,164	215,067	247,815	32,748	15.23%
20							
21	3/4" Commercial (Irrigation)	-	-	$ -	$ -	-	
22	1" Commercial (Irrigation)	8	38,186	14,059	16,146	2,086	14.84%
23	1 1/2" Commercial (Irrigation)	3	93,833	13,063	15,110	2,047	15.67%
24	2" Commercial (Irrigation)	8	338,181	110,851	130,827	19,977	18.02%
25							
26	**Totals:**						
27	Unmetered Water Revenue						
28	Fire Service	5		$ 682	$ 1,012	$ 330	48.39%
29							
30	Metered Water Revenue						
31	Residential	1,301	12,121	$ 969,595	$ 1,068,681	99,086	10.22%
32	Commercial	41	24,536	71,753	79,279	7,526	10.49%
33	Commercial (Multifamily)	34	137,801	216,458	249,382	32,924	15.21%
34	Commercial (Irrigation)	19	173,286	137,973	162,083	24,111	17.47%
35	Subtotal Metered	1,395		$ 1,395,778	$ 1,559,425	$ 163,647	11.72%
36							
37	Other Water Revenue			$ 58,414	$ 58,414	-	0.00%
38							
39	Total	1,400		$ 1,454,874	$ 1,618,851	$ 163,977	11.27%
40							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Schedule H-3 Settlement-Final
Page 1

General Water Service Rates

Description	Block			Base Charge Present Rate	Base Charge Proposed Rate	Base Charge Change	Volume Charge Present Rate	Volume Charge Proposed Rate	Volume Charge Change
5/8 x 3/4" Residential Meter	Tier 1	3,000	gal.	$ 12.40	$ 18.40	$ 6.00	$ 1.50	$ 1.60	$ 0.10
	Tier 2	10,000	gal.				$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
3/4" Residential Meter	Tier 1	3,000	gal.	$ 18.60	$ 27.60	$ 9.00	$ 1.50	$ 1.60	$ 0.10
	Tier 2	10,000	gal.				$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
5/8" x 3/4" Commercial Meter	Tier 2	10,000	gal.	$ 12.40	$ 18.40	$ 6.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
3/4" Commercial Meter	Tier 2	10,000	gal.	$ 18.60	$ 27.60	$ 9.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
1" All Meters	Tier 2	23,000	gal.	$ 31.00	$ 46.00	$ 15.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
1 1/2" All Meters	Tier 2	58,000	gal.	$ 62.00	$ 92.00	$ 30.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
2" All Meters	Tier 2	95,000	gal.	$ 99.00	$ 147.20	$ 48.20	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
3" All Meters	Tier 2	207,000	gal.	$ 198.00	$ 294.40	$ 96.40	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
4" All Meters	Tier 2	335,000	gal.	$ 310.00	$ 460.00	$ 150.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
6" All Meters	Tier 2	690,000	gal.	$ 620.00	$ 920.00	$ 300.00	$ 2.44	$ 2.88	$ 0.44
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.80	$ 0.65
Construction Water	Tier 3	999,999,000	gal.		By Meter Size		$ 3.15	$ 3.80	$ 0.65

Arsenic Surcharge (Decision No. 71287)

Meter Size	Present Rate	Proposed Rate
5/8 x 3/4" All Meters	$ 5.51	$ -
3/4" All Meters	$ 8.26	$ -
1" All Meters	$ 13.77	$ -
1 1/2" All Meters	$ 27.54	$ -
2" All Meters	$ 44.06	$ -
3" All Meters	$ 88.12	$ -
4" All Meters	nt	$ -
6" All Meters	nt	$ -

Monthly Service Charge for Fire Sprinkler

	Present Rates	Proposed Rates
All Meter Sizes	***	***

*** Greater of $10.00 or 2 percent of the general service rate for a similar size meter

Line No.	**Other Service Charges**	Present Rates	Proposed Rates
3	Establishment	$ 40.00	$ 40.00
4	Establishment (After Hours)	$ 60.00	n/t
5	Reconnection (Delinquent)	$ 40.00	$ 40.00
6	Reconnection (Delinquent and After Hours)	$ 60.00	n/t
7	Meter Test (If correct)	$ 30.00	$ 30.00
8	After Hours Charge	n/t	$ 40.00
9	Deposit Requirement (Residential)	2 times the average bill	2 times the average bill
10	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill	2-1/2 times the average bill
11	Deposit Interest	6.0%	6.0%
12	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum bill	Number of Months off system times the monthly minimum bill
13	NSF Check	$ 25.00	$ 30.00
14	Deferred Payment, Per Month	1.5%	1.5%
15	Meter Re-Read (If correct)	$ 10.00	$ 30.00
16	Moving Customer Meter at Customer Request	Cost	Cost
17	Late Charge per month	$ 10.00	$ 10.00
18	After Hours Servcle Charge, per R14-2-403(D)	$ 50.00	n/t

19
20 In addition to the collection of regular rates, the utility will collect from its
21 customers a proportionate share of any privilege, sales, use, and franchise tax,
22 per Commission rule A.A.C. 14-2-409(D)(5).
23
24 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.
25
26 n/t - no tariff
27

28	**Service Line and Meter Installation Charges**	Present Rates			Proposed Rates		
29		Srv. Line	Meter	Total	Srv. Line*	Meter	Total
30	5/8" Meter	$ 445	$ 155	$ 600	$ 445	$ 155	$ 600
31	3/4" Meter	$ 445	$ 255	$ 700	$ 445	$ 255	$ 700
32	1" Meter	$ 495	$ 315	$ 810	$ 495	$ 315	$ 810
33	1 1/2" Meter	$ 550	$ 525	$ 1,075	$ 550	$ 525	$ 1,075
34	2" Turbine Meter	$ 830	$ 1,045	$ 1,875	$ 830	$ 1,045	$ 1,875
35	2" Compound Meter	$ 830	$ 1,890	$ 2,720	$ 830	$ 1,890	$ 2,720
36	3" Turbine Meter	$ 1,045	$ 1,670	$ 2,715	$ 1,045	$ 1,670	$ 2,715
37	3" Compound Meter	$ 1,165	$ 2,545	$ 3,710	$ 1,165	$ 2,545	$ 3,710
38	4" Turbine Meter	$ 1,490	$ 2,670	$ 4,160	$ 1,490	$ 2,670	$ 4,160
39	4" Compound Meter	$ 1,670	$ 3,645	$ 5,315	$ 1,670	$ 3,645	$ 5,315
40	6" Turbine Meter	$ 2,210	$ 5,025	$ 7,235	$ 2,210	$ 5,025	$ 7,235
41	6" Compound Meter	$ 2,330	$ 6,920	$ 9,250	$ 2,330	$ 6,920	$ 9,250
42	8" or Larger Meter	Cost	Cost	Cost	Cost	Cost	Cost

43 * Note: To include the actual cost incurred when road crossing is required
44
45 All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes,
46 including gross-up taxes for Federal and State taxes, if applicable.
47
48 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.
49
50

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 17.91	$ 18.40	$ 0.49	2.74%
2	Base Charge:	$	12.40	1,000	$ 19.41	$ 20.00	$ 0.59	3.04%
3	Arsenic Surcharge:	$	5.51	2,000	$ 20.91	$ 21.60	$ 0.69	3.30%
4				3,000	$ 22.41	$ 23.20	$ 0.79	3.53%
5	Tier One Rate:	$	1.50	4,000	$ 24.85	$ 26.08	$ 1.23	4.95%
6	Tier Two Rate:	$	2.44	5,000	$ 27.29	$ 28.96	$ 1.67	6.12%
7	Tier Three Rate:	$	3.15	6,000	$ 29.73	$ 31.84	$ 2.11	7.10%
8				7,000	$ 32.17	$ 34.72	$ 2.55	7.93%
9	Tier One Breakover (M gal):		3	8,000	$ 34.61	$ 37.60	$ 2.99	8.64%
10	Tier Two Breakover (M gal):		10	9,000	$ 37.05	$ 40.48	$ 3.43	9.26%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 39.49	$ 43.36	$ 3.87	9.80%
12				12,000	$ 45.79	$ 50.96	$ 5.17	11.29%
13				14,000	$ 52.09	$ 58.56	$ 6.47	12.42%
14	**Proposed Rates:**			16,000	$ 58.39	$ 66.16	$ 7.77	13.31%
15	Base Charge:	$	18.40	18,000	$ 64.69	$ 73.76	$ 9.07	14.02%
16	Arsenic Surcharge:	$	-	20,000	$ 70.99	$ 81.36	$ 10.37	14.61%
17				25,000	$ 86.74	$ 100.36	$ 13.62	15.70%
18	Tier One Rate:	$	1.60	30,000	$ 102.49	$ 119.36	$ 16.87	16.46%
19	Tier Two Rate:	$	2.88	35,000	$ 118.24	$ 138.36	$ 20.12	17.02%
20	Tier Three Rate:	$	3.80	40,000	$ 133.99	$ 157.36	$ 23.37	17.44%
21				45,000	$ 149.74	$ 176.36	$ 26.62	17.78%
22	Tier One Breakover (M gal):		3	50,000	$ 165.49	$ 195.36	$ 29.87	18.05%
23	Tier Two Breakover (M gal):		10	60,000	$ 196.99	$ 233.36	$ 36.37	18.46%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 228.49	$ 271.36	$ 42.87	18.76%
25				80,000	$ 259.99	$ 309.36	$ 49.37	18.99%
26				90,000	$ 291.49	$ 347.36	$ 55.87	19.17%
27				100,000	$ 322.99	$ 385.36	$ 62.37	19.31%
28								
29				Average Usage				
30				7,055	$ 32.30	$ 34.88	$ 2.58	7.99%
31				Median Usage				
32				4,546	$ 26.18	$ 27.65	$ 1.47	5.61%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 26.86	$ 27.60	$ 0.74	2.76%
2	Base Charge:	$	18.60	1,000	$ 28.36	$ 29.20	$ 0.84	2.96%
3	Arsenic Surcharge:	$	8.26	2,000	$ 29.86	$ 30.80	$ 0.94	3.15%
4				3,000	$ 31.36	$ 32.40	$ 1.04	3.32%
5	Tier One Rate:	$	1.50	4,000	$ 33.80	$ 35.28	$ 1.48	4.38%
6	Tier Two Rate:	$	2.44	5,000	$ 36.24	$ 38.16	$ 1.92	5.30%
7	Tier Three Rate:	$	3.15	6,000	$ 38.68	$ 41.04	$ 2.36	6.10%
8				7,000	$ 41.12	$ 43.92	$ 2.80	6.81%
9	Tier One Breakover (M gal):		3	8,000	$ 43.56	$ 46.80	$ 3.24	7.44%
10	Tier Two Breakover (M gal):		10	9,000	$ 46.00	$ 49.68	$ 3.68	8.00%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 48.44	$ 52.56	$ 4.12	8.51%
12				12,000	$ 54.74	$ 60.16	$ 5.42	9.90%
13				14,000	$ 61.04	$ 67.76	$ 6.72	11.01%
14	**Proposed Rates:**			16,000	$ 67.34	$ 75.36	$ 8.02	11.91%
15	Base Charge:	$	27.60	18,000	$ 73.64	$ 82.96	$ 9.32	12.66%
16	Arsenic Surcharge:	$	-	20,000	$ 79.94	$ 90.56	$ 10.62	13.28%
17				25,000	$ 95.69	$ 109.56	$ 13.87	14.49%
18	Tier One Rate:	$	1.60	30,000	$ 111.44	$ 128.56	$ 17.12	15.36%
19	Tier Two Rate:	$	2.88	35,000	$ 127.19	$ 147.56	$ 20.37	16.02%
20	Tier Three Rate:	$	3.80	40,000	$ 142.94	$ 166.56	$ 23.62	16.52%
21				45,000	$ 158.69	$ 185.56	$ 26.87	16.93%
22	Tier One Breakover (M gal):		3	50,000	$ 174.44	$ 204.56	$ 30.12	17.27%
23	Tier Two Breakover (M gal):		10	60,000	$ 205.94	$ 242.56	$ 36.62	17.78%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 237.44	$ 280.56	$ 43.12	18.16%
25				80,000	$ 268.94	$ 318.56	$ 49.62	18.45%
26				90,000	$ 300.44	$ 356.56	$ 56.12	18.68%
27				100,000	$ 331.94	$ 394.56	$ 62.62	18.86%
28								
29				Average Usage				
30				9,425	$ 47.04	$ 50.90	$ 3.86	8.21%
31				Median Usage				
32				7,013	$ 41.15	$ 43.96	$ 2.81	6.83%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Schedule H-4 Settlement-Final

Meter Size: 1"
Class: Residential
Rate Code: R3

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 44.77	$ 46.00	$ 1.23	2.75%
2	Base Charge:	$	31.00	1,000	$ 47.21	$ 48.88	$ 1.67	3.54%
3	Arsenic Surcharge:	$	13.77	2,000	$ 49.65	$ 51.76	$ 2.11	4.25%
4				3,000	$ 52.09	$ 54.64	$ 2.55	4.90%
5	Tier One Rate:	$	-	4,000	$ 54.53	$ 57.52	$ 2.99	5.48%
6	Tier Two Rate:	$	2.44	5,000	$ 56.97	$ 60.40	$ 3.43	6.02%
7	Tier Three Rate:	$	3.15	6,000	$ 59.41	$ 63.28	$ 3.87	6.51%
8				7,000	$ 61.85	$ 66.16	$ 4.31	6.97%
9	Tier One Breakover (M gal):		-	8,000	$ 64.29	$ 69.04	$ 4.75	7.39%
10	Tier Two Breakover (M gal):		23	9,000	$ 66.73	$ 71.92	$ 5.19	7.78%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 69.17	$ 74.80	$ 5.63	8.14%
12				12,000	$ 74.05	$ 80.56	$ 6.51	8.79%
13				14,000	$ 78.93	$ 86.32	$ 7.39	9.36%
14	**Proposed Rates:**			16,000	$ 83.81	$ 92.08	$ 8.27	9.87%
15	Base Charge:	$	46.00	18,000	$ 88.69	$ 97.84	$ 9.15	10.32%
16	Arsenic Surcharge:	$	-	20,000	$ 93.57	$ 103.60	$ 10.03	10.72%
17				25,000	$ 107.19	$ 119.84	$ 12.65	11.80%
18	Tier One Rate:	$	-	30,000	$ 122.94	$ 138.84	$ 15.90	12.93%
19	Tier Two Rate:	$	2.88	35,000	$ 138.69	$ 157.84	$ 19.15	13.81%
20	Tier Three Rate:	$	3.80	40,000	$ 154.44	$ 176.84	$ 22.40	14.50%
21				45,000	$ 170.19	$ 195.84	$ 25.65	15.07%
22	Tier One Breakover (M gal):		-	50,000	$ 185.94	$ 214.84	$ 28.90	15.54%
23	Tier Two Breakover (M gal):		23	60,000	$ 217.44	$ 252.84	$ 35.40	16.28%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 248.94	$ 290.84	$ 41.90	16.83%
25				80,000	$ 280.44	$ 328.84	$ 48.40	17.26%
26				90,000	$ 311.94	$ 366.84	$ 54.90	17.60%
27				100,000	$ 343.44	$ 404.84	$ 61.40	17.88%
28								
29				Average Usage				
30				19,463	$ 92.26	$ 102.05	$ 9.79	10.61%
31				Median Usage				
32				13,096	$ 76.72	$ 83.72	$ 7.00	9.12%
33								
34								

ORIGINAL NEW APPLICATION

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2012 MAY 30 P 4: 06

AZ CORP COMMISSION DOCKET CONTROL

Arizona Corporation Commission DOCKETED

MAY 30 2012

DOCKETED BY nr

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
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Telephone (602) 916-5000

Attorneys for Valley Utilities Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO W-01412A-12-0195 **APPLICATION**

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

1. Valley Utilities is a public service corporation engaged in providing water utility service within unincorporated portions of Maricopa County, Arizona, pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission ("Commission)." During the test year, Valley Utilities served approximately 1,400 water service connections, consisting primarily of single-family homes.

2. Valley Utilities' business office is located at 6808 N. Dysart Rd., Suite 112, Glendale, Arizona, 85307, and its telephone number is (623) 935-1100. Robert L. Prince

EXHIBIT A-4

is the President of Valley Utilities, and is responsible for managing all of the operational, administrative, financial and regulatory performance of the Company.

3. The persons responsible for overseeing and directing the conduct of this rate Application are Robert Prince and the Company's rate case consultant, Ray L. Jones, P.E., Principal of ARICOR Water Solutions. Mr. Prince's mailing address is 6808 N. Dysart Rd., Suite 112, Glendale, Arizona, 85307; his telephone number is (623) 935-1100 and email address is bobprince@vuwco.com. Mr. Jones' business address is 25213 N. 49th Drive, Phoenix, Arizona 85083; his telephone number is (623) 341-4771 and email address is ray.jones@aricor.com. **All discovery, data requests and other requests for information concerning this Application should be directed to Mr. Prince, including copies by e-mail, and to Mr. Jones, with a copy to undersigned counsel for the Company, including by e-mail to jshapiro@fclaw.com and wbirk@fclaw.com.**

4. The Company's present rates and charges were approved by the Commission in Decision No. 71482 (February 3, 2010) using a year ending on June 30, 2008.

5. Valley Utilities maintains that revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public water utility service. Operating expenses have also increased since the last test year. These changes have caused the revenues produced by the current rates and charges for water utility service to become inadequate to meet operating expenses and provide the Company a reasonable rate of return. Therefore, the Company requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that the Company may recover its operating expenses and be given an opportunity to earn a just and reasonable rate of return on the fair value of its property. The Company agrees to use its original cost rate base as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

6. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class "B" utilities, with the exception of the schedules labeled "G" (cost of service analysis). The latter schedules have been omitted because (1) Valley Utilities is not in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and (2) the Company does not believe the costs it incurs are likely to vary significantly from one defined segment of customers to another. The test year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2011. Valley Utilities requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal or more realistic relationship between revenues, expenses and rate base during the period in which the rates established in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were $1,454,522 from water utility service. The adjusted operating income (loss) was $19,630, leading to an operating income deficiency of $122,386. The adjusted fair value rate base was $2,201,395. Thus, the rate of return on the Company's water operations during the test year was 0.89 percent.

8. Valley Utilities submits that the overall rate of return to the Company is too low to allow it to pay reasonable dividends, maintain a sound credit rating, and/or enable the Company to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. Valley Utilities is requesting an increase in revenues equal to $157,015, an increase in revenues of 10.79 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 6.451 percent.

10. Filed concurrently in support of this Application is the Direct Testimony of

Ray L. Jones, which describes Valley Utilities' water system and operations, provides a brief history of the Company's recent regulatory activity, gives an overview of the Company's rate filing, discusses the revenue requirement, including the "A" through "F" schedules, development of the rate base and income statement adjustments, proposed rates, including the "H" schedules, and the effects of the proposed rates on customers' bills, and addresses the Company's request to make permanent the Arsenic Remediation Surcharge Mechanism (ARSM) approved in Decision No. 71287 (October 7, 2009).

11. Attached hereto as **Attachment 1** are the water plant descriptions and a completed water use data sheet.

WHEREFORE, Valley Utilities respectfully requests the following relief:

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

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

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

D. That the Commission approve Valley Utilities' request to make permanent the Arsenic Remediation Surcharge Mechanism (ARSM) approved in Decision No. 71287.

RESPECTFULLY SUBMITTED this 30th day of May, 2012.

FENNEMORE CRAIG, P.C.

By: _____
Jay L. Shapiro
Attorneys for Valley Utilities Water Company, Inc.

ORIGINAL and 15 copies filed this 30th day of May, 2012 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: Maria San Jose
7017038.2/024964.0005

Valley Utilities Water Company, Inc.

Application

Attachment 1

COMPANY NAME	VALLEY UTILITIES WATER CO., INC.
Name of System:	ADEQ Public Water System Number: 07-079

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
See Attachment A						

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Liberty Water	400	954

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
See Attachment A		201	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
See Attachment A		See Attachment A	

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

COMPANY NAME	VALLEY UTILITIES WATER CO., INC.
Name of System:	ADEQ Public Water System Number: 07-079

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4	AC & PVC	10,000
5		
6	AC & DIP	78,034
8	AC & DIP	52,911
10	DIP	2,952
12	AC & DIP	5,925

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	104
3/4	844
1	398
1 1/2	12
2	50
Comp. 3	
Turbo 3	2
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

2 – Arsenic Treatment Facilities
2 – 300 Gallon Liquid Chlorinators
1 – 100 Gallon Liquid Chlorinator

STRUCTURES:

2 Arsenic Treatment Buildings, 2400 and 1200 sq ft.
Motor Control Center, 264 sq ft.
Motor Control Center, 192 sq ft.

OTHER:

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

COMPANY NAME:	VALLEY UTILITIES WATER CO., INC.
Name of System:	ADEQ Public Water System Number: 07-079

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2011

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	1,386	15,393	17,468	
FEBRUARY	1,399	18,453	20,286	
MARCH	1,392	18,910	20,193	
APRIL	1,393	21,304	22,657	700
MAY	1,395	29,334	30,588	254
JUNE	1,394	30,796	33,874	
JULY	1,393	40,909	43,390	
AUGUST	1,400	31,893	34,859	
SEPTEMBER	1,402	31,273	35,500	
OCTOBER	1,407	28,556	30,829	
NOVEMBER	1,409	18,970	20,838	
DECEMBER	1,410	15,639	17,390	
	TOTALS →	[redacted]	327,872	954

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

See Attachment A

If system has fire hydrants, what is the fire flow requirement? _1000_ GPM for _2_ hrs

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

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

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

If yes, provide the GPCPD amount:_____

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-01412A-12-_____

DIRECT TESTIMONY OF

RAY L. JONES, P.E.

May 30, 2012

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

A. On behalf of the Applicant Valley Utilities Water Company, Inc. ("Valley" or the "Company").

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

A. I am the owner and principal of ARICOR Water Solutions LC.

Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND BEFORE GOING TO WORK FOR ARICOR?

A. I began my working career with Citizens Utilities Company ("Citizens") in 1985 as a Staff Engineer for the Maricopa County water and wastewater division. I was employed at Citizens for 17 years, ending my career there as Vice President and General Manager for the Arizona water and wastewater operations. In 2002, American Water ("American") purchased the water and wastewater assets of Citizens and I joined American as the President of Arizona-American Water Company. I left American in 2004 to start up ARICOR Water Solutions.

I received a Bachelor of Science in Civil Engineering in 1985 from the University of Kansas and a Master of Business Administration in 1991 from Arizona State University. I am a Registered Professional Engineer in Arizona and California and a Grade 3 Certified Operator in Arizona for all four water and wastewater classifications. I specialize in water resource issues, regulatory strategies, rate case filings, and water and wastewater utility management and operations. My resume is attached as **Exhibit RLJ-DT1**.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. In my time with Citizens and American, I prepared or assisted in the preparation of multiple filings before the Arizona Corporation Commission ("Commission"), including rate applications and CC&N filings. Since starting ARICOR, I have

prepared several filings and assisted in the preparation of several more filings before the Commission, including rate applications and CC&N filings. I have also provided testimony in all of these cases before the Commission. A summary of my regulatory work experience is included in my resume attached as **Exhibit RLJ-DT1**.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. To support Valley's application for rate relief. Specifically, I describe Valley's water system and operations and provide a brief history of Valley's recent regulatory activity. I will also provide an overview of this filing and testify in support of the Company's proposed adjustments to its rates and charges for water service. I testify concerning Valley's rate base, its net income (revenue and operating expenses), its required level of revenues, and its rate design and proposed rates and charges for service. Lastly, I sponsor the required filing schedules that accompany this filing.

II. VALLEY'S WATER SYSTEM AND OPERATIONS

Q. WHAT IS YOUR RELATIONSHIP TO VALLEY?

A. I provide consulting services to Valley. Specifically, I assist and advise Valley on a variety of matters related to their ownership and operation of their water system. In my capacity as a consultant to Valley, I have been able to become familiar with their facilities and operations.

Q. WOULD YOU DESCRIBE VALLEY AND ITS WATER SYSTEM?

A. Valley was issued a Certificate of Convenience and Necessity in 1954 to provide water services to portions of unincorporated western Maricopa County, Arizona located east of Luke Air Force Base.[1] Valley currently serves approximately 1,300

[1] Decision No. 28487 (October 29, 1954).

homes, three large multi-family housing complexes with 838 total units, and supporting neighborhood commercial development.

As of year-end 2011, Valley served approximately 1,415 water connections. Valley's customer base is approximately 93% residential connections, with 95 commercial (including multi-family) connections and 5 fire service customers. Residential customers are served with meters ranging in size from 5/8" x 3/4" to 1-1/2", with the majority being served by 3/4" meters. The commercial customers are served by meters ranging from 5/8"x 3/4" to 2" in size.

The Valley water system consists of four (4) water plant sites consisting of six (6) active wells, two (2) arsenic treatment facilities, six (6) water storage tanks and twelve (12) booster pumps. The water plants are interconnected by a looped distribution system to provide system reliability. The system is designed to provide a 1,000 gallon per minute fire flow. Valley has an interconnection with Liberty Water that is used to supplement Valley's water supply and increase reliability. A detailed description of Valley's water system is attached as **Exhibit RLJ-DT2**.

Q. WHAT IS YOUR OPINION OF VALLEY'S WATER FACILITIES AND OPERATIONS?

A. Historically, Valley's water system was a simple groundwater based water system typical of those serving dispersed low density areas of development. More recently, Valley has seen higher density development fill in its service area and has made significant well, storage and booster station improvements to meet the increased demands. Most significantly, Valley has installed arsenic treatment facilities to remove arsenic from the water at the Glendale Well Yard and the Bethany Hills West Booster Station site. Because of these improvements, Valley's water system is now a relatively sophisticated system requiring increased levels of

operational expertise and effort, including increased maintenance, repairs and capital investment. Valley's water system is well maintained and provides reliable service to the community. Valley's small operations staff is highly knowledgeable regarding water system operations and have adapted well to the increased demands of operating a water system with two treatment facilities.

Q. DOES VALLEY HAVE A WATER CONSERVATION PROGRAM?

A. Yes. Valley is enrolled as a regulated Tier I municipal provider in ADWR's Modified Non-Per Capita Conservation Program ("NPCCP"). As a part of the program, Valley is required to have a Public Education Program and to implement one Best Management Practice ("BMP") in its service area. On September 18, 2009 ADWR approved the following BMP for Valley:

- Meter Repair and/or Replacement Program

In addition to the requirements of the ADWR NPCCP, the Commission required Valley to submit at least five BMPs for Commission consideration.[2] Valley submitted its proposed BMPs in June 2010 and they were approved on December 10, 2010.[3] The approved BMP tariffs are:

- Youth Conservation Education Program Tariff
- Water Budgeting Program (Non-Residential) Tariff
- Customer High Water Use Inquiry Resolution Tariff
- Water Waste Investigations and Information Tariff
- Meter Repair and/or Replacement Tariff

Q. DOES VALLEY HAVE A PROGRAM TO ADDRESS WATER LOSSES?

A. Yes. All water providers in the Phoenix Active Management Area are required to track and report water losses to ADWR. Valley closely monitors this data and

[2] Decision No. 71482 (February 3, 2010).
[3] Decision No. 72005 (December 10, 2010).

implements corrective action as warranted. Valley has implemented an ADWR and Commission approved Meter Repair and/or Replacement Program designed to prevent water losses. Valley has also implemented a valve repair program to proactively address water losses caused by leaking and defective valves.

Q. IS VALLEY'S WATER LOSS CONTROL PROGRAM EFFECTIVE?

A. It is very effective. Water losses reported by ADWR for years 2005 through 2009 (the most recent three years reported) are consistently around 8.3% and have averaged 8.29% for the three year period. Water losses calculated from Valley's annual report to the Commission for years 2010 and 2011 are 7.86% and 8.33% respectively.

III. VALLEY'S REGULATORY HISTORY

Q. WOULD YOU SUMMARIZE VALLEY'S RECENT REGULATORY ACTIVITY AND ITS RELATIONSHIP TO THIS APPLICATION?

A. Valley has an active, recent history before the Commission. The activity was necessary to allow Valley to make substantial needed investments in arsenic treatment and other water supply and distribution facilities. The following listing summarizes recent Commission decisions issued to Valley as they pertain to this filing.

- Decision No. 68309 (November 14, 2005)
  - Rate Increase
  - Approval of Water Infrastructure and Finance Authority ("WIFA") loan of $1,926,100 for construction of arsenic treatment facilities
- Decision No. 70138 (January 23, 2008)
  - Approval of WIFA loan of $250,000 for replacing Well #6
  - Approval of interim emergency well surcharge

- Decision No. 71287 (October 7, 2009)
  - Approval of Arsenic Remediation Surcharge Mechanism ("ARSM")
- Decision No. 71482 (February 3, 2010)
  - Rate Increase
  - Arsenic treatment facilities not in service and not included in rate base (ARSM remains in effect)
  - Interim emergency well surcharge cancelled (Well #6 included in rate base)

IV. OVERVIEW OF VALLEY'S APPLICATION

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. Valley requests a rate increase of $157,015, or 10.79%, to allow it to earn a reasonable rate of return on its original cost rate base. The test year is the 12-month period ending December 31, 2011. Valley also proposes certain pro forma adjustments to account for known and measurable changes to rate base, expenses and revenues and to present a normalized and more realistic relationship between revenues, expenses and rate base.

Q. WHY IS THE COMPANY FILING FOR A RATE INCREASE AT THIS TIME?

A. Valley has completed construction of the arsenic treatment facilities addressed in Decision Nos. 68309, 71287 and 71482. The Glendale Arsenic Treatment Facility was placed into service in 2009 and the Bethany Arsenic Treatment Facility was placed into service in 2011. The arsenic treatment expenditures and other capital expenditures made over the past few years have significantly increased Valley's rate base, equity investment and debt. Valley is asking for a rate increase in order to earn a fair return on these investments and ensure Valley has sufficient cash flow

to meet its debt service and other obligations. A summary of major plant facilities placed into service, since the end of Valley's last test year (June 30, 2008), is provided as **Exhibit RLJ-DT3.**

Q. PLEASE IDENTIFY THE SCHEDULES PROVIDED WITH THIS APPLICATION?

A. I have prepared the following schedules which are attached as **Exhibit RLJ-DT4.**

- Schedules A-1 through A-5 – Summary Information.
- Schedules B-1 through B-5 – Rate Base Information and Adjustments.
- Schedules C-1 through C-3 – Income Statements and Adjustments.
- Schedules D-1 through D-4 – Cost of Capital Information.
- Schedules E-1 through E-9 – Financial Statements and Statistical Data.
- Schedules F-1 through F-4 – Projections and Forecasts.
- Schedules H-1 through H-5 – Effect of Proposed Rate Schedules.

I prepared these schedules based on my investigation and review of the relevant books and records of Valley. G Schedules are omitted because the Company is not proposing a change in its rate design and the Company did not feel it necessary to prepare a cost of service study.

V. ARSENIC REMEDIATION SURCHARGE MECHANISM (ARSM)

Q. PLEASE DESCRIBE THE ARSM APPROVED IN DECISION NO. 71287.

A. The ARSM approved in Decision No. 71287 was designed to allow Valley to recover the sum of the annual interest and principal payments and incremental income taxes associated with the WIFA loan approved in Decision No. 68309. The ARSM is a flat monthly charge which varies based on meter size. The ARSM is $5.51 for a 5/8" x 3/4" meter and is increased for large meter sizes based on meter equivalency factors.

Q. FOR WHAT PERIOD IS THE ARSM IN EFFECT?

A. Decision No. 71287 provides that the ARSM shall cease upon the earlier date of the effective date of the rates authorized in a rate proceeding subsequent to the rate proceeding resulting in Decision No. 71482 or on August 31, 2013.

Q. IS THIS RATE PROCEEDING THE FIRST RATE PROCEEDING FILED BY VALLEY SUBSEQUENT TO DECISION NO. 71482?

A. Yes it is. Accordingly, the current ARSM will expire at the earlier of the effective date of rates authorized pursuant to this rate proceeding or August 31, 2013.

Q. WHAT IS VALLEY'S REQUEST REGARDING THE ARSM?

A. Valley is requesting that the ARSM be made permanent.

Q. WHY IS VALLEY MAKING THIS REQUEST?

A. Valley believes that leaving the ARSM in place is a practical way to conclude a long process of increasing rates to fund arsenic treatment facilities with the least amount of impact on its customers.

Q. PLEASE EXPLAIN.

A. This rate case is the final case in a series of rate increases and surcharge implementations required to allow Valley to make substantial necessary investments in arsenic treatment and other water supply and distribution facilities. This case is effectively a true-up of the previous ratemaking activities. And fortunately, the true-up is small with only an additional 10.79% increase in total customer charges required to allow Valley to earn a fair rate of return on the investments made over the past few years.

The ARSM is a simple flat rate charge presented as a separate line item on customer's bills. The customers understand the charge, understand how much it costs them each month and understand why the charge is on their bill. With the ARSM left in place, customers will continue to pay a simple, predictable charge

they understand and receive a modest increase in rates. In contrast, eliminating the ARSM will cause customer confusion. The ARSM will go away, but rates will necessarily increase to provide the lost revenue.

The end result is that the lost ARSM revenue, a cost that Valley's customers already pay, becomes a phantom increase in rates, making it difficult for customers to determine the true impact of this rate case on their bills. Specifically, since the ARSM makes up about 12% of the proposed revenue requirement, eliminating the ARSM will cause a modest 10.79% increase in total charges appear as if it is a much larger 23% increase in rates. It is for these reasons that Valley requests that the ARSM be made permanent.

Q. IF THE COMMISSION DECIDES THAT THE ARSM SHOULD BE ELIMINATED AT THIS TIME, DO YOU HAVE A RECOMMENDATION AS TO HOW THE REVENUE SHOULD BE REPLACED?

A. Yes, Valley believes the ARSM revenue should be off-set with a dollar for dollar increase in the base charge for each meter size. This is the option that provides for the least amount of customer confusion and the most revenue stability for Valley.

VI. RATE BASE AND RATE BASE ADJUSTMENTS

A. Plant In Service Review

Q. DID YOU CONDUCT A REVIEW OF VALLEY'S PLANT IN SERVICE IN CONJUNCTION WITH PREPARING THIS FILING?

A. Yes, I conducted a comprehensive review of Valley's plant addition and retirement transactions recorded since the end of the prior test year.

Q. PLEASE DESCRIBE THE SCOPE OF YOUR REVIEW OF VALLEY'S PLANT ADDITIONS.

A. Valley provided me a listing of all plant additions and retirements recorded since

July 1, 2008. Working with Valley management and operations personnel, each entry was reviewed to determine the following:

- Is the asset entry an appropriate plant entry per the NARUC system of accounts?
- Is the asset entry charged to the correct NARUC plant account?
- Was a plant retirement recorded when appropriate?

Q. WHAT CONCLUSIONS DID YOU REACH AFTER YOUR FIXED ASSET REVIEW?

A. I found Valley's records to be generally in good order and in compliance with the NARUC system of accounts. The asset entries were generally complete with detailed descriptions and good backup documentation.

Two items were discovered that needed attention.

- Some plant retirements had not been recorded on Valley's books.
- Some assets were classified to the wrong NARUC plant account or required further breakdown to additional NARUC plant accounts.

Q. WHAT ACTIONS DID YOU TAKE AFTER YOUR FIXED ASSET REVIEW?

A. I constructed an Excel spreadsheet listing all plant additions and retirements. Adjusting entries were made to classify all assets to the correct NARUC plant account. A listing of unbooked plant retirements totaling $103,496 was prepared and documented in an Excel spreadsheet. These updated and adjusted plant additions and retirements were used in the preparation of the rate base schedules and adjustments included in this filing.

B. **Rate Base**

Q. **HOW DID VALLEY ARRIVE AT ITS TEST YEAR ORIGINAL COST RATE BASE SHOWN ON SCHEDULE B-1, LINE 22?**

A. The original cost rate base was calculated by establishing the balance of utility plant in service at the end of the test year, per Valley's books, as shown in the first column of Schedule B-2. Deductions were made for accumulated depreciation, advances, net contributions, customer security deposits and deferred income taxes. Working capital was included as an addition to rate base. The Company made various pro forma adjustments (RB-1, RB-2 & RB-3) to the actual test-year-end rate base to arrive at the adjusted test-year-end rate base of $2,201,395. For this case, Valley accepts its original cost rate base as its fair value rate base.

C. **Working Capital**

Q. **HOW DID VALLEY DETERMINE ITS WORKING CAPITAL REQUIREMENT?**

A. The working capital was determined by adding Valley's estimated working cash requirement to the test-year-end balances of materials and supplies inventory, special deposits (required by WIFA), and prepayments.

Q. **HOW WAS THE WORKING CASH COMPONENT OF WORKING CAPITAL ESTIMATED?**

A. A lead/lag study was used to estimate the working cash component of working capital. A lead/lag study identifies the net lag between 1) the time from providing services to the time customers pay for those services to 2) the time from incurring expenses until those expenses are paid. For Valley, revenues lag expenses, creating a positive cash working capital requirement of $46,445.

D. Rate Base Adjustments

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-1.

A. Rate base adjustment RB-1, detailed on page 2 of Schedule B-2, increases the plant in service balance by a net of $20,555 after considering several separate plant in service adjustments labeled [1.1] through [1.7].

Adjustments [1.1] and [1.5] conform the plant in service balance to Decision No. 71482. Schedule B-2.1 provides a detailed reconciliation of the adjustments.

Adjustments [1.2] and [1.3] include costs for post-test-year plant. Adjustment [1.2] is the estimated cost to complete a project to replace the well pump and install a down-hole sand separator on Well 6A, which was completed in May of 2012. Adjustment [1.3] is the estimated cost to complete drainage improvements at the Bethany Arsenic Treatment Facility required pursuant to a Special Use Permit ("SUP") issued by Maricopa County. These drainage improvements are the final item of construction associated with the Bethany Arsenic Treatment Facility. The improvements have been delayed due to drainage conflicts caused by construction of the L. Thomas Heck Middle School adjacent to the Bethany Arsenic Treatment Facility property. Valley has worked with the School District and Maricopa County to resolve the conflicts and obtain approval of a revised drainage plan and SUP. The drainage improvements are scheduled to be completed in July of 2012.

Adjustment [1.4] captures the cost of unbooked retirements identified in my fixed asset review.

Adjustment [1.6] reclassifies certain items of plant to the correct NARUC plant account based on my fixed asset review.

Adjustment [1.6] reclassifies to capital certain costs that were expensed during the test year.

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-2.

A. Rate base adjustment RB-2, detailed on page 3, 3.1 and 3.2 of Schedule B-2, decreases the accumulated depreciation balance by a net of $80,268 after considering several separate accumulated depreciation adjustments labeled [2.1] through [2.7].

Adjustment [2.1] records the unbooked plant retirements identified in my fixed asset review.

Adjustment [2.2] adjusts accumulated depreciation to the amounts calculated on Schedule B-2.1. As detailed on Schedule B-2.1, accumulated depreciation was calculated from the balances approved in Decision No. 71482 considering recorded plant additions and retirements, plant reclassifications and adjustments and unbooked retirements. Adjustment [2.3] eliminates differences resulting from rounding the calculated accumulated depreciation balances.

Adjustments [2.4] and [2.5] adjusts accumulated depreciation to record accumulated depreciation on items of plant that were recorded on Valley's books in 2010 and 2011, but physically placed into service in an earlier period. The supporting detail for the prior period accumulated depreciation adjustment is provided on page 3.1 of Schedule B-2.

Adjustment [2.6] adjusts accumulated depreciation to account for depreciation on amounts reclassified from expenses. The supporting detail for this adjustment is provided on page 3.2 of Schedule B-2.

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-3.

A. Rate base adjustment RB-3, detailed on page 4, 4.1 and 4.2 of Schedule B-2, increases the accumulated amortization of CIAC by $43,448. Page 4.1 provides a reconciliation calculation of accumulated amortization of CIAC from 6/30/2008 to the end of the current test year. The calculation considers CIAC additions from

line extensions and Arsenic Impact Fees. The calculation also includes an adjustment for prior period amortization of CIAC as detailed on page 4.2.

VII. INCOME STATEMENT AND INCOME STATEMENT ADJUSTMENTS

A. Revenue Adjustments

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-1?

A. Income statement adjustment IS-1 is an adjustment to correct test year revenue to account for an under billing of customers. The billing error was discovered during the reconciliation of test year revenue to calculated bill count revenues in preparation of this filing. Due to a software set-up error, for residential customers with 5/8" x 3/4" meters and 3/4" meters, usage between 10,000 and 13,000 gallons was being billed at the tier 2 rate of $2.44 per 1,000 gallons rather than the tier 3 rate of $3.15 per 1,000 gallons. This adjustment increases test year revenue by $6,548 to account for the forgone revenue.

Q. DID VALLEY ATTEMPT TO COLLECT THE UNDER BILLED REVENUE FROM THE CUSTOMERS?

A. No, but we have to account for it in the ratemaking process or the Company's revenue recovery will be understated.

B. Expense Adjustments

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-2?

A. Income Statement IS-2 normalizes test year expenses for arsenic media replacement, valve maintenance and tank coating. For each of the expense categories, a schedule was prepared by Valley personnel to analyze the incurred and projected expenses and establish a normalized level of expense for inclusion in rates. After considering the normalized cost of each category of expense, this adjustment reduces test year repairs and maintenance cost by $2,204.

Arsenic media costs were normalized based on the actual cost and timing of the replacement of absorptive media for Glendale Vessel A. The Glendale Vessel A media was replaced during the test year at a total cost of $69,576.41. A normalized cost for media replacement is established by applying the actual cost and time in service (per cubic foot of media replaced) at Glendale A to each of the three other arsenic treatment vessels in service. The normalized cost of Arsenic Media Replacement is $46,158 annually as shown on **Exhibit RLJ-DT5**.

Valve maintenance was normalized based on a six-year average cost of the test year actual costs and a five-year forward looking estimated cost. The test year valve maintenance cost was $18,382 and the six-year normalized average cost of valve replacement is $16,596 annually as shown on **Exhibit RLJ-DT6**.

Tank coating costs were normalized based on a fifteen year schedule of tank coating covering all of Valley's steel tanks. The schedule is based on a target date of 15 years from the last tank coating with minor schedule adjustments to smooth cash flow. Valley's recovery of tank coating costs is critical as many of Valley's tanks are at or approaching the age that they require their first recoating. Without recovery of this significant expense in rates, Valley will have insufficient cash flow to be unable to properly maintain its steel tanks. Valley began its tank recoating program in 2009 with the coating of the 200,000 gallon storage tank at Bethany Hills West. Both tanks at the Lux site and the hydropneumatic tank at Bethany Hills West were due for coating in 2011. However, Valley was forced to postpone coating the tanks due to insufficient available funds. The tanks have been rescheduled for coating in 2013 in anticipation of the additional funds being available as the result of this rate increase request. The normalized tank coating expense is $23,000 annually as shown on **Exhibit RLJ-DT7**.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-3?

A. Income statement adjustment IS-3 reduces various expenses to reclassify expensed costs related to the arsenic treatment project to capital. The improperly classified costs were identified based on a review of individual invoices charged to the contract services and miscellaneous expense accounts. The adjustment reduces test year contract services – legal by $19,711, reduces test year contract services – other by $7,968 and reduces test year miscellaneous expenses by $697. The total test year reduction to expenses is $28,376.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-13?

A. Income Statement Adjustment IS-13 increases the test year expense by $9,851. This is based on Valley's estimated rate case expense at $120,000, which it proposes to collect over a three-year amortization period. The actual rate case expense in the last rate case was roughly $95,000, providing the starting point for this estimate. In the last case, Valley's rates were set on an operating margin basis due to a negative rate base. In this case, Valley has a $2.2 million positive rate base, creating the need for a thorough review of plant additions and cost of capital determination. Considering cost increases since the last case and that Valley is a Class B utility and thus required to participate in 5 rounds of prefiled testimony, discovery, hearings and briefing, $120,000 is a reasonable level of rate case expense for this case. Of course, Valley will update the estimate as the case progresses to reflect any changes in expected total rate case expense.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-14?

A. Income statement adjustment IS-14 synchronizes interest expense with the test year adjusted rate base. This adjustment is necessary to properly calculate the federal and state income taxes (income statement adjustment IS-17) to be included in rates. Income statement adjustment IS-14 increases interest expense by $5,815.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-15?

A. Income statement adjustment IS-15 annualizes depreciation expense using adjusted test-year-end plant balances and current depreciation rates. Income statement adjustment IS-15 increases depreciation expense by $40,674.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-16?

A. Income statement adjustment IS-16 restates property taxes consistent with the method supported by Commission Staff and approved in numerous recent Commission decisions. Specifically, following the Arizona Department of Revenue - Centrally Valued Properties method, full cash value was determined by using twice the average of three years of revenue, plus an addition for CWIP and a deduction for the book value of transportation equipment. Consistent with Commission practice, three times the adjusted revenues for 2011 was used to determine the average revenue. The assessed value (20 percent of full cash value) was then multiplied by the test year property tax rate to determined adjusted property tax expense. Income statement adjustment IS-16 increases property tax expense by $6,952 for the test year, and after considering the effect of the proposed rate increase, property tax expense is increased by $1,926 from the test year adjusted amount.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-17?

A. Income statement adjustment IS-17 calculates the test year income tax expense for Valley, considering all other adjustments. Income statement adjustment IS-17 decreases the test year income tax expense by $9,116, and after considering the effect of the proposed rate increase, income tax expense is increased by $32,382 from the test year adjusted amount.

VIII. COST OF CAPITAL

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR VALLEY?

A. Valley proposes to use the adjusted test-year-end capital structure of 87.11% debt and 12.89% equity, as shown on Schedule D-1.

Q. WHAT IS THE RECOMMENDED COST OF DEBT?

A. Valley proposes to use the actual weighted average cost of Valley's debt of 5.788%, as shown on Schedule D-2.

Q. WHAT IS THE RECOMMENDED COST OF EQUITY?

A. Valley proposes to use an 11.00% cost of equity.

Q. HOW DID YOU ARRIVE AT AN 11.00% COST OF EQUITY?

A. Valley's highly leveraged capital structure and associated higher than average financial risk indicates that Valley will require a higher cost of equity than less leveraged companies. In addition, as shown on Schedule F-2, Valley's test year cash flow was negative and Valley's cash flow is projected to remain negative until the rates requested in this case are put into effect. Valley's deteriorating financial condition, negative cash flow and a highly leveraged capital structure justify a significant financial risk adjustment to any comparative cost of capital analysis. Accordingly, I selected a cost of equity of 11.00%, which includes a significant risk premium because of Valley's highly leveraged capital structure and negative cash flow.

I based the request on a review of rate orders issued by the Commission during calendar-year 2012. I identified the following cases for Class A, B and C companies for which the cost of equity could be determined. The identified utilities range from 0% debt capital to a high of 64.14% debt capital. Valley's test-year-end debt capital of 87.11% is well above the highest debt level of the

comparable companies. Based on my review of the Commission's 2012 decisions, as detailed below, an 11.00% return on equity is the minimum return on equity that is appropriate for Valley's capital structure and financial risk profile. It should also be noted that the rates proposed in this filing produce an operating margin of only 8.81% and a positive cash flow of only $492 – using 2012 projected expenses[4]. Considering that rates will not go into effect until 2013, the cash flow produced by this request is the minimum level of cash flow that will allow Valley to deal with unexpected expenses and meet the ongoing capital needs of the system.

Company	Docket	Debt Ratio	Equity Return	Risk Premium Included
Arizona-American Water[5]	09-0343	64.14%	10.70%	80 basis pt.
Bermuda Water	10-0521	0.00%	8.82%	n/a
Goodman Water	10-0521	18.27%	9.95%	n/a
East Slope Water	10-0168	0.00%	9.6%	n/a
Arizona Water	10-0517	49.03%	10.0%	n/a
Arizona-American Water	10-0488	58.73%	10.6%	n/a

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

A. Based upon a capital structure consisting of 87.11 percent debt and 12.89 percent equity, a debt cost of 5.788 percent, and a cost of equity of 11.00 percent, the weighted cost of capital is 6.451 percent as shown on Schedule D-l.

[4] See Schedule F-2, ln. 40

[5] Commission Staff recommendation shown in table. The decision ultimately adopted RUCO's lower cost of equity due to factors that are not applicable in this matter.

IX. RATE DESIGN AND REVENUE PROOF

Q. PLEASE DESCRIBE THE H SCHEDULES.

A. Schedule H-1 summarizes the revenue by source and customer classification as billed under present rates and the amount that would be generated by the proposed increase in metered water rates. Schedule H-2 analyzes revenue at present and proposed rates by source, customer class and meter size in dollar amount and percentage. The average number of customers derived from the bill count is also shown by meter size and in total. Lastly, Schedule H-2 contains supplemental schedules that provide a breakdown of revenue at the existing and proposed rates by the components of the proposed rate design. Schedule H-3 compares present and proposed rates and shows the changes in each rate. Schedule H-4 compares present and proposed rates and the percentage increase at various consumption levels for each class of service and meter size. Schedule H-5 is the bill count of the bills issued during the test year.

Q. HAS VALLEY PROPOSED A CHANGE IN RATE DESIGN?

A. No. Rate design was a contested issue in Valley's last rate case with all of Staff's recommendations ultimately adopted. Valley's current Staff recommended rate design provides approximately 65.3 percent of revenue from commodity charges and 34.7 percent from base charges. Valley believes that the existing rate design promotes revenue instability by placing too much revenue in the commodity charges. If ARSM revenue is included, base charges plus ARSM revenue are 43.4 percent and commodity charges are 56.6 percent of total revenues. Considering Valley's financial condition, the current rate design, even with inclusion of the ARSM, is still inadequate with respect to revenue stability.

However, Valley does not want to reopen issues that were addressed in the last rate case or confuse its customers. Therefore, Valley proposes to simply

increase the base charges for all meter sizes and the commodity charges for all tiers by the same percentage while keeping the ARSM surcharge in place and unchanged. The result is a revenue stream that provides 57.5 percent of revenue from commodity charges and 42.5 percent from the combination of base charges and ARSM revenue. Notably, a very significant 54.1 percent of the revenue is approximately evenly split between the 2nd and 3rd consumption tiers, indicating an aggressive conservation orientation.

Considering Valley's highly leveraged capital structure and currently negative cash flow, any destabilization of Valley's revenue stream by further shifting revenue into consumption charges, or by shifting revenue from its residential customer base to the commercial customer base, would be ill advised.

Q. WHAT IS THE IMPACT OF VALLEY'S PROPOSED RATES ON THE AVERAGE RESIDENTIAL CUSTOMER?

A. The majority of Valley's residential customers are served by 3/4" meters, with significant numbers also having 5/8" x 3/4" meters and 1" meters. The impact on the various residential meter sizes at average usage is as follows.

Meter Size	Number of Customers	Average Usage (gallons)	Increase $	Increase %
5/8" x 3/4"	98	7,055	$3.47	10.74%
3/4"	831	9,425	$5.02	10.67%
1"	371	19,463	$10.23	11.09%

Q. IS VALLEY PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES?

A. Yes. As detailed in Schedule H-3, Valley is proposing minor adjustments to its

NSF check charge and meter re-read charge to be consistent with those recommend by Staff in recent cases.

Q DID VALLEY VERIFY AND PROVE THE TEST YEAR REVENUES?

A. Yes. Schedule H-5 lists the number of bills by thousand-gallon block and the cumulative consumption by rate block for each class of customer and meter size. The actual bills were adjusted to account for prorated base charges to allow proper verification and proof of the test year revenues.

As shown on Schedule H-1, line 16, total calculated revenues at present rates for the test year were $1,454,874 compared to total per-book adjusted revenues of $1,454,522 shown on Schedule H-1, line 20. The unreconciled difference of $352 amounts to 0.12% of per-book adjusted revenues.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

7018144.4/024964.0005

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT1

Ray L. Jones P.E.
Principal
ARICOR Water Solutions, LC
25213 N. 49th Drive
Phoenix, Arizona 85083

EMPLOYMENT HISTORY

2004 – Present

ARICOR Water Solutions
Principal
ARICOR Water Solutions offers a wide range of services to the private and public sectors. Projects include water resources strategy development, water rights evaluation and development of regulatory strategies. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis and preparation of financial schedules and testimony in support of CC&N, Rate Case and other filings before the Arizona Corporation Commission. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

2002 to 2004

Arizona-American Water Company
President
Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002

Citizens Water Resources, Arizona Operations
Vice President and General Manager
Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998

Citizens Water Resources, Arizona Operations
Engineering and Development Services Manager
Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990

Citizens Water Resources, Arizona Operations
Civil Engineer
Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

Arizona State University – Master of Business Administration (1991)
University of Kansas – Bachelor of Science in Civil Engineering (1985)

PROFESSIONAL CERTIFICATION

Registered Professional Engineer – Civil Engineering – Arizona
Professional Engineer – Civil Engineering – California
Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

PROFESSIONAL AFFILIATIONS

- Director - Water Utilities Association of Arizona (1998 – 2004)
- Member - American Society of Professional Engineers
- Member - American Water Works Association
- Member - Arizona Water Pollution Control Association
- Member - Water Environment Federation

CIVIC AND COMMUNITY INVOLVEMENT

- Advisory Member - Water Resources Development Commission (2010 – Present)
- Board of Directors – Greater Maricopa FTZ, Inc. (2009 – Present)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 – Present)
- Co-Chairman, WESTMARC Water Committee (2006 – 2007)
- Chairman-Elect WESTMARC (2007)
- Member – Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member – Technical Advisory Committee – Governor's Water Management Commission (2001)
- Board Member, Manager & Past Chairman – North Valley Little League Softball

REGULATORY EXPERIENCE

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2010	Chino Meadows II Water Company	Ratemaking	W-02370A-10-0519
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT2

Exhibit RLJ-DT2

VALLEY UTILITIES WATER COMPANY, INC.

Water System Description

May 30, 2011

General

Valley Utilities Water Company ("Valley") was issued a Certificate of Convenience and Necessity in 1984 to provide water services to portions of unincorporated western Maricopa County, Arizona located east of Luke Air Force Base. Valley currently serves approximately 1,300 homes, three multi-family housing complexes and supporting neighborhood commercial development.

As of year-end 2011, Valley served approximately 1,415 water connections. Valley's customer base is approximately 93% residential connections, with 95 commercial connections (which include 838 multi-family units) and 5 fire service customers. Residential customers are served with meters ranging in size from 5/8" x 3/4" to 1-1/2", with the majority being served by 3/4" meters. The commercial customers are served by meters ranging from 5/8"x 3/4" to 2" in size.

Water System

The Valley water system consists of four (4) water plant sites consisting of six (6) active wells, two (2) arsenic treatment facilities, six (6) water storage tanks and twelve (12) booster pumps. The water plants are interconnected by a looped distribution system to provide system reliability. The system is designed to provide a 1,000 gallon per minute fire flow. Valley has an interconnection with Liberty Water which is used to supplement Valley's water supply and increase reliability.

The water system facilities are summarized below:

Glendale Well Yard (Booster Station):

Well 1 – 75 gpm – ADWR# 55-639720
Well 2 – Out of Service – ADWR # 55-639721
Well 7 – 450 gpm – ADWR# 55-208819
Arsenic Treatment Facility:
  2 – 8' diameter Treatment Vessels
  1 – 17,000 gallon Backwash Tank
2 – 100,000 gallon Storage Tanks
1 – 5,000 gallon Hydropneumatic Tank
3 – Booster Pumps

Maryland Avenue Booster Station:

Water Supply from Bethany Hills West Booster Station
1 – 1,000,000 gallon storage tank
1 – 560,000 gallon storage tank
1- 10,000 gallon Hydropneumatic Tank
4 – Booster Pumps

Bethany Hills West (Booster Station):
Well 4 – 90 gpm – ADWR# 55-639722
Well 5 – 450 gpm – ADWR# 55-503273
Well 6A – 150 gpm – ADWR# 55-216455
Arsenic Treatment Facility:
  2 – 12' diameter Treatment Vessels
  1 – 70,000 gallon Backwash Tank
1 – 200,000 gallon storage tank
1- 7,500 gallon Hydropneumatic Tank
2 – Booster Pumps

Lux Booster Station:
Well 3 – 90 gpm – ADWR# 55-639723
1 – 100,000 gallon storage tank
1- 5,000 gallon Hydropneumatic Tank
3 – Booster Pumps

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT3

VALLEY UTILITIES WATER COMPANY, INC.
Summary of Major Water System Improvements
May 30, 2012

Major Water System Improvements – Placed in Service after 6/30/2008

- Glendale Arsenic Treatment Facility - 2009

  Absorptive media arsenic treatment facility consisting of the following major components:
  - 1,200 sq-ft arsenic treatment building
  - 264 sq-ft MCC building with A/C
  - 2 – 8' diameter treatment vessels
  - 17,000 gallon polyethylene backwash tank
  - Piping, valves, meters and appurtenances
  - Electrical and controls
  - Site Work

- Bethany Arsenic Treatment Facility – 2011

  Absorptive media arsenic treatment facility consisting of the following major components:
  - 2,400 sq-ft arsenic treatment building
  - 2 – 12' diameter treatment vessels
  - 70,000 gallon steel backwash tank
  - Piping, valves, meters and appurtenances
  - Electrical and controls
  - Site Work
  - Drainage Improvements
  - Access Easement

- Maryland Avenue Booster Station
  - Complete electrical integration and controls for booster station - 2008
  - Install Chain Link Fence - 2009
  - Install Gate - 2010
  - Install A/C Unit - 2011
  - SCADA system installed

- Drill and Equip Well 6A – 2008 (Post-test year plant in previous rate case)
- Install Permanent Electrical Gear and Controls Well 7 – 2009
- Install Sand Separator Well 7 - 2010

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT4

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Index of Standard Filing Schedules

Exhibit: RLJ-DT4
Index
Page 1
Witness: Jones

Schedule No.	Title
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

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Increase in Gross Revenue Requirements

Exhibit: RLJ-DT4
Schedule A-1
Page 1
Witness: Jones

Line No.			
1	Original Cost Adjusted Rate Base	$ 2,201,184	
2			
3	Adjusted Operating Income	19,628	
4			
5	Current Rate of Return	0.89%	
6			
7	Required Operating Income	$ 142,003	
8			
9	Required Rate of Return	6.451%	
10			
11	Operating Income Deficiency	$ 122,375	
12			
13	Gross Revenue Conversion Factor	1.2829	
14			
15	Increase in Gross Revenue	$ 157,001	10.79%
16			
17			
18		Projected	
19		Revenue	%
20		Increase Due	Dollar
21	Customer Classification	To Rates	Increase
22			
23	Fire Service	$ 88	12.90%
24	Residential	106,330	10.97%
25	Commercial	7,394	10.30%
26	Commercial (Multifamily)	25,987	12.01%
27	Commercial (Irrigation)	17,144	12.43%
28	Other Water Revenue	-	0.00%
29			
30	Total Revenue Increase	$ 156,943	10.79%
31			
32	Supporting Schedules:		
33	B-1 C-1		
34	C-3 H-1		
35			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary Results of Operations

Exhibit: RLJ-DT4
Schedule A-2
Page 1
Witness: Jones

Line No.	Description	Prior Years Ended 12/31/2009	Prior Years Ended 12/31/2010	Test Year Actual 12/31/2011	Test Year Adjusted 12/31/2011	Projected Year Present Rates 12/31/2012	Projected Year Proposed Rates 12/31/2012
1	Gross Revenues	$ 1,213,359	$ 1,410,510	$ 1,447,974	$ 1,454,522	$ 1,454,522	$ 1,611,523
2	Revenue Deductions and						
3	Operating Expenses	1,090,257	1,244,372	1,417,114	1,434,894	1,456,260	1,490,885
4	Operating Income	123,103	166,138	30,861	19,628	(1,738)	120,638
5							
6	Other Income and						
7	Deductions	177	6,462	(15,596)	(15,596)	(15,596)	(15,596)
8	Interest Expense	(71,173)	(110,537)	(104,994)	(110,798)	(99,895)	(99,895)
9	Net Income	$ 52,106	$ 62,064	$ (89,729)	$ (106,766)	$ (117,228)	$ 5,147
10							
11	Earned Per Average						
12	Common Share	521.06	620.64	(897.29)	(1,067.66)	(1,172.28)	51.47
13							
14	Dividends Per						
15	Common Share	-	-	-	-	-	-
16							
17	Payout Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18							
19	Return on Average						
20	Invested Capital	0.8%	0.9%	-1.2%	-1.4%	-1.5%	0.1%
21							
22	Return on Year End						
23	Capital	0.8%	0.9%	-1.2%	-1.4%	-1.5%	0.1%
24							
25	Return on Average						
26	Common Equity	84.5%	51.9%	-49.5%	-46.2%	-50.7%	3.0%
27							
28	Return on Year End						
29	Common Equity	59.1%	41.2%	-42.3%	-40.8%	-44.8%	3.6%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	2.22	1.77	0.15	(0.04)	(0.04)	1.50
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	1.73	1.50	0.29	0.18	0.20	1.42
37							
38							
39	Supporting Schedules:						
40	E-2 F-1						
41	C-1						
42							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary of Capital Structure

Exhibit: RLJ-DT4
Schedule A-3
Page 1
Witness: Jones

Line No.	Description:	Prior Years Ended 12/31/2009	Prior Years Ended 12/31/2010	Test Year 12/31/2011	Projected Year 12/31/2012
1					
2					
3	Short-Term Debt	25,809	-	-	-
4	Long-Term Debt	1,935,031	1,853,919	1,770,091	1,679,070
5	Total Debt	$ 1,960,840	$ 1,853,919	$ 1,770,091	$ 1,679,070
6					
7	Preferred Stock	-	-	-	-
8	Common Equity	88,213	150,728	261,871	144,643
9	Total Capital & Debt	$ 2,049,053	$ 2,004,648	$ 2,031,962	$ 1,823,712
10					
11					
12	Capitalization Ratios:				
13					
14	Short-Term Debt	1.26%	0.00%	0.00%	0.00%
15	Long-Term Debt	95.69%	92.48%	87.11%	92.07%
16	Total Debt	95.69%	92.48%	87.11%	92.07%
17					
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	4.31%	7.52%	12.89%	7.93%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
21					
28	Weighted Cost of				
29	Senior Capital	5.529%	5.344%	5.034%	5.320%
30					
31					
32					
33					
34					
35	Supporting Schedules:				
36	E-1 D-1				
37					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Construction Expenditures and Gross Utility Plant In Service

Exhibit: RLJ-DT4
Schedule A-4
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	$ 1,319,849	$ 1,541,585	$ 8,206,107
3					
4	Prior Year Ended	12/31/2010	634,499	603,472	8,809,579
5					
6	Test Year Ended	12/31/2011	643,542	1,501,727	10,311,306
7					
8	Projected Year Ending	12/31/2012	98,000	98,000	10,409,306
9					
10	Projected Year Ending	12/31/2013	174,000	174,000	10,583,306
11					
12	Projected Year Ending	12/31/2014	121,000	121,000	10,704,306
13					
14	Supporting Schedules:				
15	F-3				
16	E-5				
17					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary Changes In Financial Position

Exhibit: RLJ-DT4
Schedule A-5
Page 1
Witness: Jones

Line No.		Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2010	Test Year Ended 12/31/2011	Projected Year Present Rates 12/31/2012	Projected Year Proposed Rates 12/31/2013
1	Source of Funds					
2	Operations	$ 230,496	$ 425,142	$ 248,001	$ 155,754	$ 278,129
3						
4	Outside Financing	914,480	316,558	199,066	(179,638)	(179,638)
5						
6	Total Funds Provided	$ 1,144,977	$ 741,700	$ 447,066	$ (23,885)	$ 98,490
7						
8	Application of Funds					
9	Constriction Expenditures	$ (1,319,849)	$ (634,499)	$ (643,542)	$ (98,000)	$ (98,000)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	$ (1,319,849)	$ (634,499)	$ (643,542)	$ (98,000)	$ (98,000)
16						
17	Net Increase/(Decrease) in Cash	(174,872)	107,201	(196,475)	(121,885)	490
18						
19						
20						
21	Supporting Schedules:					
22	E-3					
23	F-2					
24						

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary of Original Cost Rate Base Elements

Exhibit: RLJ-DT4
Schedule B-1
Page 1
Witness: Jones

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	$ 10,331,861
3		
4	Less: Accumulated Depreciation	(3,034,427)
5		
6	Net Utility Plant in Service	7,297,434
7		
8	Less:	
9	Advances in Aid of Construction	3,933,272
10		
11	Contributions in Aid of Construction	1,561,727
12	Accumulated Amortization of CIAC	(438,464)
13	Contributions in Aid of Construction - Net	1,123,263
14		
15	Customer Security Deposits	78,425
16	Deferred Income Taxes	195,362
17		
18	*Plus:*	
19	Working Capital	234,073
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	$ 2,201,184
23		
24	* including pro forma adjustments	
25		
26		
27	Supporting Schedules:	
28	B-2 B-5	
29	B-3 E-1	
30		

Recap Schedules:
A-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

Exhibit: RLJ-DT4
Schedule B-2
Page 1
Witness: Jones

Line No.		Actual End of Test Year	ADJ RB-1	ADJ RB-2	ADJ RB-3	Total Pro Forma Adjustments	Adjusted End of Test Year
1							
2	Gross Utility Plant in Service	$ 10,311,306	$ 20,555			$ 20,555	$ 10,331,861
3							
4	Less: Accumulated Depreciation	(3,114,695)		80,268		80,268	(3,034,427)
5							
6	Net Utility Plant in Service	7,196,611	20,555	80,268	-	100,823	7,297,434
7							
8	Less:						
9	Advances in Aid of Construction	3,933,272				-	3,933,272
10							
11	Contributions in Aid of Construction	1,561,727			-	-	1,561,727
12	Accumulated Amortization of CIAC	(395,016)			(43,448)	(43,448)	(438,464)
13	Contributions in Aid of Construction - Net	1,166,711	-	-	(43,448)	(43,448)	1,123,263
14							
15	Customer Security Deposits	78,425				-	78,425
16	Deferred Income Taxes	195,362				-	195,362
17							
18	Plus:						
19	Working Capital	234,073				-	234,073
20	Net Regulatory Asset / (Liability)					-	-
21							
22	Rate Base	$ 2,056,914	$ 20,555	$ 80,268	$ 43,448	$ 144,270	$ 2,201,184
23							
24							
25							
26							
27							
28	Supporting Schedules:					Recap Schedules:	
29	E-1					B-1	
30							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-DT4
Schedule B-2
Page 2
Witness: Jones

Plant In Service Balance

Line No.	Acct No.	Description	Actual End of Test Year	Adjustments [1.1] Conform to Decision No. 71482	[1.2] Post-Test Year Plant Well 6A	[1.3] Post-Test Year Plant Arsenic Treatment	[1.4] Unbooked Plant Retirements	[1.5] Plant Addit'n Included in 71482	[1.6] Plant Reclass	[1.7] Capitalized Expenses	Adjusted End of Test Year
1											
2											
3											
4	301	*Organization Cost*	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
5	302	Franchise Cost	-	-			-		-		-
6	303	Land and Land Rights	488,196	-			-		55,000		543,196
7	304	Structures & Improvements	59,261	-		60,000	-		122,950	9,948	252,160
8	305	Collecting & Impounding Reservoirs	-	-			-		-		-
9	306	Lake, River, Canal Intakes	-	-			-		-		-
10	307	Wells & Springs	1,649,625	1,175			(76,583)		(149,095)		1,425,122
11	308	Infiltration Galleries	-	-			-		-		-
12	309	Raw Water Supply Mains	-	-			-		-		-
13	310	Power Generation Equipment	-	-			-		-		-
14	311	Pumping Equipment	620,112	-	34,500		(4,558)		151,496		801,549
15	320	Water Treatment Equipment	2,252,341	-			-		(177,950)		2,074,391
16	320	Water Treatment Plants	-	-			-		-	18,428	18,428
17	320	Solution Chemical Feeders	-	-			-		-		-
18	330	Distribution Reservoirs & Standpipes	874,959	532,585			-	(532,585)	-		874,959
19	330.1	Storage Tanks	-	-			-		-		-
20	330.2	Pressure Tanks	-	-			-		-		-
21	331	Transmission & Distribution Mains	3,221,036	-			-		-		3,221,036
22	333	Services	153,593	-			(10,000)		-		143,593
23	334	Meters	460,005	-			(4,800)		(2,401)		452,803
24	335	Hydrants	289,011	-			-		-		289,011
25	336	Backflow Prevention Devices	-	-			-		-		-
26	339	Other Plant & Misc Equipment	1,237	-			-		-		1,237
27	340	Office Furniture & Equipment	75,876	-			(7,555)		-		68,321
28	340.1	Computers & Software	-	-			-		-		-
29	341	Transportation Equipment	88,026	-			-		-		88,026
30	342	Stores Equipment	-	-			-		-		-
31	343	Tools, Shop & Garage Equipment	46,009	-			-		-		46,009
32	344	Laboratory Equipment	-	-			-		-		-
33	345	Power Operated Equipment	5,930	-			-		-		5,930
34	346	Communication Equipment	-	-			-		-		-
35	347	Miscellaneous Equipment	20,000	-			-		-		20,000
36	348	Other Tangible Plant	6,090	-			-		-		6,090
37		TOTALS	$ 10,311,306	$ 533,760	$ 34,500	$ 60,000	$ (103,496)	$ (532,585)	$ 0	$ 28,376	$ 10,331,861
38											
39		Plant In Service per Books									$ 10,311,306
40											
41		Increase / (Decrease) in Plant in Service									$ 20,555
42											
43		Supporting Schedules:									
44		B-2.1									
45											
46											

Workpapers:
VU 2007-2011 Financial Data.xlsx - Plant Additions, UB Retire, PTY Plant
Capitalized Expense.xlsx

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-DT4
Schedule B-2
Page 3
Witness: Jones

Accumulated Depreciation

Line No.	Acct No.	Description	Actual End of Test Year	Adjustments [2.1] Unbooked Plant Retirements	[2.2] Difference From Calc'd on B-2.1	[2.3] Eliminate Rounding Differences	[2.4] Prior Period Adjustments 2010 Plant	[2.5] Prior Period Adjustments 2011 Plant	[2.6] Capitalized Expenses	[2.7] NOT USED	Adjusted End of Test Year
4	301	Organization Cost	$ -	$ -	-						$ -
5	302	Franchise Cost	-	-	-						-
6	303	Land and Land Rights	-	-	-						-
7	304	Structures & Improvements	13,646	-	4,177				166		17,989
8	305	Collecting & Impounding Reservoirs	-	-	-						-
9	306	Lake, River, Canal Intakes	-	-	-						-
10	307	Wells & Springs	326,235	(76,583)	(86,978)			65,806			228,480
11	308	Infiltration Galleries	-	-	-						-
12	309	Raw Water Supply Mains	-	-	-						-
13	310	Power Generation Equipment	-	-	-						-
14	311	Pumping Equipment	595,357	(4,558)	47,064						637,862
15	320	Water Treatment Equipment	115,201	-	(5,092)				307		110,415
16	320	Water Treatment Plants	-	-	-						-
17	320	Solution Chemical Feeders	-	-	-						-
18	330	Distribution Reservoirs & Standpipes	281,188	-	4	(4)					281,188
19	330.1	Storage Tanks	-	-	-						-
20	330.2	Pressure Tanks	-	-	-						-
21	331	Transmission & Distribution Mains	1,173,743	-	(19,743)		25,785	(12,242)			1,167,543
22	333	Services	56,348	(10,000)	(666)						45,682
23	334	Meters	345,460	(4,800)	(970)						339,690
24	335	Hydrants	28,154	-	1,238		6,198	(1,238)			34,352
25	336	Backflow Prevention Devices	-	-	-						-
26	339	Other Plant & Misc Equipment	528	-	0	(0)					528
27	340	Office Furniture & Equipment	49,899	(7,555)	(583)						41,761
28	340.1	Computers & Software	-	-	-						-
29	341	Transportation Equipment	88,026	-	-						88,026
30	342	Stores Equipment	-	-	-						-
31	343	Tools, Shop & Garage Equipment	23,935	-	0	(0)					23,935
32	344	Laboratory Equipment	-	-	-						-
33	345	Power Operated Equipment	5,930	-	-						5,930
34	346	Communication Equipment	-	-	-						-
35	347	Miscellaneous Equipment	7,000	-	-						7,000
36	348	Other Tangible Plant	4,046	-	(1)	1					4,046
37		TOTALS	$ 3,114,695	$ (103,496)	$ (61,550)	$ (4)	$ 31,983	$ 52,327	$ 472	$ -	$ 3,034,427
38											
39		Accumulated Depreciation per Books									$ 3,114,695
40											
41		Increase / (Decrease) in Accumulated Depreciation									$ (80,268)
42											

43 Supporting Schedules:
44 B-2.1
45 B-2, Page 3.1
46 B-2, Page 3.2
47

Workpapers:
VU 2007-2011 Financial Data.xlsx - Plant Additions, UB Retire
Capitalized Expense.xlsx

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-DT4
Schedule B-2
Page 3.1
Witness: Jones

Detail of Adjustments for Prior Period Accumulated Depreciation

Line No.			Plant Booked In 2010							Total
			Adj D		Adj F		Adj G		Adj H	2010
1	NARUC Plant Account ==>		331	335	331	335	331	335	331	
2	Plant Addition Amount ==>		151,390	56,100	101,898	18,600	137,140	28,600	29,489	523,217
3	Year	Amort. Rate								
4	2006	2.00%							295	295
5	2007	2.00%	1,514	561	1,019	186	1,371	286	590	5,527
6	2008	2.00%	3,028	1,122	2,038	372	2,743	572	590	10,464
7	2009	2.00%	3,028	1,122	2,038	372	2,743	572	590	10,464
8	2010	2.00%	1,514	561	1,019	186	1,371	286	295	5,232
9	2011	2.00%	-	-	-	-	-	-	-	-
10	Total A/D adjustment		9,083	3,366	6,114	1,116	8,228	1,716	2,359	
11	A/D Adjustment Acct. 331		9,083		6,114		8,228		2,359	25,785
12	A/D Adjustment Acct. 335			3,366		1,116		1,716		6,198
13	Total AA CIAC Adjustment for Year									31,983

Line No.			Plant Booked in 2011					Total
14								
15			Adj A	Adj B		Adj C	Adj E	2011
16								
17	NARUC Plant Account ==>		307	331	335	331	331	
18	Plant Addition Amount ==>		175,600	(61,797)	(5,500)	1,039	17,857	127,199
19		Amort. Rate						
20	Year	Adj A / Adj B,C&E						
21	2001	5.00%	4,390					4,390
22	2002	5.00% / 5.00%	8,780	(1,545)	(138)	26		7,124
23	2003	5.00% / 5.00%	8,780	(3,090)	(275)	52		5,467
24	2004	3.33% / 2.00%	5,847	(1,236)	(110)	21		4,522
25	2005	3.33% / 2.00%	5,847	(1,236)	(110)	21		4,522
26	2006	3.33% / 2.00%	5,847	(1,236)	(110)	21		4,522
27	2007	3.33% / 2.00%	5,847	(1,236)	(110)	21	179	4,701
28	2008	3.33% / 2.00%	5,847	(1,236)	(110)	21	357	4,879
29	2009	3.33% / 2.00%	5,847	(1,236)	(110)	21	357	4,879
30	2010	3.33% / 2.00%	5,847	(1,236)	(110)	21	357	4,879
31	2011	3.33% / 2.00%	2,924	(618)	(55)	10	179	2,440
32		Total A/D adjustment	65,806	(13,904)	(1,238)	234	1,429	
33		A/D Adjustment Acct. 307	65,806					65,806
34		A/D Adjustment Acct. 331		(13,904)		234	1,429	(12,242)
35		A/D Adjustment Acct. 335			(1,238)			(1,238)
36		Total AA CIAC Adjustment for Year						52,327

37 Notes

38 Half-year convention used

39

40 Adj A = Record Well 6 placed in service in 2001 that was never booked with Dreaming Summit LX.

41

42 Adj B = Correct Dreaming Summit plant erroneously booked in 2002 using original LX contract
43 rather than amended contract (-61,796.51 to mains and -5,500.00 to hydrants).

44

45 Adj C = Reclass check # 2135 dated 7/31/02 misposted to AIAC rather than mains.

46

47

Adj D = Correct Bethany Estates South LX booked in 2010 but was actually placed in service in 2007.

Adj E = Adjust Bethany Estates South on-sites to actual invoices provided by developer in 2011.

Adj F = Correct Dysart Village LX on-sites booked in 2010 but was actually placed in service in 2007.

Adj G = Correct Luke Ranch LX on-sites booked in 2010 but was actually placed in service in 2007.

Adj H = Correct Gary Fetters LX on-sites booked in 2010 but was actually placed in service in 2006.

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-DT4
Schedule B-2
Page 3.2
Witness: Jones

Depreciation Related to Capitalized Expenses

Line No.	Plant Acct		Plant Adjustment	Depreciation Rate	Years	Depreciation
1	304	Structures & Improvements	$ 9,948	3.33%	0.5	$ 166
2	320	Water Treatment Equipment	18,428	3.33%	0.5	307
3		Totals	$ 28,376			$ 472
4						
5		Increase/(Decrease) in Accumulated Depreciation				$ 472
6						
7	Workpapers:					
8	Capitalized Expense.xlsx					
9						

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT4
Schedule B-2
Page 4
Witness: Jones

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

Line No.		CIAC	Accumulated Amortization
1			
2	Calculated Balance at 12/31/2011	$ 1,561,727	$ 438,464
3			
4	Book Balance at 12/31/2011	$ 1,561,727	$ 395,016
5			
6	Increase / (Decrease) in CIAC or AA CIAC	$ -	$ 43,448
7			
8			
9			
10			
11			
12			
13			
14	Supporting Schedules:		
15	B-2, Page 5.2		
16			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT4
Schedule B-2
Page 4.1
Witness: Jones

Calculation of CIAC Balances

Line No.		Decision No. 71482 Balance 6/30/2008	7/1/2008 - 12/31/2008 Additions	7/1/2008 - 12/31/2008 Balance	2009 Additions	2009 Balance	2010 Additions	2010 Balance	2011 Additions	2011 Balance
1										
2	CIAC	991,174	-	991,174	-	991,174	103,300	1,094,474	130,873	1,225,347
3	Arsenic Impact Fee	331,760		331,760	1,320	333,080		333,080	3,300	336,380
4	Total CIAC	1,322,934		1,322,934		1,324,254		1,427,554		1,561,727
5										
6	Amortization Rate			1.8971%		3.5131%		3.6694%		3.4274%
7										
8	Amortization CIAC (half-yr convention)			18,803		34,821		38,265		39,754
9	Amortization AIF (half-yr convention)[1]									5,764
10	Adjustment for Prior Period Amortization							11,263		145
11										
12	Accumulated Amortization of CIAC	289,647		308,450		343,271		392,800		438,464
13										
14	Net CIAC	1,033,287		1,014,484		980,983		1,034,754		1,123,263
15										
16										
17	[1] The arsenic impact fees received to date have been used to fund Bethany Home Road Arsenic Treatment Facility, which was placed into service in 2011. Therefore, amortization of									
18	AIFs began in 2011 using half-year convention.									
19										
20	Supporting Schedules:									
21	B-2.1									
22	B-2, Page 4.2									
23										

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT4
Schedule B-2
Page 4.2
Witness: Jones

Detail of Adjustments for Prior Period Amortization of CIAC

Line No.			Booked In 2010			Total	Booked in 2011		Total
			Adj C	Adj D	Adj E	2010	Adj A	Adj B	2011
1	CIAC Addition Amount ==>		56,100	18,600	28,600	103,300	(5,500)	30,819	25,319
2	Year	Amort. Rate							
3	2002	5.00%					(138)		(138)
4	2003	5.00%					(275)		(275)
5	2004	5.00%					(275)		(275)
6	2005	4.87%					(268)		(268)
7	2006	3.61%					(199)		(199)
8	2007	3.84%	1,077	357	549	1,983	(211)		(211)
9	2008	3.6371%	2,040	676	1,040	3,756	(200)		(200)
10	2009	3.5131%	1,971	653	1,005	3,629	(193)	541	348
11	2010	3.6694%	1,029	341	525	1,895	(202)	1,131	929
12	2011	3.4274%	-	-	-	-	(94)	528	434
13									
14	Total AA CIAC adjustment		6,117	2,027	3,119		(2,055)	2,200	
15									
16	Total AA CIAC Adjustment by Year					11,263			145

17

18 Notes
19 Half-year convention used
20
21 Adj A = Correct Dreaming Summit hydrants booked in 2002 using original contract amounts rather than amended contract amounts.
22
23 Adj B = Correct expired LX (Circle K, Hot Tacos, & Hiler) that should have been transferred to CIAC in 2009. It was discovered in 2011
24 that the LX file was accidently misfiled with expired contracts after calculating the 2008 refund. The 2009 refund was paid
25 in 2011 and the remaining LX was transferred to CIAC.
26
27 Adj C = Correct Bethany Estates South LX on-sites booked in 2010 but was actually placed in service in 2007.
28
29 Adj D = Correct Dysart Village LX on-sites booked in 2010 but was actually placed in service in 2007.
30
31 Adj E = Correct Luke Ranch LX on-sites booked in 2010 but was actually placed in service in 2007.
32

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit: RLJ-DT4
Schedule B-2.1
Page 1
Witness: Jones

				Per Decision No. 71482 - 02/03/2010									Conform Current Books to 71482		
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	[1] Book Plant at 6/30/2008	[2] Post Test-Year Retirement	[3] Post Test-Year Plant	[4] Adjusted Plant at 6/30/2008 [1]+[2]+[3]	[5] Book Accum Deprec. At 6/30/2008	[6] Post Test-Year Retirement	[7] Adjusted Accum Depr 6/30/2008 [5]+[6]	[8] Net Plant 6/30/2008 [1]-[5]	[9] Deprec. 1/1/2008 - 6/30/2008	[10] Actual Book Plant at 6/30/2008	[11] Conforming Plant Adjustment [1]-[10]	[12] Adjusted Plant at 6/30/2008 [10]+[11]
1	301	Organization Cost	0.00%	-			-			-	-		-	-	-
2	302	Franchise Cost	0.00%	-			-			-	-		-	-	-
3	303	Land and Land Rights	0.00%	448,196			448,196			-	448,196		448,196	-	448,196
4	304	Structures & Improvements	3.33%	17,167			17,167	9,107		9,107	8,060	265	17,167	-	17,167
5	305	Collecting & Impounding Reservoirs	2.50%	-			-			-	-		-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-			-			-	-		-	-	-
7	307	Wells & Springs	3.33%	1,323,317	(175,600)	265,882	1,413,599	273,689	(175,600)	98,089	1,049,628	20,444	1,322,142	1,175	1,323,317
8	308	Infiltration Galleries	6.67%	-			-			-	-		-	-	-
9	309	Raw Water Supply Mains	2.00%	-			-			-	-		-	-	-
10	310	Power Generation Equipment	5.00%	-			-			-	-		-	-	-
11	311	Pumping Equipment	12.50%	448,660			448,660	357,502		357,502	91,158	27,925	448,660	-	448,660
12	320	Water Treatment Equipment	3.33%	22,334			22,334	3,035		3,035	19,299	369	22,334	-	22,334
13	320	Water Treatment Plants		-			-			-	-		-	-	-
14	320	Solution Chemical Feeders		-			-			-	-		-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	828,116			828,116	217,405		217,405	610,711	6,234	295,530	532,585	828,116
16	330.1	Storage Tanks		-			-			-	-		-	-	-
17	330.2	Pressure Tanks		-			-			-	-		-	-	-
18	331	Transmission & Distribution Mains	2.00%	2,593,007			2,593,007	957,539		957,539	1,635,468	25,911	2,593,007	-	2,593,007
19	333	Services	3.33%	123,765			123,765	40,753		40,753	83,012	2,049	123,765	-	123,765
20	334	Meters	8.33%	419,733			419,733	220,208		220,208	199,525	17,426	419,733	-	419,733
21	335	Hydrants	2.00%	147,203			147,203	15,582		15,582	131,621	1,472	147,203	-	147,203
22	336	Backflow Prevention Devices	6.67%	-			-			-	-		-	-	-
23	339	Other Plant & Misc Equipment	6.67%	1,237			1,237	240		240	997	41	1,237	-	1,237
24	340	Office Furniture & Equipment	6.67%	66,856			66,856	33,267		33,267	33,589	2,221	66,856	-	66,856
25	340.1	Computers & Software	20.00%	-			-			-	-		-	-	-
26	341	Transportation Equipment	20.00%	88,026			88,026	71,527		71,527	16,499	8,553	88,026	-	88,026
27	342	Stores Equipment	4.00%	-			-			-	-		-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	38,585			38,585	16,678		16,678	21,907	924	38,585	-	38,585
29	344	Laboratory Equipment	10.00%	-			-			-	-		-	-	-
30	345	Power Operated Equipment	5.00%	5,930			5,930	6,078		6,078	(148)	148	5,930	-	5,930
31	346	Communication Equipment	10.00%	-			-			-	-		-	-	-
32	347	Miscellaneous Equipment	10.00%	20,000			20,000	500		500	19,500	500	20,000	-	20,000
33	348	Other Tangible Plant	3.33%	4,237			4,237	3,521		3,521	716	70	4,237	-	4,237
34															
35		TOTAL		6,596,369	(175,600)	265,882	6,686,652	2,226,631	(175,600)	2,051,031	4,369,739	114,552	6,062,609	533,760	6,596,369
36															
37		Depreciable Plant													
38		Composite Depreciation Rate													
39															

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Reconciliation of Plant Additions, Retirements and Accumulated Depreciatior

Exhibit: RLJ-DT4
Schedule B-2.1
Page 2
Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	7/1/2008 - 12/31/2008 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	448,196	-	448,196
4	304	Structures & Improvements	3.33%	-	-	-	-	-	-		265	17,167	9,372	7,795
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	3.33%	23,392	(23,392)	-	175,600	74,175	249,775		16,285	1,073,542	40,199	1,033,343
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	12.50%	19,629	23,674	43,303	-	-	-		30,631	491,963	388,133	103,829
12	320	Water Treatment Equipment	3.33%	1,993	-	1,993	-	-	-		402	24,327	3,437	20,890
13	320	Water Treatment Plants		-	-	-	-	-	-		-	-	-	-
14	320	Solution Chemical Feeders		-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	546,985	(532,585)	14,399	-	-	-		6,394	842,515	223,799	618,716
16	330.1	Storage Tanks		-	-	-	-	-	-		-	-	-	-
17	330.2	Pressure Tanks		-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	3,935	-	3,935	-	-	-		25,950	2,596,941	983,489	1,613,452
19	333	Services	3.33%	432	-	432	-	2,500	2,500		2,015	121,697	40,268	81,430
20	334	Meters	8.33%	3,238	(282)	2,957	-	1,200	1,200		17,499	421,490	236,507	184,983
21	335	Hydrants	2.00%	357	-	357	-	-	-		1,476	147,561	17,058	130,503
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-		41	1,237	281	956
24	340	Office Furniture & Equipment	6.67%	1,850	-	1,850	-	-	-		2,283	68,707	35,550	33,157
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-		8,553	88,026	80,080	7,946
27	342	Stores Equipment	4.00%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	102	-	102	-	-	-		927	38,687	17,605	21,082
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-		(148)	5,930	5,930	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-		500	20,000	1,000	19,000
33	348	Other Tangible Plant	3.33%	-	-	-	-	-	-		70	4,237	3,591	646
34														
35		TOTAL		601,913	(532,585)	69,328	175,600	77,875	253,475	-	113,142	6,412,223	2,086,298	4,325,924
36														
37		Depreciable Plant										5,964,027		
38		Composite Depreciation Rate										1.8971%		
39														

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Reconciliation of Plant Additions, Retirements and Accumulated Depreciatior

Exhibit: RLJ-DT4
Schedule B-2.1
Page 3
Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	40,000	-	40,000	-	-	-		-	488,196	-	488,196
4	304	Structures & Improvements	3.33%	16,688	31,987	48,675	-	-	-		1,382	65,841	10,754	55,087
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	3.33%	285,481	(107,640)	177,842	-	-	-		38,710	1,251,384	78,909	1,172,475
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	12.50%	94,423	107,640	202,062	-	-	-		74,124	694,025	462,258	231,767
12	320	Water Treatment Equipment	3.33%	1,083,799	(31,987)	1,051,813	-	-	-		18,323	1,076,140	21,760	1,054,380
13	320	Water Treatment Plants		-	-	-	-	-	-		-	-	-	-
14	320	Solution Chemical Feeders		-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	20,080	-	20,080	-	-	-		18,927	862,595	242,726	619,869
16	330.1	Storage Tanks		-	-	-	-	-	-		-	-	-	-
17	330.2	Pressure Tanks		-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	-	-	-	-	-	-		51,939	2,596,941	1,035,428	1,561,513
19	333	Services	3.33%	-	-	-	-	2,500	2,500		4,011	119,197	41,778	77,419
20	334	Meters	8.33%	-	-	-	-	1,200	1,200		35,060	420,290	270,367	149,923
21	335	Hydrants	2.00%	-	-	-	-	-	-		2,951	147,561	20,009	127,552
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-		83	1,237	364	874
24	340	Office Furniture & Equipment	6.67%	435	-	435	-	-	-		4,597	69,142	40,147	28,995
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-		7,946	88,026	88,026	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	678	-	678	-	-	-		1,951	39,365	19,556	19,809
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-		-	5,930	5,930	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-		2,000	20,000	3,000	17,000
33	348	Other Tangible Plant	3.33%	-	-	-	-	-	-		141	4,237	3,732	504
34														
35		TOTAL		1,541,585	0	1,541,585	-	3,700	3,700	-	262,145	7,950,108	2,344,743	5,605,364
36														
37		Depreciable Plant										7,461,912		
38		Composite Depreciation Rate										3.5131%		
39														

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Reconciliation of Plant Additions, Retirements and Accumulated Depreciatior

Exhibit: RLJ-DT4
Schedule B-2.1
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-		-	488,196	-	488,196
4	304	Structures & Improvements	3.33%	22,411	-	22,411	-	-	-		2,566	88,253	13,320	74,933
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	3.33%	17,284	(16,738)	546	-	2,408	2,408		41,640	1,249,522	118,141	1,131,381
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	12.50%	-	16,738	16,738	-	-	-		87,799	710,763	550,057	160,706
12	320	Water Treatment Equipment	3.33%	1,706	-	1,706	-	-	-		35,864	1,077,846	57,624	1,020,223
13	320	Water Treatment Plants		-	-	-	-	-	-		-	-	-	-
14	320	Solution Chemical Feeders		-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	1,363	-	1,363	-	-	-		19,165	863,958	261,890	602,068
16	330.1	Storage Tanks		-	-	-	-	-	-		-	-	-	-
17	330.2	Pressure Tanks		-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	422,659	-	422,659	-	-	-		56,165	3,019,600	1,091,594	1,928,006
19	333	Services	3.33%	19,275	-	19,275	-	2,500	2,500		4,249	135,972	43,527	92,445
20	334	Meters	8.33%	5,382	-	5,382	-	1,200	1,200		35,184	424,472	304,352	120,120
21	335	Hydrants	2.00%	103,300	-	103,300	-	-	-		3,984	250,861	23,993	226,868
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-		83	1,237	446	791
24	340	Office Furniture & Equipment	6.67%	4,555	-	4,555	-	4,968	4,968		4,598	68,729	39,777	28,953
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-		-	88,026	88,026	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	5,536	-	5,536	-	-	-		2,107	44,901	21,663	23,239
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-		-	5,930	5,930	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-		2,000	20,000	5,000	15,000
33	348	Other Tangible Plant	3.33%	-	-	-	-	-	-		141	4,237	3,873	363
34														
35		TOTAL		603,472	-	603,472	-	11,076	11,076	-	295,544	8,542,504	2,629,212	5,913,292
36														
37		Depreciable Plant										8,054,308		
38		Composite Depreciation Rate										3.6694%		
39														

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Reconciliation of Plant Additions, Retirements and Accumulated Depreciatior

Exhibit: RLJ-DT4
Schedule B-2.1
Page 5
Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Unbooked Retirements	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-		-	-	-	-
3	303	Land and Land Rights	0.00%	-	55,000	55,000	-	-	-		-	543,196	-	543,196
4	304	Structures & Improvements	3.33%	2,995	90,964	93,959	-	-	-		4,503	182,212	17,823	164,389
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-		-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-		-	-	-	-
7	307	Wells & Springs	3.33%	176,925	(1,325)	175,600	-	-	-		44,533	1,425,122	162,674	1,262,448
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-		-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-		-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-		-	-	-	-
11	311	Pumping Equipment	12.50%	57,400	3,445	60,845	-	4,558	4,558		92,363	767,049	637,862	129,187
12	320	Water Treatment Equipment	3.33%	1,142,508	(145,964)	996,544	-	-	-		52,485	2,074,391	110,109	1,964,282
13	320	Water Treatment Plants		-	-	-	-	-	-		-	-	-	-
14	320	Solution Chemical Feeders		-	-	-	-	-	-		-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	11,000	-	11,000	-	-	-		19,302	874,959	281,192	593,766
16	330.1	Storage Tanks		-	-	-	-	-	-		-	-	-	-
17	330.2	Pressure Tanks		-	-	-	-	-	-		-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	201,436	-	201,436	-	-	-		62,406	3,221,036	1,154,000	2,067,036
19	333	Services	3.33%	10,121	-	10,121	-	2,500	2,500		4,655	143,593	45,682	97,911
20	334	Meters	8.33%	31,651	(2,120)	29,531	-	1,200	1,200		36,539	452,803	339,690	113,113
21	335	Hydrants	2.00%	38,150	-	38,150	-	-	-		5,399	289,011	29,392	259,619
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-		-	-	-	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-		83	1,237	529	709
24	340	Office Furniture & Equipment	6.67%	2,179	-	2,179	-	2,587	2,587		4,571	68,321	41,761	26,561
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-		-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-		-	88,026	88,026	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	-		-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	1,108	-	1,108	-	-	-		2,273	46,009	23,935	22,074
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-		-	5,930	5,930	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	-		-	-	-	-
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-		2,000	20,000	7,000	13,000
33	348	Other Tangible Plant	3.33%	1,853	-	1,853	-	-	-		172	6,090	4,045	2,044
34														
35		TOTAL		1,677,326	0	1,677,326	-	10,845	10,845	-	331,282	10,208,985	2,949,649	7,259,336
36														
37		Depreciable Plant										9,665,789		
38		Composite Depreciation Rate										3.4274%		
39														

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Working Capital

Exhibit: RLJ-DT4
Schedule B-5
Page 1
Witness: Jones

Line No.		Working Capital
1		
2	Cash Working Capital	$ 46,235
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	32,699
6		
7	Working Funds and Special Deposits	146,105
8		
9	Prepayments	9,035
10		
11	Total Working Capital Allowance	$ 234,073
12		
13	Supporting Schedules:	
14	E-1	
15		

Recap Schedules:
B-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Cash Working Capital

Exhibit: RLJ-DT4
Schedule B-5
Page 2
Witness: Jones

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	$ 452,645	32.1273	12.0000	20.1273	0.0551	$ 24,960
3	Employee Pension and Benefits	8,791	32.1273	243.5000	(211.3727)	(0.5791)	(5,091)
4	Group Insurance	64,947	32.1273	(19.4292)	51.5565	0.1413	9,174
5	Purchased Water	4,045	32.1273	35.6367	(3.5094)	(0.0096)	(39)
6	Purchased Power	143,759	32.1273	32.0939	0.0334	0.0001	13
7	Chemicals	7,567	32.1273	6.3569	25.7704	0.0706	534
8	Repairs and Maintenance	128,499	32.1273	23.4959	8.6314	0.0236	3,039
9	Contractual Services	33,959	32.1273	24.1491	7.9782	0.0219	742
10	Rent - Buildings	35,553	32.1273	(18.6828)	50.8101	0.1392	4,949
11	Transportation Expense	29,087	32.1273	30.0000	2.1273	0.0058	170
12	Insurance	23,406	32.1273	(12.2709)	44.3982	0.1216	2,847
13	Depreciation & Amortization	322,982	32.1273	-	32.1273	0.0880	28,429
14	Other Operating Expenses[1]	76,495	32.1273	30.0000	2.1273	0.0058	446
15	TAXES						
16	Taxes Other than Income	33,756	32.1273	12.0000	20.1273	0.0551	1,861
17	Property Taxes[2]	55,451	32.1273	202.2500	(170.1227)	(0.4661)	(25,845)
18	Income Tax[2]	8,256	32.1273	30.1300	1.9973	0.0055	45
19							
20							
21							
22							
23	WORKING CASH REQUIREMENT						$ 46,235
24							

25 [1]All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.
26 [2]At proposed rates.
27
28 Workpapers:
29 VU Lead Lag Study.xlsx
30

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Adjusted Test Year Income Statement

Exhibit: RLJ-DT4
Schedule C-1
Page 1
Witness: Jones

Line No.			Actual for Test Year Ended 12/31/2011	Total Pro forma Adjustments	Test Year Results After Pro forma Adjustments	Proposed Rate Increase	Adjusted With Rate Increase
1	**Revenues**						
2	460	Unmetered Water Revenue	$ 682	$ -	$ 682	88	$ 770
3	461	Metered Water Revenues	1,388,878	6,548	1,395,426	156,913	1,552,339
4	474	Other Water Revenues	58,414	-	58,414		58,414
5	**Total Revenues**		$ 1,447,974	$ 6,548	$ 1,454,522	$ 157,001	$ 1,611,523
6	**Operating Expenses**						
7	601	Salaries and Wages	$ 452,645	$ -	$ 452,645		$ 452,645
8	604	Employee Pension and Benefits	73,738	-	73,738		73,738
9	610	Purchased Water	4,045	-	4,045		4,045
10	615	Purchased Power	143,759	-	143,759		143,759
11	618	Chemicals	7,567	-	7,567		7,567
12	620	Repairs and Maintenance	130,704	(2,204)	128,499		128,499
13	621	Office Supplies Expense	8,119	-	8,119		8,119
14	631	Contractual Services - Engineering	2,020	-	2,020		2,020
15	632	Contractual Services - Accounting	2,879	-	2,879		2,879
16	633	Contractual Services - Legal	23,970	(19,711)	4,259		4,259
17	634	Contractual Services - Management Fees	-	-	-		-
18	635	Contractual Services - Testing	10,732	-	10,732		10,732
19	636	Contractual Services - Other	22,036	(7,968)	14,069		14,069
20	641	Rent - Buildings	35,553	-	35,553		35,553
21	642	Rent - Equipment	2,215	-	2,215		2,215
22	650	Transportation Expense	29,087	-	29,087		29,087
23	656	Insurance - Vehicle	-	-	-		-
24	657	Insurance - General Liability	20,878	-	20,878		20,878
25	658	Insurance - Workman's Compensation	2,528	-	2,528		2,528
26	659	Insurance - Other	-	-	-		-
27	660	Advertising Expense	-	-	-		-
28	666	Regulatory Commission Expense - Rate Case	30,149	9,851	40,000		40,000
29	667	Regulatory Expense - Other	14,169	-	14,169		14,169
30	668	Water Resource Conservation Expense	-	-	-		-
31	670	Bad Debt Expense	2,975	-	2,975	321	3,296
32	675	Miscellaneous Expense	49,714	(697)	49,017		49,017
33	403	Depreciation Expense	282,308	40,674	322,982		322,982
34	408	Taxes Other Than Income	33,756	-	33,756		33,756
35	408.11	Property Taxes	46,573	6,952	53,525	1,926	55,451
36	409	Income Tax	(15,006)	(9,116)	(24,122)	32,379	8,256
37	**Total Operating Expenses**		$ 1,417,114	$ 17,781	$ 1,434,894	$ 34,626	$ 1,469,520
38	**Operating Income**		$ 30,861	$ (11,233)	$ 19,628	$ 122,375	$ 142,003
39	**Other Income (Expense)**						
40	419	Interest and Dividend Income	$ 68	$ -	$ 68		$ 68
41	421	Non-Utility Income	164	-	164		164
42	426	Miscellaneous Non-Utility Expenses	(15,828)	-	(15,828)		(15,828)
43	427	Interest Expense	(104,994)	(5,804)	(110,798)		(110,798)
44	**Total Other Income (Expense)**		$ (120,590)	$ (5,804)	$ (126,394)	$ -	$ (126,394)
45	**Net Income (Loss)**		$ (89,729)	$ (17,037)	$ (106,766)	$ 122,375	$ 15,609
46							
47	Supporting Schedules:				Recap Schedules:		
48	E-2				A-1		
49	C-2						
50							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Pro forma Adjustments

Exhibit: RLJ-DT4
Schedule C-2
Page 1
Witness: Jones

Line No.		Actual for Test Year Ended 12/31/2011	ADJ IS-1	ADJ IS-2	ADJ IS-3	ADJ IS-4 Not Used	ADJ IS-5 Not Used	ADJ IS-6 Not Used	ADJ IS-7 Not Used	ADJ IS-8 Not Used	ADJ IS-9 Not Used
	Revenues										
1	460 Unmetered Water Revenue	$ 682									
2	461 Metered Water Revenues	1,388,878	6,548								
3	474 Other Water Revenues	58,414									
4	**Total Revenues**	$ 1,447,974	$ 6,548	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	**Operating Expenses**										
6	601 Salaries and Wages	$ 452,645									
8	604 Employee Pension and Benefits	73,738									
9	610 Purchased Water	4,045									
10	615 Purchased Power	143,759									
11	618 Chemicals	7,567									
12	620 Repairs and Maintenance	130,704		(2,204)							
13	621 Office Supplies Expense	8,119									
14	631 Contractual Services - Engineering	2,020									
15	632 Contractual Services - Accounting	2,879									
16	633 Contractual Services - Legal	23,970			(19,711)						
17	634 Contractual Services - Management Fees	-									
18	635 Contractual Services - Testing	10,732									
19	636 Contractual Services - Other	22,036			(7,968)						
20	641 Rent - Buildings	35,553									
21	642 Rent - Equipment	2,215									
22	650 Transportation Expense	29,087									
23	656 Insurance - Vehicle	-									
24	657 Insurance - General Liability	20,878									
25	658 Insurance - Workman's Compensation	2,528									
26	659 Insurance - Other	-									
27	660 Advertising Expense	-									
28	666 Regulatory Commission Expense - Rate Case	30,149									
29	667 Regulatory Expense - Other	14,169									
30	668 Water Resource Conservation Expense	-									
31	670 Bad Debt Expense	2,975									
32	675 Miscellaneous Expense	49,714			(697)						
33	403 Depreciation Expense	282,308									
34	408 Taxes Other Than Income	33,756									
35	408 Property Taxes	46,573									
36	409 Income Tax	(15,006)									
37	**Total Operating Expenses**	$ 1,417,114	$ -	$ (2,204)	$ (28,376)	$ -	$ -	$ -	$ -	$ -	$ -
38	**Operating Income**	$ 30,861	$ 6,548	$ 2,204	$ 28,376	$ -	$ -	$ -	$ -	$ -	$ -
39	**Other Income (Expense)**										
40	419 Interest and Dividend Income	$ 68									
41	421 Non-Utility Income	164									
42	426 Miscellaneous Non-Utility Expenses	(15,828)									
43	427 Interest Expense	(104,994)									
44	**Total Other Income (Expense)**	$ (120,590)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45	**Net Income (Loss)**	$ (89,729)	$ 6,548	$ 2,204	$ 28,376	$ -	$ -	$ -	$ -	$ -	$ -
46											
47	Supporting Schedules:									Recap Schedules:	
48										C-1	

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Pro forma Adjustments

Exhibit: RLJ-DT4
Schedule C-2
Page 2
Witness: Jones

Line No.		ADJ IS-10 Not Used	ADJ IS-11 Not Used	ADJ IS-12 Not Used	ADJ IS-13	ADJ IS-14	ADJ IS-15	ADJ IS-16	ADJ IS-17	Total Adjustments	Test Year Adjusted Results
	Revenues										
1	460 Unmetered Water Revenue									$ -	$ 682
2	461 Metered Water Revenues									6,548	1,395,426
3	474 Other Water Revenues									-	58,414
4	**Total Revenues**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,548	$ 1,454,522
5	**Operating Expenses**										
6	601 Salaries and Wages									$ -	$ 452,645
8	604 Employee Pension and Benefits									-	73,738
9	610 Purchased Water									-	4,045
10	615 Purchased Power									-	143,759
11	618 Chemicals									-	7,567
12	620 Repairs and Maintenance									(2,204)	128,499
13	621 Office Supplies Expense									-	8,119
14	631 Contractual Services - Engineering									-	2,020
15	632 Contractual Services - Accounting									-	2,879
16	633 Contractual Services - Legal									(19,711)	4,259
17	634 Contractual Services - Management Fees									-	-
18	635 Contractual Services - Testing									-	10,732
19	636 Contractual Services - Other									(7,968)	14,069
20	641 Rent - Buildings									-	35,553
21	642 Rent - Equipment									-	2,215
22	650 Transportation Expense									-	29,087
23	656 Insurance - Vehicle									-	-
24	657 Insurance - General Liability			-						-	20,878
25	658 Insurance - Workman's Compensation									-	2,528
26	659 Insurance - Other									-	-
27	660 Advertising Expense									-	-
28	666 Regulatory Commission Expense - Rate Case				9,851					9,851	40,000
29	667 Regulatory Expense - Other									-	14,169
30	668 Water Resource Conservation Expense									-	-
31	670 Bad Debt Expense									-	2,975
32	675 Miscellaneous Expense									(697)	49,017
33	403 Depreciation Expense						40,674			40,674	322,982
34	408 Taxes Other Than Income									-	33,756
35	408 Property Taxes							6,952		6,952	53,525
36	409 Income Tax								(9,116)	(9,116)	(24,122)
37	**Total Operating Expenses**	$ -	$ -	$ -	$ 9,851	$ -	$ 40,674	$ 6,952	$ (9,116)	$ 17,781	$ 1,434,894
38	**Operating Income**	$ -	$ -	$ -	$ (9,851)	$ -	$ (40,674)	$ (6,952)	$ 9,116	$ (11,233)	$ 19,628
39	**Other Income (Expense)**										
40	419 Interest and Dividend Income									$ -	$ 68
41	421 Non-Utility Income									-	164
42	426 Miscellaneous Non-Utility Expenses									-	(15,828)
43	427 Interest Expense					(5,804)				(5,804)	(110,798)
44	**Total Other Income (Expense)**	$ -	$ -	$ -	$ -	$ (5,804)	$ -	$ -	$ -	$ (5,804)	$ (126,394)
45	**Net Income (Loss)**	$ -	$ -	$ -	$ (9,851)	$ (5,804)	$ (40,674)	$ (6,952)	$ 9,116	$ (17,037)	$ (106,766)
46											
47	Supporting Schedules:									Recap Schedules:	
48										C-1	

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-1

Exhibit: RLJ-DT4
Schedule C-2
Page 3
Witness: Jones

Line No.				
1	Adjust Revenue to Eliminate Billing System Error			
2				
3	During preparation of this filing, it was discovered that the bills for residential customers were understated			
4	because the usage between 10,000 and 13,000 gallons was underbilled due to a billing system error.			
5	This adjustment corrects test year revenue.			
6		Test Year		
7		Usage between		
8		10,000 to 30,000		
9		Gallons		
10	5/8x3/4 " Residential Meters	593,470		
11	3/4" Residential Meters	8,628,920		
12	Total	9,222,390		
13				
14	Billed Rate for Usage	$ 2.44		
15	Tariffed Rate for Usage	$ 3.15		
16				
17	Revenue as Billed		$	22,503
18	Revenue per Tariff			29,051
19	Under billed Amount		$	6,548
20				
23	Increase/(Decrease) in Revenue		$	6,548
24				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-2

Exhibit: RU-DT4
Schedule C-2
Page 4
Witness: Jones

Line No.					
1	Normalize Repairs and Maintenance Expense				
2					
3	Test Year repairs and maintenance expense includes costs for valve maintenance,				
4	arsenic media replacement and tank coating that should be normalized to				
5	reflect an average annual cost.				
6					
7	2011 Repairs and Maintenance Cost	$	130,704	$	130,704
8	Less:				
9	TY Arsenic Media Replacement Cost		69,576		
10	TY Valve Maintenance Cost		18,382		
11	Normalized Standard Maintenance Cost	$	42,745		
12	Add:				
13	Normalized Arsenic Media Replacement Cost	$	46,158		
14	Normalized Valve Maintenance Cost		16,596		
15	Normalized Tank Coating Cost		23,000		
16	Normalized Repairs and Maintenance Expense	$	128,499	$	128,499
17					
18	Increase/(Decrease) in Repairs and Maintenance			$	(2,204)
19					
20	Workpaper				
21	Expense Normalization.xlsx				
22					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-3

Exhibit: RLJ-DT4
Schedule C-2
Page 5
Witness: Jones

Line No.				
1	Remove Arsenic Treatment Project Costs from Expenses			
2				
3	Costs related to the arsenic treatment project were charged to contract services and miscellaneous			
4	expense during the test year. The capital expenditures should be removed from operating expenses.			
5				
6	TY Contract Services - Legal	$ 23,970		
7	Arsenic Treatment Related Costs	19,711		
8	Net Contract Services Legal	$ 4,259		
9				
10	TY Contract Services - Other	$ 22,036		
11	Arsenic Treatment Related Costs	7,968		
12	Net Contract Services - Other	$ 14,069		
13				
14	TY Miscellaneous Expense	$ 49,714		
15	Arsenic Treatment Related Costs (Travel)	697		
16	Net Miscellaneous Expense	$ 49,017		
17				
18				
19	Increase/(Decrease) in Contract Services - Legal			$ (19,711)
20				
21	Increase/(Decrease) in Contract Services - Other			$ (7,968)
22				
23	Increase/(Decrease) in Miscellaneous Expense			$ (697)
24				
25	Increase/(Decrease) in Expenses			$ (28,376)
26				
27	Workpaper			
28	Capitalized Expense.xlsx			
29				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLJ-DT4
Schedule C-2
Page 6
Witness: Jones

Adjust Rate Case Expense

Line No.			
1	Estimated Rate Case Expense	$	120,000
2			
3	Amortization Period (Years)		3
4			
5	Annualized Rate Case Expense	$	40,000
6			
7	Test Year Rate Case Expense		30,149
8			
9	Increase / (Decrease) in Rate Case Expense		9,851
10			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-14

Exhibit: RLJ-DT4
Schedule C-2
Page 7
Witness: Jones

Synchronize Interest Expense with Rate Base

Line No.				
1	Adjusted Rate Base	$	2,201,184	Sch. B-1
2				
3	Weighted Cost of Long-Term Debt		5.034%	Sch. D-1
4	Weighted Cost of Short-Term Debt		-	Sch. D-1
5				
6	Synchronized Long-Term Interest	$	110,798	
7	Synchronized Short-Term Interest		-	
8	Synchronized Interest Expense		110,798	
9				
10	Test Year Interest Expense		104,994	
11				
12	Increase / (Decrease) In Interest Expense		5,804	
13				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-15

Exhibit: RLJ-DT4
Schedule C-2
Page 8
Witness: Jones

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct	Description	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1					
2	301	Organization Cost	$ -	0.00%	$ -
3	302	Franchise Cost	-	0.00%	-
4	303	Land and Land Rights	543,196	0.00%	-
5	304	Structures & Improvements	252,160	3.33%	8,397
6	305	Collecting & Impounding Reservoirs	-	2.50%	-
7	306	Lake, River, Canal Intakes	-	2.50%	-
8	307	Wells & Springs	1,425,122	3.33%	47,457
9	308	Infiltration Galleries	-	6.67%	-
10	309	Raw Water Supply Mains	-	2.00%	-
11	310	Power Generation Equipment	-	5.00%	-
12	311	Pumping Equipment	801,549	12.50%	100,194
13	320	Water Treatment Equipment	2,074,391	3.33%	69,077
14	320	Water Treatment Plants	18,428		-
15	320	Solution Chemical Feeders	-		-
16	330	Distribution Reservoirs & Standpipes	874,959	2.22%	19,424
17	330	Storage Tanks	-		-
18	330	Pressure Tanks	-		-
19	331	Transmission & Distribution Mains	3,221,036	2.00%	64,421
20	333	Services	143,593	3.33%	4,782
21	334	Meters	452,803	8.33%	37,719
22	335	Hydrants	289,011	2.00%	5,780
23	336	Backflow Prevention Devices	-	6.67%	-
24	339	Other Plant & Misc Equipment	1,237	6.67%	83
25	340	Office Furniture & Equipment	68,321	6.67%	4,557
26	340	Computers & Software	-	20.00%	-
27	341	Transportation Equipment	88,026	20.00%	17,605
28	342	Stores Equipment	-	4.00%	-
29	343	Tools, Shop & Garage Equipment	46,009	5.00%	2,300
30	344	Laboratory Equipment	-	10.00%	-
31	345	Power Operated Equipment	5,930	5.00%	296
32	346	Communication Equipment	-	10.00%	-
33	347	Miscellaneous Equipment	20,000	10.00%	2,000
34	348	Other Tangible Plant	6,090	3.33%	203
35		TOTALS	$ 10,331,861		$ 384,294
36					
37		Less: Amortization of CIAC	$ 1,561,727	3.9259%	$ 61,312
38					
39		Adjusted Test Year Depreciation Expense			$ 322,982
40					
41		Test Year Depreciation Expense			$ 282,308
42					
43		Increase / (Decrease) in Depreciation Expense			$ 40,674
44					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-16

Exhibit: RLJ-DT4
Schedule C-2
Page 9
Witness: Jones

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	$ 1,454,522	$ 1,454,522
2	Adjusted Test Year Revenue	1,454,522	1,454,522
3	Adjusted Test Year Revenue	1,454,522	
4	Proposed Revenues after Increase		1,611,523
5	Average of three year's of revenue	1,454,522	1,506,856
6	Average of three year's of revenue, times 2	2,909,044	3,013,711
7	Add:		
8	Construction Work In Progress at 10%	-	-
9	Deduct:		
10	Net Book Value of Transportation Equipment	-	-
11			
12	Full Cash Value	2,909,044	3,013,711
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	581,809	602,742
15	Property Tax Rate (Test Year)	9.1998%	9.1998%
16			
17	Adjusted Test Year Property Tax	$ 53,525	
18	Recorded Test Year Property Tax	46,573	
19	Test Year Adjustment	$ 6,952	
20			
21	Property Tax at Proposed Rates		$ 55,451
22	Adjusted Test Year Property Tax		53,525
23	Increase in Property Tax due to Rate Increase		$ 1,926
24			
25	Calculation of Property Tax Factor		
26	Increase to Property Tax Expense		$ 1,926
27	Increase in Revenue Requirement		$ 157,001
28	Property Tax Factor (L25 / L26)		1.2266%
29			

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Income Statement Adjustment IS-17

Exhibit: RLJ-DT4
Schedule C-2
Page 10
Witness: Jones

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

Line No.	Description		Adjusted Test Year	Proposed with Increase
1				
2	Calculation of Income Tax:			
3	Revenue		$ 1,454,522	$ 1,611,523
4	Less: Operating Expenses (Excluding Income Taxes)		1,459,017	1,461,264
5	Less: Synchronized Interest		110,798	110,798
6	Arizona Taxable Income		$ (115,293)	$ 39,461
7	Arizona State Income Tax Rate		6.9680%	6.9680%
8	Arizona Income Tax		$ (8,034)	$ 2,750
9	Federal Taxable Income		$ (107,259)	$ 36,712
10				
11	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%		$ (16,089)	$ 5,507
12	Federal Tax on Second Income Bracket ($50,001 - 75,000) @ 25%		-	-
13	Federal Tax on Third Income Bracket ($75,001 - 100,000) @ 34%		-	-
14	Federal Tax on Fourth Income Bracket ($100,001 - 335,000) @ 39%		-	-
15	Federal Tax on Fifth Income Bracket ($335,001 - 10,000,000) @ 34%		-	-
16	Federal Tax on Sixth Income Bracket ($10,000,001 - 15,000,000) @ 35%		-	-
17	Federal Tax on Seventh Income Bracket ($15,000,001 - 18,333,333) @ 38%		-	-
18	Federal Tax on Eighth Income Bracket ($18,333,334 - .....) @ 35%		-	-
19	Total Federal Income Tax		$ (16,089)	$ 5,507
20				
21	Combined Federal and State Income Tax		$ (24,122)	$ 8,256
22				
23	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)			6.9680%
24	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)			15.0000%
25				
26	Calculation of Interest Synchronization			
27	Rate Base	$ 2,201,184		
28	Weighted Average Cost of Debt	5.034%		
29	Synchronized Interest	$ 110,798		
30				
31	Income Tax Adjustments			
32	Test Year Income Taxes - Booked		$ (15,006)	
33	Increase / (decrease) in Income Taxes (L21 - L32)		(9,116)	
34				
35	Test Year Income Taxes - Adjusted			$ (24,122)
36	Increase / (decrease) in Federal Income Taxes (L21 - L35)			32,379
37				
38				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Computation of Gross Revenue Conversion Factor

Exhibit: RLJ-DT4
Schedule C-3
Page 1
Witness: Jones

Line No.			
	Calculation of Gross Revenue Conversion Factor		
1	Revenue	100.0000%	
2	Uncollectable Factor (Line 11)	0.1618%	
3	Revenue (L1 - L2)	99.8382%	
4	Combined Income Tax and Property Tax Rate (Line 23)	21.8928%	
5	Operating Income Percentage (L3 -L4)	77.9454%	
6	Gross Revenue Conversion Factor (L1 / L5)	1.282949	
	Calculation of Uncollectable Factor		
7	Unity	100.0000%	
8	Combined Federal and State Tax Rate (Line 17)	20.9228%	
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	79.0772%	
10	Uncollectable Rate (Line 26)	0.2046%	
11	Uncollectable Factor (L9 * L10)	0.1618%	
	Calculation of Effective Tax Rate		
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)	15.0000%	
16	Effective Federal Tax Rate (L14 * L15)	13.9548%	
17	Combined Federal and State Tax Rate (L13 + L16)		20.9228%
	Calculation of Effective Property Tax Rate		
18	Unity	100.0000%	
19	Combined Federal and State Tax Rate (Line 17)	20.9228%	
20	One Minus Combined Income Tax Rate (L18 - L19)	79.0772%	
21	Property Tax Factor (from Schedule C-2)	1.2266%	
22	Effective Property Tax Factor (L20 * L21)		0.9700%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)		21.8928%

	Calculation of Uncollectable Rate		
24	Bad Debt Expense (from Schedule C-1)	$	2,975
25	Total Revenues (from Schedule C-1)		1,454,522
26	Uncollectable Rate (L24 / L25)		0.2046%
27	Revenue Increase (from Schedule C-1)	$	157,001
28	Uncollectable Rate (Line 26)		0.2046%
29	Bad Debt Expense due to Increase	$	321

30	Supporting Schedules:	Recap Schedules:
31		A-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary Cost of Capital

Exhibit: RLJ-DT4
Schedule D-1
Page 1
Witness: Jones

Line No.	Invested Capital	End of Test Year (Adjusted) Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year (Current Rates) Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year (Proposed Rates) Amount	Percent of Total	Cost Rate	Weighted Cost
1													
2	Long-Term Debt	$ 1,770,091	87.11%	5.778%	5.034%	$ 1,679,070	92.07%	5.778%	5.320%	$ 1,679,070	86.28%	5.778%	4.985%
3													
4	Short-Term Debt		0.00%		0.000%		0.00%		0.000%		0.00%		0.000%
5													
6	Adjusted Common Equity	$ 261,871	12.89%	11.000%	1.418%	$ 144,643	7.93%	11.000%	0.872%	$ 267,018	13.72%	11.000%	1.509%
7													
8	Totals	$ 2,031,962	100.00%		6.451%	$ 1,823,712	100.00%		6.192%	$ 1,946,087	100.00%		6.495%
9													
10													
11	Equity Adjustments												
12	Common Equity per Sch. E-1	$ 212,101											
13													
14	PIS Equity Adjustments	$ 29,551											
15	A/D Equity Adjustments	(23,228)											
16	AIAC Equity Adjustment	-											
17	CIAC Equity Adjustment	-											
18	AA CIAC Equity Adjustment	43,448											
19													
20	Adjusted Common Equity	$ 261,871											
21													
22	Supporting Schedules:												
23	D-2 D-3												
24	D-4 E-1												
25													

Recap Schedules:
A-3

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Cost of Long-Term and Short-Term Debt

Exhibit: RLJ-DT4
Schedule D-2
Page 1
Witness: *Jones*

Line No.		End of Test Year			End of Projected Year		
1							
2		Amount	Annual	Interest	Amount	Annual	Interest
3		Outstanding	Interest	Rate	Outstanding	Interest	Rate
4	Long-Term Debt						
5	WIFA - Maturity 10/1/2026	$ 1,540,318	$ 91,417	5.775%	$ 1,457,625	$ 86,787	5.775%
6	WIFA - Maturity 10/1/2028	229,773	13,576	5.800%	221,444	13,108	5.800%
7							
8	Total Long-Term Debt	$ 1,770,091	$ 104,993	5.778%	$ 1,679,070	$ 99,895	5.778%
9							
10							
11	Short-Term Debt						
12	None Outstanding						
13							
14	Total All Debt	$ 1,770,091	$ 104,993	5.778%	$ 1,679,070	$ 99,895	5.778%
15							
16							
17	Supporting Schedules:						Recap Schedules:
18	E-1						D-1
19							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Cost of Preferred Stock

Exhibit: RLJ-DT4
Schedule D-3
Page 1
Witness: Jones

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

Recap Schedules:
D-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Cost of Common Equity

Exhibit: RLJ-DT4
Schedule D-4
Page 1
Witness: Jones

Line No.	
1	
2	Valley Utilities Water Company, Inc. is proposing an 11.0% cost of common equity per its filed testimony
3	
4	Supporting Schedules:
5	
6	

Recap Schedules:
D-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Comparative Balance Sheet

Exhibit: RLJ-DT4
Schedule E-1
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	**ASSETS**			
2	**PROPERTY PLANT AND EQUIPMENT**			
3	101 Utility Plant In Service	$ 10,311,306	$ 8,809,579	$ 8,206,107
4	103 Property Held for Future Use	-	-	-
5	105 Construction Work in Progress	-	1,033,785	1,002,757
6	108 Less: Accumulated Depreciation	(3,114,695)	(3,172,337)	(2,866,105)
7	**Net Plant**	$ 7,196,611	$ 6,671,027	$ 6,342,760
8				
9	**CURRENT ASSETS**			
10	131 Cash and Equivalents	$ 45,426	$ 241,902	$ 134,701
11	132 Special Deposits	146,105	108,852	71,598
12	141 Customer Accounts Receivable	83,866	90,808	88,019
13	146 Notes/Receivables from Associated Companies	-	-	-
14	151 Plant Materials and Supplies	32,699	27,522	28,216
15	162 Prepayments	9,035	1,811	41,476
16	174 Miscellaneous Current and Accrued Assets	-	-	-
17	**Total Current Assets**	$ 317,131	$ 470,894	$ 364,010
18				
19	**DEFERRED DEBITS**			
20	186 Deferred Debits	$ 36,080	$ 65,322	$ 168,206
21				
22	**TOTAL ASSETS**	$ 7,549,822	$ 7,207,243	$ 6,874,976
23				
24	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
25	**CAPITAL ACCOUNTS**			
26	201 Common Stock Issued	$ 410,000	$ 410,000	$ 410,000
27	211 Paid in Capital	4,988	4,988	4,988
28	215 Retained Earnings	(202,887)	(264,259)	(326,775)
29	**Total Capital**	$ 212,101	$ 150,728	$ 88,213
30				
31	**LONG-TERM DEBT**			
32	221 Bonds	-	-	-
33	224 Other Long-Term Debt	1,770,091	1,853,919	1,935,031
34	**Total long-Term Debt**	$ 1,770,091	$ 1,853,919	$ 1,935,031
35				
36	**CURRENT LIABILITIES**			
37	231 Accounts Payable	$ 152,942	$ 63,874	$ 75,422
38	232 Notes Payable	-	-	25,809
40	234 Payable to Associated Companies	-	-	-
41	235 Customer Deposits	78,425	85,314	93,071
42	236 Accrued Taxes	30,265	29,836	29,221
43	237 Accrued Interest	-	-	-
44	241 Miscellaneous Current Liabilities	10,653	9,319	10,875
45	**Total Current Liabilities**	$ 272,285	$ 188,342	$ 234,398
46				
47	**DEFERRED CREDITS**			
48	252 Advances in Aid of Construction	$ 3,933,272	$ 3,812,456	$ 3,518,086
49	271 Contributions in Aid of Construction	1,561,727	1,427,554	1,324,254
50	272 Accumulated Amortization CIAC	(395,016)	(351,894)	(331,038)
51	281 Accumulated Deferred Income Tax	195,362	126,137	106,032
52	**Total Deferred Credits**	$ 5,295,345	$ 5,014,253	$ 4,617,334
53				
54	**Total Liabilities & Common Equity**	$ 7,549,822	$ 7,207,243	$ 6,874,976
55				
56	Supporting Schedules:			Recap Schedules:
57	E-5			A-3

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Comparative Income Statements

Exhibit: RLJ-DT4
Schedule E-2
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	**Revenues**				
2	460	Unmetered Water Revenue	$ 682	$ 491	$ 197
3	461	Metered Water Revenues	1,388,878	1,344,014	1,137,170
4	474	Other Water Revenues	58,414	66,005	75,993
5	**Total Revenues**		$ 1,447,974	$ 1,410,510	$ 1,213,359
6	**Operating Expenses**				
7	601	Salaries and Wages	$ 452,645	$ 394,979	$ 263,781
8	604	Employee Pension and Benefits	73,738	62,633	54,227
9	610	Purchased Water	4,045	1,776	2,715
10	615	Purchased Power	143,759	156,380	156,847
11	618	Chemicals	7,567	7,138	7,733
12	620	Repairs and Maintenance	130,704	23,734	41,137
13	621	Office Supplies Expense	8,119	8,346	5,868
14	631	Contractual Services - Engineering	2,020	636	8,953
15	632	Contractual Services - Accounting	2,879	3,038	11,386
16	633	Contractual Services - Legal	23,970	7,255	7,372
17	634	Contractual Services - Management Fees	-	-	-
18	635	Contractual Services - Testing	10,732	9,077	8,145
19	636	Contractual Services - Other	22,036	743	949
20	641	Rent - Buildings	35,553	54,332	46,370
21	642	Rent - Equipment	2,215	680	3,463
22	650	Transportation Expense	29,087	18,595	16,943
23	656	Insurance - Vehicle	-	-	-
24	657	Insurance - General Liability	20,878	21,979	20,300
25	658	Insurance - Workman's Compensation	2,528	(516)	8,154
26	659	Insurance - Other	-	-	-
27	660	Advertising Expense	-	681	-
28	666	Regulatory Commission Expense - Rate Case	30,149	25,542	13,331
29	667	Regulatory Expense - Other	14,169	9,872	12,647
30	668	Water Resource Conservation Expense	-	-	-
31	670	Bad Debt Expense	2,975	3,065	1,769
32	675	Miscellaneous Expense	49,714	45,909	44,845
33	403	Depreciation Expense	282,308	285,376	252,773
34	408	Taxes Other Than Income	33,756	28,811	20,925
35	408.11	Property Taxes	46,573	45,135	44,720
36	409	Income Tax	(15,006)	29,174	34,904
37	**Total Operating Expenses**		$ 1,417,114	$ 1,244,372	$ 1,090,257
38	**Operating Income**		$ 30,861	$ 166,138	$ 123,103
39	**Other Income (Expense)**				
40	419	Interest and Dividend Income	$ 68	$ 2,310	$ -
41	421	Non-Utility Income	164	4,153	177
42	426	Miscellaneous Non-Utility Expenses	(15,828)	-	-
43	427	Interest Expense	(104,994)	(110,537)	(71,173)
44	**Total Other Income (Expense)**		$ (120,590)	$ (104,074)	$ (70,996)
45	**Net Income (Loss)**		$ (89,729)	$ 62,064	$ 52,106
46					
47					
48	Supporting Schedules:				Recap Schedules:
49					A-2
50					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Comparative Statement of Changes in Financial Position

Exhibit: RLJ-DT4
Schedule E-3
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	Source of Funds			
2	Cash Flow from Operations:			
3	Net Income	$ (89,729)	$ 62,064	$ 52,106
4	Adjustments to reconcile net income to net cash			
5	403 Depreciation and Amortization	282,308	285,376	252,773
6	410 Deferred Income Tax	(15,051)	20,105	61,118
7	Other Adjustments	-	-	(1,418)
8	Changes in Assets & Liabilities			
9	141 Customer Accounts Receivable	6,942	(2,789)	(12,874)
10	146 Notes/Receivables from Associated Companies	-	-	-
11	151 Plant Materials and Supplies	(5,177)	694	177
12	162 Prepayments	(7,224)	39,665	(41,476)
13	174 Miscellaneous Current and Accrued Assets	-	-	-
14	183 Special Deposits	(37,253)	(37,253)	(16,655)
15	186 Deferred Debits	29,242	102,884	(50,583)
16	231 Accounts Payable	89,068	(11,548)	64,077
17	232 Notes Payable	-	(25,809)	(80,064)
18	234 Payable to Associated Companies	-	-	-
19	235 Customer Deposits	(6,889)	(7,306)	738
20	236 Accrued Taxes	429	615	4,563
21	237 Accrued Interest	-	-	-
22	241 Miscellaneous Current Liabilities	1,334	(1,557)	(1,985)
23	Total From Operations	$ 248,001	$ 425,142	$ 230,496
24				
25	Cash Flow from Financing:			
26	221 Bonds	-	-	-
27	224 Long-Term Debt	(85,924)	(81,112)	1,027,218
28	252 Advances in Aid of Construction	150,817	294,370	(114,058)
29	271 Contributions in Aid of Construction	134,173	103,300	1,320
30	211 Paid in Capital	-	-	-
31	Total From Financing	$ 199,066	$ 316,558	$ 914,480
32				
33	Application of Funds			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(643,542)	(634,499)	(1,319,849)
36	Dividends Paid			
37	Other			
38	Total From Investing Activities	$ (643,542)	$ (634,499)	$ (1,319,849)
39				
40	Net Increase/(Decrease) in Cash	$ (196,475)	$ 107,201	$ (174,872)
41				
42	Cash, Beginning of Year	$ 241,902	$ 134,701	$ 309,573
43	Cash, End of Year	$ 45,426	$ 241,902	$ 134,701
44				
45				
46				
47	Workpapers:			Recap Schedules:
48	VU 2007-2011 Financial Data.xlsx - P&L, BalSht, CF Adj.			A-5
49				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Statement of Changes in Stockholder's Equity

Exhibit: RLJ-DT4
Schedule E-4
Page 1
Witness: Jones

Line No.		Common Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
1						
2						
3						
4	Balance, December 31, 2008	100	$ 410,000	$ 4,988	$ (379,861)	$ 35,127
5	Additional Paid In Capital					-
6	Dividends					-
7	Adjustments/Other				980	980
8	Net Income				52,106	52,106
9						
10	Balance, December 31, 2009	100	$ 410,000	$ 4,988	$ (326,775)	$ 88,213
11	Additional Paid In Capital					-
12	Dividends					-
13	Adjustments/Other				451	451
14	Net Income				62,064	62,064
15						
16	Balance, December 31, 2010	100	$ 410,000	$ 4,988	$ (264,259)	$ 150,728
17	Additional Paid In Capital					-
18	Dividends					-
19	Adjustments/Other				151,102	151,102
20	Net Income				(89,729)	(89,729)
21						
22	Balance, December 31, 2011	100	$ 410,000	$ 4,988	$ (202,887)	$ 212,101
23						
24						
25	Supporting Schedules:				Recap Schedules:	
26						
27						

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Detail of Utility Plant

Exhibit: RLJ-DT4
Schedule E-5
Page 1
Witness: Jones

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	301	Organization Cost	$ -		$ -
3	302	Franchise Cost	-		-
4	303	Land and Land Rights	488,196	-	488,196
5	304	Structures & Improvements	56,266	2,995	59,261
6	305	Collecting & Impounding Reservoirs	-	-	-
7	306	Lake, River, Canal Intakes	-	-	-
8	307	Wells & Springs	1,648,299	1,325	1,649,625
9	308	Infiltration Galleries	-	-	-
10	309	Raw Water Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Pumping Equipment	562,712	57,400	620,112
13	320	Water Treatment Equipment	1,109,833	1,142,508	2,252,341
14	320.1	Water Treatment Plants	-	-	-
15	320.2	Solution Chemical Feeders	-	-	-
16	330	Distribution Reservoirs & Standpipes	863,958	11,000	874,959
17	330.1	Storage Tanks	-	-	-
18	330.2	Pressure Tanks	-	-	-
19	331	Transmission & Distribution Mains	3,019,600	201,436	3,221,036
20	333	Services	143,472	10,121	153,593
21	334	Meters	428,353	31,651	460,005
22	335	Hydrants	250,861	38,150	289,011
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant & Misc Equipment	1,237	-	1,237
25	340	Office Furniture & Equipment	73,697	2,179	75,876
26	340.1	Computers & Software	-	-	-
27	341	Transportation Equipment	88,026	-	88,026
28	342	Stores Equipment	-	-	-
29	343	Tools, Shop & Garage Equipment	44,901	1,108	46,009
30	344	Laboratory Equipment	-	-	-
31	345	Power Operated Equipment	5,930	-	5,930
32	346	Communication Equipment	-	-	-
33	347	Miscellaneous Equipment	20,000	-	20,000
34	348	Other Tangible Plant	4,237	1,853	6,090
35					
36		TOTAL WATER PLANT	$ 8,809,579	$ 1,501,727	$ 10,311,306
37					
38	Workpapers:				Recap Schedules:
39	VU 2007-2011 Financial Data.xlsx - BalSht				E-1
40					A-4
41					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Operating Statistics

Exhibit: RLJ-DT4
Schedule E-7
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				
2	Gallons Sold - By Class of Service (Thousands)			
3	Residential	193,412	183,682	200,916
4	Commercial	12,477	12,753	13,985
5	Commercial (Multifamily)	56,223	48,339	46,319
6	Commercial (Irrigation)	39,318	39,575	43,684
7				
8	Total Gallons Sold	301,431	284,349	304,902
9				
10	Average Number of Customers			
11	Fire Service	5	4	4
12	Residential	1,301	1,302	1,305
13	Commercial	41	43	43
14	Commercial (Multifamily)	34	33	33
15	Commercial (Irrigation)	19	20	20
16		1,400	1,402	1,405
17				
18	Gallons Per Residential Customer	148,664	141,077	153,958
19				
20	Revenue Per Residential Customer	$ 773	$ 753	$ 646
21				
22	Pumping Cost Per 1,000 Gallons	$ 0.4769	$ 0.5500	$ 0.5144
23				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Taxes Charged to Operations

Exhibit: RLJ-DT4
Schedule E-8
Page 1
Witness: Jones

Line No.	Description	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	Description			
2				
3	Federal Income Tax	(15,051)	20,105	24,042
4	State Income Tax	45	9,069	10,862
5	Payroll Tax	33,756	28,811	20,925
6	Property Tax	46,573	45,135	44,720
7				
8	Totals	65,323	103,120	100,548
9				
10	Workpapers:			Recap Schedules:
11	VU 2007-2011 Financial Data.xlsx - P&L, Inc Tax			
12				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Notes to Financial Statements

Exhibit: RLJ-DT4
Schedule E-9
Page 1
Witness: Jones

Line No.	
1	
2	The Company does not conduct independent audits.
3	
4	The Company uses the NARUC System of Accounts.
5	
6	The Company normalizes Income Tax Expense.
7	
8	
9	Supporting Schedules: Recap Schedules:
10	
11	

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Projected Income Statements - Present and Proposed Rates

Exhibit: RLJ-DT4
Schedule F-1
Page 1
Witness: Jones

Line No.			Actual Test Year Ended 12/31/2011	At Present Rates Year Ended Ended 12/31/2012	At Proposed Rates Year Ended Ended 12/31/2012
1	**Revenues**				
2	460	Unmetered Water Revenue	$ 682	$ 682	$ 770
3	461	Metered Water Revenues	1,388,878	1,395,426	1,552,339
4	474	Other Water Revenues	58,414	58,414	58,414
5	**Total Revenues**		$ 1,447,974	$ 1,454,522	$ 1,611,523
6	**Operating Expenses**				
7	601	Salaries and Wages	$ 452,645	$ 466,224	$ 466,224
8	604	Employee Pension and Benefits	73,738	75,950	75,950
9	610	Purchased Water	4,045	4,045	4,045
10	615	Purchased Power	143,759	143,759	143,759
11	618	Chemicals	7,567	7,681	7,681
12	620	Repairs and Maintenance	130,704	130,427	130,427
13	621	Office Supplies Expense	8,119	8,240	8,240
14	631	Contractual Services - Engineering	2,020	2,051	2,051
15	632	Contractual Services - Accounting	2,879	2,923	2,923
16	633	Contractual Services - Legal	23,970	4,323	4,323
17	634	Contractual Services - Management Fees	-	-	-
18	635	Contractual Services - Testing	10,732	10,893	10,893
19	636	Contractual Services - Other	22,036	14,280	14,280
20	641	Rent - Buildings	35,553	36,086	36,086
21	642	Rent - Equipment	2,215	2,248	2,248
22	650	Transportation Expense	29,087	29,523	29,523
23	656	Insurance - Vehicle	-	-	-
24	657	Insurance - General Liability	20,878	21,191	21,191
25	658	Insurance - Workman's Compensation	2,528	2,566	2,566
26	659	Insurance - Other	-	-	-
27	660	Advertising Expense	-	-	-
28	666	Regulatory Commission Expense - Rate Case	30,149	40,600	40,600
29	667	Regulatory Expense - Other	14,169	14,382	14,382
30	668	Water Resource Conservation Expense	-	-	-
31	670	Bad Debt Expense	2,975	2,975	3,296
32	675	Miscellaneous Expense	49,714	49,752	49,752
33	403	Depreciation Expense	282,308	322,982	322,982
34	408	Taxes Other Than Income	33,756	33,756	33,756
35	408.11	Property Taxes	46,573	53,525	55,451
36	409	Income Tax	(15,006)	(24,122)	8,256
37	**Total Operating Expenses**		$ 1,417,114	$ 1,456,260	$ 1,490,885
38	**Operating Income**		$ 30,861	$ (1,738)	$ 120,638
39	**Other Income (Expense)**				
40	419	Interest and Dividend Income	$ 68	$ 68	$ 68
41	421	Non-Utility Income	164	164	164
42	426	Miscellaneous Non-Utility Expenses	(15,828)	(15,828)	(15,828)
43	427	Interest Expense	(104,994)	(99,895)	(99,895)
44	**Total Other Income (Expense)**		$ (120,590)	$ (115,491)	$ (115,491)
45	**Net Income (Loss)**		$ (89,729)	$ (117,228)	$ 5,147
46					
47	Supporting Schedules:				Recap Schedules:
48	E-2				A-2
49					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RLJ-DT4
Schedule F-2
Page 1
Witness: Jones

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	Source of Funds			
2	Cash Flow from Operations:			
3	Net Income	$ (89,729)	$ (117,228)	$ 5,147
4	Adjustments to reconcile net income to net cash			
5	403 Depreciation and Amortization	282,308	322,982	322,982
6	281 Deferred Income Tax	(15,051)		
7	Other Adjustments	-		
8	Changes in Assets & Liabilities			
9	141 Customer Accounts Receivable	6,942		
10	146 Notes/Receivables from Associated Companies	-		
11	151 Plant Materials and Supplies	(5,177)		
12	162 Prepayments	(7,224)		
13	174 Miscellaneous Current and Accrued Assets	-		
14	183 Special Deposits	(37,253)		
15	186 Deferred Debits	29,242	(50,000)	(50,000)
16	231 Accounts Payable	89,068		
17	232 Notes Payable	-		
18	234 Payable to Associated Companies	-		
19	235 Customer Deposits	(6,889)		
20	236 Accrued Taxes	429		
21	237 Accrued Interest	-		
22	241 Miscellaneous Current Liabilities	1,334		
23	Total From Operations	$ 248,001	$ 155,754	$ 278,129
24				
25	Cash Flow from Financing:			
26	221 Bonds	-		
27	224 Long-Term Debt	(85,924)	(91,021)	(91,021)
28	252 Advances in Aid of Construction	150,817	(88,617)	(88,617)
29	271 Contributions in Aid of Construction	134,173	-	-
30	211 Paid in Capital	-		
31	Total From Financing	$ 199,066	$ (179,638)	$ (179,638)
32				
33	Application of Funds			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(643,542)	(98,000)	(98,000)
36	Dividends Paid	-	-	-
37	Other	-	-	-
38	Total From Investing Activities	$ (643,542)	$ (98,000)	$ (98,000)
39				
40	Net Increase/(Decrease) in Cash	$ (196,475)	$ (121,885)	$ 490
41				
42	Cash, Beginning of Year	$ 241,902	$ 45,426	$ 45,426
43	Cash, End of Year	$ 45,426	$ (76,458)	$ 45,917
44				
45				
46	Supporting Schedules:			Recap Schedules:
47	E-3			A-5
48	F-3			
49				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Projected Construction Requirements

Exhibit: RLJ-DT4
Schedule F-3
Page 1
Witness: Jones

Line No.	Property Classification	Actual Test Year 12/31/2011	Projected Thru 12/31/2012	Projected Thru 12/31/2013	Projected Thru 12/31/2014
5	Intangible Plant	$ -	$ -	$ -	$ -
7	Source of Supply and Pumping Plant	61,720	-	-	-
9	Water Treatment Plant	1,142,508	-	-	-
11	Transmission and Distribution Plant	292,359	63,000	139,000	83,000
13	General Plant	5,140	35,000	35,000	38,000
15	Total Plant	$ 1,501,727	$ 98,000	$ 174,000	$ 121,000

18 Workpapers:
19 VU 2007-2011 Financial Data.xlsx - Capital Budget

Recap Schedules:
F-2 A-4

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Assumptions Used in Developing Projection

Exhibit: RLJ-DT4
Schedule F-4
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: Recap Schedules:
13	
14	

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-DT4
Schedule H-1
Page 1
Witness: Jones

Line No.	Customer Classification	Revenues in the Test Year: Present Rates	Revenues in the Test Year: Proposed Rates	Proposed Increase: Amount	Proposed Increase: %
1					
2	Unmetered Water Revenue				
3	Fire Service	$ 682	$ 770	$ 88	12.90%
4					
5	Metered Water Revenue				
6	Residential	969,595	1,075,925	106,330	10.97%
7	Commercial	71,753	79,147	7,394	10.30%
8	Commercial (Multifamily)	216,458	242,445	25,987	12.01%
9	Commercial (Irrigation)	137,973	155,117	17,144	12.43%
10					
11	Other Water Revenue	58,414	58,414	-	0.00%
12					
13	Total Water Revenues	$ 1,454,874	$ 1,611,818	$ 156,943	10.79%
14					
15	Reconciliation				
16	Bill Count Revenue	$ 1,454,874			
17					
18	Water Revenues per G.L.	1,447,974			
19	Revenue Adjustment	6,548	(Income Statement Adjustment IS-1)		
20	Adjusted G.L. Revenue	$ 1,454,522			
21					
22	Unreconciled Difference	$ 352			
23	Percentage Difference	0.02%			
24					
25					
26	Supporting Schedules:				Recap Schedules:
27	H-2				A-1
28					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-DT4
Schedule H-2
Page 1
Witness: Jones

Line No.	Description	Average Number Customers	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Amount	Proposed Increase %
1							
2	Unmetered Water Revenue						
3	6" Fire Service	5		$ 682	$ 770	$ 88	12.90%
4							
5	Metered Water Revenue						
6	5/8 x 3/4" Residential	98	7,055	$ 40,404	$ 44,798	$ 4,394	10.88%
7	3/4" Residential	831	9,425	495,875	549,440	53,565	10.80%
8	1" Residential	371	19,463	431,501	479,679	48,178	11.17%
9	1 1/2" Residential	1	25,283	1,815	2,008	193	10.64%
10							
11	5/8 x 3/4" Commercial	7	1,389	$ 1,683	$ 1,844	162	9.60%
12	3/4" Commercial	4	5,605	1,988	2,195	207	10.40%
13	1" Commercial	12	34,596	20,810	23,260	2,450	11.77%
14	1 1/2" Commercial	8	32,516	16,576	18,390	1,813	10.94%
15	2" Commercial	9	28,478	23,037	25,436	2,399	10.41%
16	3" Commercial (Construction)	1	42,243	7,658	8,022	364	4.75%
17							
18	1" Commercial (Multifamily)	1	26,832	$ 1,391	$ 1,550	160	11.48%
19	2" Commercial (Multifamily)	33	141,164	215,067	240,894	25,827	12.01%
20							
21	3/4" Commercial (Irrigation)	-	-	$ -	$ -	-	
22	1" Commercial (Irrigation)	8	38,186	14,059	15,726	1,667	11.86%
23	1 1/2" Commercial (Irrigation)	3	93,833	13,063	14,634	1,571	12.03%
24	2" Commercial (Irrigation)	8	338,181	110,851	124,757	13,906	12.54%
25							
26	**Totals:**						
27	Unmetered Water Revenue						
28	Fire Service	5		$ 682	$ 770	$ 88	12.90%
29							
30	Metered Water Revenue						
31	Residential	1,301	12,121	$ 969,595	$ 1,075,925	106,330	10.97%
32	Commercial	41	24,536	71,753	79,147	7,394	10.30%
33	Commercial (Multifamily)	34	137,801	216,458	242,445	25,987	12.01%
34	Commercial (Irrigation)	19	173,286	137,973	155,117	17,144	12.43%
35	Subtotal Metered	1,395		$ 1,395,778	$ 1,552,634	$ 156,855	11.24%
36							
37	Other Water Revenue			$ 58,414	$ 58,414	-	0.00%
38							
39	Total	1,400		$ 1,454,874	$ 1,611,818	$ 156,943	10.79%
40							
41	Supporting Schedules:					Recap Schedules:	
42						H-1	
43							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-DT4
Schedule H-2
Page 2
Witness: Jones

Supplemental Schedule
Breakdown of Metered Water Revenue at Current Rates
By Rate Components

Line No.	Description	Revenue at Current Rates: Base Charge	Arsenic Surcharge	1st Tier	2nd Tier	3rd Tier	Total Revenue
1							
2	5/8 x 3/4" Residential	$ 14,533	$ 6,458	$ 4,651	$ 8,419	$ 6,344	$ 40,404
3	3/4" Residential	185,498	82,377	42,291	101,982	83,727	495,875
4	1" Residential	138,074	61,332	-	154,723	77,372	431,501
5	1 1/2" Residential	744	330	-	740	-	1,815
6							
7	5/8 x 3/4" Commercial	$ 980	$ 435	$ -	$ 268	$ -	$ 1,683
8	3/4" Commercial	893	396	-	511	188	1,988
9	1" Commercial	4,464	1,983	-	4,569	9,794	20,810
10	1 1/2" Commercial	5,952	2,644	-	6,718	1,263	16,576
11	2" Commercial	10,692	4,758	-	7,221	366	23,037
12	3" Commercial (Construction)	3,366	1,498	-	-	2,794	7,658
13							
14	1" Commercial (Multifamily)	$ 372	$ 165	$ -	$ 552	$ 301	$ 1,391
15	2" Commercial (Multifamily)	39,204	17,448	-	60,735	97,681	215,067
16							
17	3/4" Commercial (Irrigation)	$ -	$ -	$ -	$ -	$ -	$ -
18	1" Commercial (Irrigation)	2,821	1,253	-	3,301	6,684	14,059
19	1 1/2" Commercial (Irrigation)	2,232	991	-	2,755	7,085	13,063
20	2" Commercial (Irrigation)	9,504	4,230	-	17,695	79,421	110,851
21							
22	Total Revenue	$ 419,328	$ 186,299	$ 46,942	$ 370,189	$ 373,021	$ 1,395,778
23							
24	Percentage of Total	30.04%	13.35%	3.36%	26.52%	26.72%	100.00%
25							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-DT4
Schedule H-2
Page 3
Witness: Jones

Supplemental Schedule
Breakdown of Metered Water Revenue at Proposed Rates
By Rate Components

Line No.	Description	Revenue at Proposed Rates: Base Charge	Arsenic Surcharge	1st Tier	2nd Tier	3rd Tier	Total Revenue
1							
2	5/8 x 3/4" Residential	$ 16,408	$ 6,458	$ 5,240	$ 9,523	$ 7,170	$ 44,798
3	3/4" Residential	209,433	82,377	47,648	115,357	94,625	549,440
4	1" Residential	155,890	61,332	-	175,015	87,443	479,679
5	1 1/2" Residential	840	330	-	837	-	2,008
6							
7	5/8 x 3/4" Commercial	$ 1,106	$ 435	$ -	$ 303	$ -	$ 1,844
8	3/4" Commercial	1,008	396	-	578	213	2,195
9	1" Commercial	5,040	1,983	-	5,168	11,069	23,260
10	1 1/2" Commercial	6,720	2,644	-	7,599	1,427	18,390
11	2" Commercial	12,096	4,758	-	8,168	413	25,436
12	3" Commercial (Construction)	3,366	1,498	-	-	3,158	8,022
13							
14	1" Commercial (Multifamily)	$ 420	$ 165	$ -	$ 625	$ 340	$ 1,550
15	2" Commercial (Multifamily)	44,352	17,448	-	68,700	110,395	240,894
16							
17	3/4" Commercial (Irrigation)	$ -	$ -	$ -	$ -	$ -	$ -
18	1" Commercial (Irrigation)	3,185	1,253	-	3,734	7,554	15,726
19	1 1/2" Commercial (Irrigation)	2,520	991	-	3,116	8,007	14,634
20	2" Commercial (Irrigation)	10,752	4,230	-	20,016	89,759	124,757
21							
22	Total Revenue	$ 473,136	$ 186,299	$ 52,888	$ 418,738	$ 421,573	$ 1,552,634
23							
24	Percentage of Total	30.47%	12.00%	3.41%	26.97%	27.15%	100.00%
25							

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Exhibit: RLJ-DT4
Schedule H-3
Page 1
Witness: Jones

General Water Service Rates

Description	Block			Base Charge Present Rate	Base Charge Proposed Rate	Base Charge Change	Volume Charge Present Rate	Volume Charge Proposed Rate	Volume Charge Change
5/8 x 3/4" Residential Meter	Tier 1	3,000	gal.	$ 12.40	$ 14.00	$ 1.60	$ 1.50	$ 1.69	$ 0.19
	Tier 2	10,000	gal.				$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
3/4" Residential Meter	Tier 1	3,000	gal.	$ 18.60	$ 21.00	$ 2.40	$ 1.50	$ 1.69	$ 0.19
	Tier 2	10,000	gal.				$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
5/8" x 3/4" Commercial Meter	Tier 2	10,000	gal.	$ 12.40	$ 14.00	$ 1.60	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
3/4" Commercial Meter	Tier 2	10,000	gal.	$ 18.60	$ 21.00	$ 2.40	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
1" All Meters	Tier 2	23,000	gal.	$ 31.00	$ 35.00	$ 4.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
1 1/2" All Meters	Tier 2	58,000	gal.	$ 62.00	$ 70.00	$ 8.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
2" All Meters	Tier 2	95,000	gal.	$ 99.00	$ 112.00	$ 13.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
3" All Meters	Tier 2	207,000	gal.	$ 198.00	$ 224.00	$ 26.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
4" All Meters	Tier 2	335,000	gal.	$ 310.00	$ 350.00	$ 40.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
6" All Meters	Tier 2	690,000	gal.	$ 620.00	$ 700.00	$ 80.00	$ 2.44	$ 2.76	$ 0.32
	Tier 3	999,999,000	gal.				$ 3.15	$ 3.56	$ 0.41
Construction Water	Tier 3	999,999,000	gal.		By Meter Size		$ 3.15	$ 3.56	$ 0.41

Arsenic Surcharge (Decision No. 71287)

Meter Size	Present Rate	Proposed Rate
5/8 x 3/4" All Meters	$ 5.51	$ 5.51
3/4" All Meters	$ 8.26	$ 8.26
1" All Meters	$ 13.77	$ 13.77
1 1/2" All Meters	$ 27.54	$ 27.54
2" All Meters	$ 44.06	$ 44.06
3" All Meters	$ 88.12	$ 88.12
4" All Meters	nt	$ 137.75
6" All Meters	nt	$ 275.50

Monthly Service Charge for Fire Sprinkler

	Present Rates	Proposed Rates
All Meter Sizes	***	***

*** Greater of $10.00 or 2 percent of the general service rate for a similar size meter

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Exhibit: RLJ-DT4
Schedule H-3
Page 2
Witness: Jones

Line No.	**Other Service Charges**	Present Rates	Proposed Rates
3	Establishment	$ 40.00	$ 40.00
4	Establishment (After Hours)	$ 60.00	$ 60.00
5	Reconnection (Delinquent)	$ 40.00	$ 40.00
6	Reconnection (Delinquent and After Hours)	$ 60.00	$ 60.00
7	Meter Test (If correct)	$ 30.00	$ 30.00
8	Deposit Requirement (Residential)	2 times the average bill	2 times the average bill
9	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill	2-1/2 times the average bill
10	Deposit Interest	6.0%	6.0%
11	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum bill	Number of Months off system times the monthly minimum bill
12	NSF Check	$ 25.00	$ 30.00
13	Deferred Payment, Per Month	1.5%	1.5%
14	Meter Re-Read (If correct)	$ 10.00	$ 30.00
15	Moving Customer Meter at Customer Request	Cost	Cost
16	Late Charge per month	$ 10.00	$ 10.00

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax, per Commission rule A.A.C. 14-2-409(D)(5).

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

n/t - no tariff

Service Line and Meter Installation Charges	Present Rates			Proposed Rates		
	Srv. Line	Meter	Total	Srv. Line	Meter	Total
5/8" Meter	$ 445	$ 155	$ 600	$ 445	$ 155	$ 600
3/4" Meter	$ 445	$ 255	$ 700	$ 445	$ 255	$ 700
1" Meter	$ 495	$ 315	$ 810	$ 495	$ 315	$ 810
1 1/2" Meter	$ 550	$ 525	$ 1,075	$ 550	$ 525	$ 1,075
2" Turbine Meter	$ 830	$ 1,045	$ 1,875	$ 830	$ 1,045	$ 1,875
2" Compound Meter	$ 830	$ 1,890	$ 2,720	$ 830	$ 1,890	$ 2,720
3" Turbine Meter	$ 1,045	$ 1,670	$ 2,715	$ 1,045	$ 1,670	$ 2,715
3" Compound Meter	$ 1,165	$ 2,545	$ 3,710	$ 1,165	$ 2,545	$ 3,710
4" Turbine Meter	$ 1,490	$ 2,670	$ 4,160	$ 1,490	$ 2,670	$ 4,160
4" Compound Meter	$ 1,670	$ 3,645	$ 5,315	$ 1,670	$ 3,645	$ 5,315
6" Turbine Meter	$ 2,210	$ 5,025	$ 7,235	$ 2,210	$ 5,025	$ 7,235
6" Compound Meter	$ 2,330	$ 6,920	$ 9,250	$ 2,330	$ 6,920	$ 9,250
8" or Larger Meter	Cost	Cost	Cost	Cost	Cost	Cost

All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes, including gross-up taxes for Federal and State taxes, if applicable.

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 17.91	$ 19.51	$ 1.60	8.93%
2	Base Charge:	$	12.40	1,000	$ 19.41	$ 21.20	$ 1.79	9.22%
3	Arsenic Surcharge:	$	5.51	2,000	$ 20.91	$ 22.89	$ 1.98	9.47%
4				3,000	$ 22.41	$ 24.58	$ 2.17	9.68%
5	Tier One Rate:	$	1.50	4,000	$ 24.85	$ 27.34	$ 2.49	10.02%
6	Tier Two Rate:	$	2.44	5,000	$ 27.29	$ 30.10	$ 2.81	10.30%
7	Tier Three Rate:	$	3.15	6,000	$ 29.73	$ 32.86	$ 3.13	10.53%
8				7,000	$ 32.17	$ 35.62	$ 3.45	10.72%
9	Tier One Breakover (M gal):		3	8,000	$ 34.61	$ 38.38	$ 3.77	10.89%
10	Tier Two Breakover (M gal):		10	9,000	$ 37.05	$ 41.14	$ 4.09	11.04%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 39.49	$ 43.90	$ 4.41	11.17%
12				12,000	$ 45.79	$ 51.02	$ 5.23	11.42%
13				14,000	$ 52.09	$ 58.14	$ 6.05	11.61%
14	**Proposed Rates:**			16,000	$ 58.39	$ 65.26	$ 6.87	11.77%
15	Base Charge:	$	14.00	18,000	$ 64.69	$ 72.38	$ 7.69	11.89%
16	Arsenic Surcharge:	$	5.51	20,000	$ 70.99	$ 79.50	$ 8.51	11.99%
17				25,000	$ 86.74	$ 97.30	$ 10.56	12.17%
18	Tier One Rate:	$	1.69	30,000	$ 102.49	$ 115.10	$ 12.61	12.30%
19	Tier Two Rate:	$	2.76	35,000	$ 118.24	$ 132.90	$ 14.66	12.40%
20	Tier Three Rate:	$	3.56	40,000	$ 133.99	$ 150.70	$ 16.71	12.47%
21				45,000	$ 149.74	$ 168.50	$ 18.76	12.53%
22	Tier One Breakover (M gal):		3	50,000	$ 165.49	$ 186.30	$ 20.81	12.57%
23	Tier Two Breakover (M gal):		10	60,000	$ 196.99	$ 221.90	$ 24.91	12.65%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 228.49	$ 257.50	$ 29.01	12.70%
25				80,000	$ 259.99	$ 293.10	$ 33.11	12.74%
26				90,000	$ 291.49	$ 328.70	$ 37.21	12.77%
27				100,000	$ 322.99	$ 364.30	$ 41.31	12.79%
28								
29				Average Usage				
30				7,055	$ 32.30	$ 35.77	$ 3.47	10.74%
31				Median Usage				
32				4,546	$ 26.18	$ 28.85	$ 2.67	10.20%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 26.86	$ 29.26	$ 2.40	8.94%
2	Base Charge:	$	18.60	1,000	$ 28.36	$ 30.95	$ 2.59	9.13%
3	Arsenic Surcharge:	$	8.26	2,000	$ 29.86	$ 32.64	$ 2.78	9.31%
4				3,000	$ 31.36	$ 34.33	$ 2.97	9.47%
5	Tier One Rate:	$	1.50	4,000	$ 33.80	$ 37.09	$ 3.29	9.73%
6	Tier Two Rate:	$	2.44	5,000	$ 36.24	$ 39.85	$ 3.61	9.96%
7	Tier Three Rate:	$	3.15	6,000	$ 38.68	$ 42.61	$ 3.93	10.16%
8				7,000	$ 41.12	$ 45.37	$ 4.25	10.34%
9	Tier One Breakover (M gal):		3	8,000	$ 43.56	$ 48.13	$ 4.57	10.49%
10	Tier Two Breakover (M gal):		10	9,000	$ 46.00	$ 50.89	$ 4.89	10.63%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 48.44	$ 53.65	$ 5.21	10.76%
12				12,000	$ 54.74	$ 60.77	$ 6.03	11.02%
13				14,000	$ 61.04	$ 67.89	$ 6.85	11.22%
14	**Proposed Rates:**			16,000	$ 67.34	$ 75.01	$ 7.67	11.39%
15	Base Charge:	$	21.00	18,000	$ 73.64	$ 82.13	$ 8.49	11.53%
16	Arsenic Surcharge:	$	8.26	20,000	$ 79.94	$ 89.25	$ 9.31	11.65%
17				25,000	$ 95.69	$ 107.05	$ 11.36	11.87%
18	Tier One Rate:	$	1.69	30,000	$ 111.44	$ 124.85	$ 13.41	12.03%
19	Tier Two Rate:	$	2.76	35,000	$ 127.19	$ 142.65	$ 15.46	12.16%
20	Tier Three Rate:	$	3.56	40,000	$ 142.94	$ 160.45	$ 17.51	12.25%
21				45,000	$ 158.69	$ 178.25	$ 19.56	12.33%
22	Tier One Breakover (M gal):		3	50,000	$ 174.44	$ 196.05	$ 21.61	12.39%
23	Tier Two Breakover (M gal):		10	60,000	$ 205.94	$ 231.65	$ 25.71	12.48%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 237.44	$ 267.25	$ 29.81	12.55%
25				80,000	$ 268.94	$ 302.85	$ 33.91	12.61%
26				90,000	$ 300.44	$ 338.45	$ 38.01	12.65%
27				100,000	$ 331.94	$ 374.05	$ 42.11	12.69%
28								
29				Average Usage				
30				9,425	$ 47.04	$ 52.06	$ 5.02	10.67%
31				Median Usage				
32				7,013	$ 41.15	$ 45.41	$ 4.26	10.35%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1"
Class: Residential
Rate Code: R3

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	31.00
3	Arsenic Surcharge:	$	13.77
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		23
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	35.00
16	Arsenic Surcharge:	$	13.77
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		23
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 44.77	$ 48.77	$ 4.00	8.93%
1,000	$ 47.21	$ 51.53	$ 4.32	9.15%
2,000	$ 49.65	$ 54.29	$ 4.64	9.35%
3,000	$ 52.09	$ 57.05	$ 4.96	9.52%
4,000	$ 54.53	$ 59.81	$ 5.28	9.68%
5,000	$ 56.97	$ 62.57	$ 5.60	9.83%
6,000	$ 59.41	$ 65.33	$ 5.92	9.96%
7,000	$ 61.85	$ 68.09	$ 6.24	10.09%
8,000	$ 64.29	$ 70.85	$ 6.56	10.20%
9,000	$ 66.73	$ 73.61	$ 6.88	10.31%
10,000	$ 69.17	$ 76.37	$ 7.20	10.41%
12,000	$ 74.05	$ 81.89	$ 7.84	10.59%
14,000	$ 78.93	$ 87.41	$ 8.48	10.74%
16,000	$ 83.81	$ 92.93	$ 9.12	10.88%
18,000	$ 88.69	$ 98.45	$ 9.76	11.00%
20,000	$ 93.57	$ 103.97	$ 10.40	11.11%
25,000	$ 107.19	$ 119.37	$ 12.18	11.36%
30,000	$ 122.94	$ 137.17	$ 14.23	11.57%
35,000	$ 138.69	$ 154.97	$ 16.28	11.74%
40,000	$ 154.44	$ 172.77	$ 18.33	11.87%
45,000	$ 170.19	$ 190.57	$ 20.38	11.97%
50,000	$ 185.94	$ 208.37	$ 22.43	12.06%
60,000	$ 217.44	$ 243.97	$ 26.53	12.20%
70,000	$ 248.94	$ 279.57	$ 30.63	12.30%
80,000	$ 280.44	$ 315.17	$ 34.73	12.38%
90,000	$ 311.94	$ 350.77	$ 38.83	12.45%
100,000	$ 343.44	$ 386.37	$ 42.93	12.50%
Average Usage				
19,463	$ 92.26	$ 102.49	$ 10.23	11.09%
Median Usage				
13,096	$ 76.72	$ 84.91	$ 8.19	10.68%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1 1/2"
Class: Residential
Rate Code: R4

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 89.54	$ 97.54	$ 8.00	8.93%
2	Base Charge:	$	62.00	1,000	$ 91.98	$ 100.30	$ 8.32	9.05%
3	Arsenic Surcharge:	$	27.54	2,000	$ 94.42	$ 103.06	$ 8.64	9.15%
4				3,000	$ 96.86	$ 105.82	$ 8.96	9.25%
5	Tier One Rate:	$	-	4,000	$ 99.30	$ 108.58	$ 9.28	9.35%
6	Tier Two Rate:	$	2.44	5,000	$ 101.74	$ 111.34	$ 9.60	9.44%
7	Tier Three Rate:	$	3.15	6,000	$ 104.18	$ 114.10	$ 9.92	9.52%
8				7,000	$ 106.62	$ 116.86	$ 10.24	9.60%
9	Tier One Breakover (M gal):		-	8,000	$ 109.06	$ 119.62	$ 10.56	9.68%
10	Tier Two Breakover (M gal):		58	9,000	$ 111.50	$ 122.38	$ 10.88	9.76%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 113.94	$ 125.14	$ 11.20	9.83%
12				12,000	$ 118.82	$ 130.66	$ 11.84	9.96%
13				14,000	$ 123.70	$ 136.18	$ 12.48	10.09%
14	**Proposed Rates:**			16,000	$ 128.58	$ 141.70	$ 13.12	10.20%
15	Base Charge:	$	70.00	18,000	$ 133.46	$ 147.22	$ 13.76	10.31%
16	Arsenic Surcharge:	$	27.54	20,000	$ 138.34	$ 152.74	$ 14.40	10.41%
17				25,000	$ 150.54	$ 166.54	$ 16.00	10.63%
18	Tier One Rate:	$	-	30,000	$ 162.74	$ 180.34	$ 17.60	10.81%
19	Tier Two Rate:	$	2.76	35,000	$ 174.94	$ 194.14	$ 19.20	10.98%
20	Tier Three Rate:	$	3.56	40,000	$ 187.14	$ 207.94	$ 20.80	11.11%
21				45,000	$ 199.34	$ 221.74	$ 22.40	11.24%
22	Tier One Breakover (M gal):		-	50,000	$ 211.54	$ 235.54	$ 24.00	11.35%
23	Tier Two Breakover (M gal):		58	60,000	$ 237.36	$ 264.74	$ 27.38	11.54%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 268.86	$ 300.34	$ 31.48	11.71%
25				80,000	$ 300.36	$ 335.94	$ 35.58	11.85%
26				90,000	$ 331.86	$ 371.54	$ 39.68	11.96%
27				100,000	$ 363.36	$ 407.14	$ 43.78	12.05%
28								
29				Average Usage				
30				25,283	$ 151.23	$ 167.32	$ 16.09	10.64%
31				Median Usage				
32				24,800	$ 150.05	$ 165.99	$ 15.94	10.62%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1"
Class: Commercial (Multifamily)
Rate Code: M3

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	31.00
3	Arsenic Surcharge:	$	13.77
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		23
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	35.00
16	Arsenic Surcharge:	$	13.77
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		23
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 44.77	$ 48.77	$ 4.00	8.93%
1,000	$ 47.21	$ 51.53	$ 4.32	9.15%
2,000	$ 49.65	$ 54.29	$ 4.64	9.35%
3,000	$ 52.09	$ 57.05	$ 4.96	9.52%
4,000	$ 54.53	$ 59.81	$ 5.28	9.68%
5,000	$ 56.97	$ 62.57	$ 5.60	9.83%
6,000	$ 59.41	$ 65.33	$ 5.92	9.96%
7,000	$ 61.85	$ 68.09	$ 6.24	10.09%
8,000	$ 64.29	$ 70.85	$ 6.56	10.20%
9,000	$ 66.73	$ 73.61	$ 6.88	10.31%
10,000	$ 69.17	$ 76.37	$ 7.20	10.41%
12,000	$ 74.05	$ 81.89	$ 7.84	10.59%
14,000	$ 78.93	$ 87.41	$ 8.48	10.74%
16,000	$ 83.81	$ 92.93	$ 9.12	10.88%
18,000	$ 88.69	$ 98.45	$ 9.76	11.00%
20,000	$ 93.57	$ 103.97	$ 10.40	11.11%
25,000	$ 107.19	$ 119.37	$ 12.18	11.36%
30,000	$ 122.94	$ 137.17	$ 14.23	11.57%
35,000	$ 138.69	$ 154.97	$ 16.28	11.74%
40,000	$ 154.44	$ 172.77	$ 18.33	11.87%
45,000	$ 170.19	$ 190.57	$ 20.38	11.97%
50,000	$ 185.94	$ 208.37	$ 22.43	12.06%
60,000	$ 217.44	$ 243.97	$ 26.53	12.20%
70,000	$ 248.94	$ 279.57	$ 30.63	12.30%
80,000	$ 280.44	$ 315.17	$ 34.73	12.38%
90,000	$ 311.94	$ 350.77	$ 38.83	12.45%
100,000	$ 343.44	$ 386.37	$ 42.93	12.50%
Average Usage				
26,832	$ 112.96	$ 125.89	$ 12.93	11.45%
Median Usage				
19,010	$ 91.15	$ 101.24	$ 10.09	11.07%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 143.06	$ 156.06	$ 13.00	9.09%
2	Base Charge:	$	99.00	1,000	$ 145.50	$ 158.82	$ 13.32	9.15%
3	Arsenic Surcharge:	$	44.06	2,000	$ 147.94	$ 161.58	$ 13.64	9.22%
4				3,000	$ 150.38	$ 164.34	$ 13.96	9.28%
5	Tier One Rate:	$	-	4,000	$ 152.82	$ 167.10	$ 14.28	9.34%
6	Tier Two Rate:	$	2.44	5,000	$ 155.26	$ 169.86	$ 14.60	9.40%
7	Tier Three Rate:	$	3.15	6,000	$ 157.70	$ 172.62	$ 14.92	9.46%
8				7,000	$ 160.14	$ 175.38	$ 15.24	9.52%
9	Tier One Breakover (M gal):		-	8,000	$ 162.58	$ 178.14	$ 15.56	9.57%
10	Tier Two Breakover (M gal):		95	9,000	$ 165.02	$ 180.90	$ 15.88	9.62%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 167.46	$ 183.66	$ 16.20	9.67%
12				12,000	$ 172.34	$ 189.18	$ 16.84	9.77%
13				14,000	$ 177.22	$ 194.70	$ 17.48	9.86%
14	**Proposed Rates:**			16,000	$ 182.10	$ 200.22	$ 18.12	9.95%
15	Base Charge:	$	112.00	18,000	$ 186.98	$ 205.74	$ 18.76	10.03%
16	Arsenic Surcharge:	$	44.06	20,000	$ 191.86	$ 211.26	$ 19.40	10.11%
17				25,000	$ 204.06	$ 225.06	$ 21.00	10.29%
18	Tier One Rate:	$	-	30,000	$ 216.26	$ 238.86	$ 22.60	10.45%
19	Tier Two Rate:	$	2.76	35,000	$ 228.46	$ 252.66	$ 24.20	10.59%
20	Tier Three Rate:	$	3.56	40,000	$ 240.66	$ 266.46	$ 25.80	10.72%
21				45,000	$ 252.86	$ 280.26	$ 27.40	10.84%
22	Tier One Breakover (M gal):		-	50,000	$ 265.06	$ 294.06	$ 29.00	10.94%
23	Tier Two Breakover (M gal):		95	60,000	$ 289.46	$ 321.66	$ 32.20	11.12%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 313.86	$ 349.26	$ 35.40	11.28%
25				80,000	$ 338.26	$ 376.86	$ 38.60	11.41%
26				90,000	$ 362.66	$ 404.46	$ 41.80	11.53%
27				100,000	$ 390.61	$ 436.06	$ 45.45	11.64%
28								
29				Average Usage				
30				141,164	$ 520.28	$ 582.60	$ 62.32	11.98%
31				Median Usage				
32				65,611	$ 303.15	$ 337.15	$ 34.00	11.22%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Commercial
Rate Code: C1

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 17.91	$ 19.51	$ 1.60	8.93%
2	Base Charge:	$	12.40	1,000	$ 20.35	$ 22.27	$ 1.92	9.43%
3	Arsenic Surcharge:	$	5.51	2,000	$ 22.79	$ 25.03	$ 2.24	9.83%
4				3,000	$ 25.23	$ 27.79	$ 2.56	10.15%
5	Tier One Rate:	$	-	4,000	$ 27.67	$ 30.55	$ 2.88	10.41%
6	Tier Two Rate:	$	2.44	5,000	$ 30.11	$ 33.31	$ 3.20	10.63%
7	Tier Three Rate:	$	3.15	6,000	$ 32.55	$ 36.07	$ 3.52	10.81%
8				7,000	$ 34.99	$ 38.83	$ 3.84	10.97%
9	Tier One Breakover (M gal):		-	8,000	$ 37.43	$ 41.59	$ 4.16	11.11%
10	Tier Two Breakover (M gal):		10	9,000	$ 39.87	$ 44.35	$ 4.48	11.24%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 42.31	$ 47.11	$ 4.80	11.34%
12				12,000	$ 48.61	$ 54.23	$ 5.62	11.56%
13				14,000	$ 54.91	$ 61.35	$ 6.44	11.73%
14	**Proposed Rates:**			16,000	$ 61.21	$ 68.47	$ 7.26	11.86%
15	Base Charge:	$	14.00	18,000	$ 67.51	$ 75.59	$ 8.08	11.97%
16	Arsenic Surcharge:	$	5.51	20,000	$ 73.81	$ 82.71	$ 8.90	12.06%
17				25,000	$ 89.56	$ 100.51	$ 10.95	12.23%
18	Tier One Rate:	$	-	30,000	$ 105.31	$ 118.31	$ 13.00	12.34%
19	Tier Two Rate:	$	2.76	35,000	$ 121.06	$ 136.11	$ 15.05	12.43%
20	Tier Three Rate:	$	3.56	40,000	$ 136.81	$ 153.91	$ 17.10	12.50%
21				45,000	$ 152.56	$ 171.71	$ 19.15	12.55%
22	Tier One Breakover (M gal):		-	50,000	$ 168.31	$ 189.51	$ 21.20	12.60%
23	Tier Two Breakover (M gal):		10	60,000	$ 199.81	$ 225.11	$ 25.30	12.66%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 231.31	$ 260.71	$ 29.40	12.71%
25				80,000	$ 262.81	$ 296.31	$ 33.50	12.75%
26				90,000	$ 294.31	$ 331.91	$ 37.60	12.78%
27				100,000	$ 325.81	$ 367.51	$ 41.70	12.80%
28								
29				Average Usage				
30				1,389	$ 21.30	$ 23.34	$ 2.04	9.58%
31				Median Usage				
32				807	$ 19.88	$ 21.74	$ 1.86	9.36%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 3/4"
Class: Commercial
Rate Code: C2

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 26.86	$ 29.26	$ 2.40	8.94%
2	Base Charge:	$	18.60	1,000	$ 29.30	$ 32.02	$ 2.72	9.28%
3	Arsenic Surcharge:	$	8.26	2,000	$ 31.74	$ 34.78	$ 3.04	9.58%
4				3,000	$ 34.18	$ 37.54	$ 3.36	9.83%
5	Tier One Rate:	$	-	4,000	$ 36.62	$ 40.30	$ 3.68	10.05%
6	Tier Two Rate:	$	2.44	5,000	$ 39.06	$ 43.06	$ 4.00	10.24%
7	Tier Three Rate:	$	3.15	6,000	$ 41.50	$ 45.82	$ 4.32	10.41%
8				7,000	$ 43.94	$ 48.58	$ 4.64	10.56%
9	Tier One Breakover (M gal):		-	8,000	$ 46.38	$ 51.34	$ 4.96	10.69%
10	Tier Two Breakover (M gal):		10	9,000	$ 48.82	$ 54.10	$ 5.28	10.82%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 51.26	$ 56.86	$ 5.60	10.92%
12				12,000	$ 57.56	$ 63.98	$ 6.42	11.15%
13				14,000	$ 63.86	$ 71.10	$ 7.24	11.34%
14	**Proposed Rates:**			16,000	$ 70.16	$ 78.22	$ 8.06	11.49%
15	Base Charge:	$	21.00	18,000	$ 76.46	$ 85.34	$ 8.88	11.61%
16	Arsenic Surcharge:	$	8.26	20,000	$ 82.76	$ 92.46	$ 9.70	11.72%
17				25,000	$ 98.51	$ 110.26	$ 11.75	11.93%
18	Tier One Rate:	$	-	30,000	$ 114.26	$ 128.06	$ 13.80	12.08%
19	Tier Two Rate:	$	2.76	35,000	$ 130.01	$ 145.86	$ 15.85	12.19%
20	Tier Three Rate:	$	3.56	40,000	$ 145.76	$ 163.66	$ 17.90	12.28%
21				45,000	$ 161.51	$ 181.46	$ 19.95	12.35%
22	Tier One Breakover (M gal):		-	50,000	$ 177.26	$ 199.26	$ 22.00	12.41%
23	Tier Two Breakover (M gal):		10	60,000	$ 208.76	$ 234.86	$ 26.10	12.50%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 240.26	$ 270.46	$ 30.20	12.57%
25				80,000	$ 271.76	$ 306.06	$ 34.30	12.62%
26				90,000	$ 303.26	$ 341.66	$ 38.40	12.66%
27				100,000	$ 334.76	$ 377.26	$ 42.50	12.70%
28								
29				Average Usage				
30				5,605	$ 40.54	$ 44.73	$ 4.19	10.34%
31				Median Usage				
32				3,017	$ 34.22	$ 37.59	$ 3.37	9.85%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1"
Class: Commercial
Rate Code: C3

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	31.00
3	Arsenic Surcharge:	$	13.77
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		23
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	35.00
16	Arsenic Surcharge:	$	13.77
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		23
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 44.77	$ 48.77	$ 4.00	8.93%
1,000	$ 47.21	$ 51.53	$ 4.32	9.15%
2,000	$ 49.65	$ 54.29	$ 4.64	9.35%
3,000	$ 52.09	$ 57.05	$ 4.96	9.52%
4,000	$ 54.53	$ 59.81	$ 5.28	9.68%
5,000	$ 56.97	$ 62.57	$ 5.60	9.83%
6,000	$ 59.41	$ 65.33	$ 5.92	9.96%
7,000	$ 61.85	$ 68.09	$ 6.24	10.09%
8,000	$ 64.29	$ 70.85	$ 6.56	10.20%
9,000	$ 66.73	$ 73.61	$ 6.88	10.31%
10,000	$ 69.17	$ 76.37	$ 7.20	10.41%
12,000	$ 74.05	$ 81.89	$ 7.84	10.59%
14,000	$ 78.93	$ 87.41	$ 8.48	10.74%
16,000	$ 83.81	$ 92.93	$ 9.12	10.88%
18,000	$ 88.69	$ 98.45	$ 9.76	11.00%
20,000	$ 93.57	$ 103.97	$ 10.40	11.11%
25,000	$ 107.19	$ 119.37	$ 12.18	11.36%
30,000	$ 122.94	$ 137.17	$ 14.23	11.57%
35,000	$ 138.69	$ 154.97	$ 16.28	11.74%
40,000	$ 154.44	$ 172.77	$ 18.33	11.87%
45,000	$ 170.19	$ 190.57	$ 20.38	11.97%
50,000	$ 185.94	$ 208.37	$ 22.43	12.06%
60,000	$ 217.44	$ 243.97	$ 26.53	12.20%
70,000	$ 248.94	$ 279.57	$ 30.63	12.30%
80,000	$ 280.44	$ 315.17	$ 34.73	12.38%
90,000	$ 311.94	$ 350.77	$ 38.83	12.45%
100,000	$ 343.44	$ 386.37	$ 42.93	12.50%
Average Usage				
34,596	$ 137.42	$ 153.53	$ 16.11	11.72%
Median Usage				
15,113	$ 81.65	$ 90.48	$ 8.83	10.81%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial
Rate Code: C4

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 89.54	$ 97.54	$ 8.00	8.93%
2	Base Charge:	$	62.00	1,000	$ 91.98	$ 100.30	$ 8.32	9.05%
3	Arsenic Surcharge:	$	27.54	2,000	$ 94.42	$ 103.06	$ 8.64	9.15%
4				3,000	$ 96.86	$ 105.82	$ 8.96	9.25%
5	Tier One Rate:	$	-	4,000	$ 99.30	$ 108.58	$ 9.28	9.35%
6	Tier Two Rate:	$	2.44	5,000	$ 101.74	$ 111.34	$ 9.60	9.44%
7	Tier Three Rate:	$	3.15	6,000	$ 104.18	$ 114.10	$ 9.92	9.52%
8				7,000	$ 106.62	$ 116.86	$ 10.24	9.60%
9	Tier One Breakover (M gal):		-	8,000	$ 109.06	$ 119.62	$ 10.56	9.68%
10	Tier Two Breakover (M gal):		58	9,000	$ 111.50	$ 122.38	$ 10.88	9.76%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 113.94	$ 125.14	$ 11.20	9.83%
12				12,000	$ 118.82	$ 130.66	$ 11.84	9.96%
13				14,000	$ 123.70	$ 136.18	$ 12.48	10.09%
14	**Proposed Rates:**			16,000	$ 128.58	$ 141.70	$ 13.12	10.20%
15	Base Charge:	$	70.00	18,000	$ 133.46	$ 147.22	$ 13.76	10.31%
16	Arsenic Surcharge:	$	27.54	20,000	$ 138.34	$ 152.74	$ 14.40	10.41%
17				25,000	$ 150.54	$ 166.54	$ 16.00	10.63%
18	Tier One Rate:	$	-	30,000	$ 162.74	$ 180.34	$ 17.60	10.81%
19	Tier Two Rate:	$	2.76	35,000	$ 174.94	$ 194.14	$ 19.20	10.98%
20	Tier Three Rate:	$	3.56	40,000	$ 187.14	$ 207.94	$ 20.80	11.11%
21				45,000	$ 199.34	$ 221.74	$ 22.40	11.24%
22	Tier One Breakover (M gal):		-	50,000	$ 211.54	$ 235.54	$ 24.00	11.35%
23	Tier Two Breakover (M gal):		58	60,000	$ 237.36	$ 264.74	$ 27.38	11.54%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 268.86	$ 300.34	$ 31.48	11.71%
25				80,000	$ 300.36	$ 335.94	$ 35.58	11.85%
26				90,000	$ 331.86	$ 371.54	$ 39.68	11.96%
27				100,000	$ 363.36	$ 407.14	$ 43.78	12.05%
28								
29				Average Usage				
30				32,516	$ 168.88	$ 187.28	$ 18.40	10.90%
31				Median Usage				
32				22,372	$ 144.13	$ 159.29	$ 15.16	10.52%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 2"
Class: Commercial
Rate Code: C5

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	99.00
3	Arsenic Surcharge:	$	44.06
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		95
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	112.00
16	Arsenic Surcharge:	$	44.06
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		95
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 143.06	$ 156.06	$ 13.00	9.09%
1,000	$ 145.50	$ 158.82	$ 13.32	9.15%
2,000	$ 147.94	$ 161.58	$ 13.64	9.22%
3,000	$ 150.38	$ 164.34	$ 13.96	9.28%
4,000	$ 152.82	$ 167.10	$ 14.28	9.34%
5,000	$ 155.26	$ 169.86	$ 14.60	9.40%
6,000	$ 157.70	$ 172.62	$ 14.92	9.46%
7,000	$ 160.14	$ 175.38	$ 15.24	9.52%
8,000	$ 162.58	$ 178.14	$ 15.56	9.57%
9,000	$ 165.02	$ 180.90	$ 15.88	9.62%
10,000	$ 167.46	$ 183.66	$ 16.20	9.67%
12,000	$ 172.34	$ 189.18	$ 16.84	9.77%
14,000	$ 177.22	$ 194.70	$ 17.48	9.86%
16,000	$ 182.10	$ 200.22	$ 18.12	9.95%
18,000	$ 186.98	$ 205.74	$ 18.76	10.03%
20,000	$ 191.86	$ 211.26	$ 19.40	10.11%
25,000	$ 204.06	$ 225.06	$ 21.00	10.29%
30,000	$ 216.26	$ 238.86	$ 22.60	10.45%
35,000	$ 228.46	$ 252.66	$ 24.20	10.59%
40,000	$ 240.66	$ 266.46	$ 25.80	10.72%
45,000	$ 252.86	$ 280.26	$ 27.40	10.84%
50,000	$ 265.06	$ 294.06	$ 29.00	10.94%
60,000	$ 289.46	$ 321.66	$ 32.20	11.12%
70,000	$ 313.86	$ 349.26	$ 35.40	11.28%
80,000	$ 338.26	$ 376.86	$ 38.60	11.41%
90,000	$ 362.66	$ 404.46	$ 41.80	11.53%
100,000	$ 390.61	$ 436.06	$ 45.45	11.64%
Average Usage				
28,478	$ 212.55	$ 234.66	$ 22.11	10.40%
Median Usage				
20,100	$ 192.10	$ 211.54	$ 19.44	10.12%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 3"
Class: Commercial (Construction)
Rate Code: C6

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 286.12	$ 286.12	$ -	0.00%
2	Base Charge:	$	198.00	1,000	$ 289.27	$ 289.68	$ 0.41	0.14%
3	Arsenic Surcharge:	$	88.12	2,000	$ 292.42	$ 293.24	$ 0.82	0.28%
4				3,000	$ 295.57	$ 296.80	$ 1.23	0.42%
5	Tier One Rate:	$	-	4,000	$ 298.72	$ 300.36	$ 1.64	0.55%
6	Tier Two Rate:	$	-	5,000	$ 301.87	$ 303.92	$ 2.05	0.68%
7	Tier Three Rate:	$	3.15	6,000	$ 305.02	$ 307.48	$ 2.46	0.81%
8				7,000	$ 308.17	$ 311.04	$ 2.87	0.93%
9	Tier One Breakover (M gal):		-	8,000	$ 311.32	$ 314.60	$ 3.28	1.05%
10	Tier Two Breakover (M gal):		-	9,000	$ 314.47	$ 318.16	$ 3.69	1.17%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 317.62	$ 321.72	$ 4.10	1.29%
12				12,000	$ 323.92	$ 328.84	$ 4.92	1.52%
13				14,000	$ 330.22	$ 335.96	$ 5.74	1.74%
14	**Proposed Rates:**			16,000	$ 336.52	$ 343.08	$ 6.56	1.95%
15	Base Charge:	$	198.00	18,000	$ 342.82	$ 350.20	$ 7.38	2.15%
16	Arsenic Surcharge:	$	88.12	20,000	$ 349.12	$ 357.32	$ 8.20	2.35%
17				25,000	$ 364.87	$ 375.12	$ 10.25	2.81%
18	Tier One Rate:	$	-	30,000	$ 380.62	$ 392.92	$ 12.30	3.23%
19	Tier Two Rate:	$	-	35,000	$ 396.37	$ 410.72	$ 14.35	3.62%
20	Tier Three Rate:	$	3.56	40,000	$ 412.12	$ 428.52	$ 16.40	3.98%
21				45,000	$ 427.87	$ 446.32	$ 18.45	4.31%
22	Tier One Breakover (M gal):		-	50,000	$ 443.62	$ 464.12	$ 20.50	4.62%
23	Tier Two Breakover (M gal):		-	60,000	$ 475.12	$ 499.72	$ 24.60	5.18%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 506.62	$ 535.32	$ 28.70	5.66%
25				80,000	$ 538.12	$ 570.92	$ 32.80	6.10%
26				90,000	$ 569.62	$ 606.52	$ 36.90	6.48%
27				100,000	$ 601.12	$ 642.12	$ 41.00	6.82%
28								
29				Average Usage				
30				42,243	$ 419.19	$ 436.51	$ 17.32	4.13%
31				Median Usage				
32				-	$ 286.12	$ 286.12	$ -	0.00%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 3/4"
Class: Commercial (Irrigation)
Rate Code: I2

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	18.60
3	Arsenic Surcharge:	$	8.26
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		10
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	21.00
16	Arsenic Surcharge:	$	8.26
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		10
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.86	$ 29.26	$ 2.40	8.94%
1,000	$ 29.30	$ 32.02	$ 2.72	9.28%
2,000	$ 31.74	$ 34.78	$ 3.04	9.58%
3,000	$ 34.18	$ 37.54	$ 3.36	9.83%
4,000	$ 36.62	$ 40.30	$ 3.68	10.05%
5,000	$ 39.06	$ 43.06	$ 4.00	10.24%
6,000	$ 41.50	$ 45.82	$ 4.32	10.41%
7,000	$ 43.94	$ 48.58	$ 4.64	10.56%
8,000	$ 46.38	$ 51.34	$ 4.96	10.69%
9,000	$ 48.82	$ 54.10	$ 5.28	10.82%
10,000	$ 51.26	$ 56.86	$ 5.60	10.92%
12,000	$ 57.56	$ 63.98	$ 6.42	11.15%
14,000	$ 63.86	$ 71.10	$ 7.24	11.34%
16,000	$ 70.16	$ 78.22	$ 8.06	11.49%
18,000	$ 76.46	$ 85.34	$ 8.88	11.61%
20,000	$ 82.76	$ 92.46	$ 9.70	11.72%
25,000	$ 98.51	$ 110.26	$ 11.75	11.93%
30,000	$ 114.26	$ 128.06	$ 13.80	12.08%
35,000	$ 130.01	$ 145.86	$ 15.85	12.19%
40,000	$ 145.76	$ 163.66	$ 17.90	12.28%
45,000	$ 161.51	$ 181.46	$ 19.95	12.35%
50,000	$ 177.26	$ 199.26	$ 22.00	12.41%
60,000	$ 208.76	$ 234.86	$ 26.10	12.50%
70,000	$ 240.26	$ 270.46	$ 30.20	12.57%
80,000	$ 271.76	$ 306.06	$ 34.30	12.62%
90,000	$ 303.26	$ 341.66	$ 38.40	12.66%
100,000	$ 334.76	$ 377.26	$ 42.50	12.70%
Average Usage				
-	$ 26.86	$ 29.26	$ 2.40	8.94%
Median Usage				
-	$ 26.86	$ 29.26	$ 2.40	8.94%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1"
Class: Commercial (Irrigation)
Rate Code: I3

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 44.77	$ 48.77	$ 4.00	8.93%
2	Base Charge:	$	31.00	1,000	$ 47.21	$ 51.53	$ 4.32	9.15%
3	Arsenic Surcharge:	$	13.77	2,000	$ 49.65	$ 54.29	$ 4.64	9.35%
4				3,000	$ 52.09	$ 57.05	$ 4.96	9.52%
5	Tier One Rate:	$	-	4,000	$ 54.53	$ 59.81	$ 5.28	9.68%
6	Tier Two Rate:	$	2.44	5,000	$ 56.97	$ 62.57	$ 5.60	9.83%
7	Tier Three Rate:	$	3.15	6,000	$ 59.41	$ 65.33	$ 5.92	9.96%
8				7,000	$ 61.85	$ 68.09	$ 6.24	10.09%
9	Tier One Breakover (M gal):		-	8,000	$ 64.29	$ 70.85	$ 6.56	10.20%
10	Tier Two Breakover (M gal):		23	9,000	$ 66.73	$ 73.61	$ 6.88	10.31%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 69.17	$ 76.37	$ 7.20	10.41%
12				12,000	$ 74.05	$ 81.89	$ 7.84	10.59%
13				14,000	$ 78.93	$ 87.41	$ 8.48	10.74%
14	**Proposed Rates:**			16,000	$ 83.81	$ 92.93	$ 9.12	10.88%
15	Base Charge:	$	35.00	18,000	$ 88.69	$ 98.45	$ 9.76	11.00%
16	Arsenic Surcharge:	$	13.77	20,000	$ 93.57	$ 103.97	$ 10.40	11.11%
17				25,000	$ 107.19	$ 119.37	$ 12.18	11.36%
18	Tier One Rate:	$	-	30,000	$ 122.94	$ 137.17	$ 14.23	11.57%
19	Tier Two Rate:	$	2.76	35,000	$ 138.69	$ 154.97	$ 16.28	11.74%
20	Tier Three Rate:	$	3.56	40,000	$ 154.44	$ 172.77	$ 18.33	11.87%
21				45,000	$ 170.19	$ 190.57	$ 20.38	11.97%
22	Tier One Breakover (M gal):		-	50,000	$ 185.94	$ 208.37	$ 22.43	12.06%
23	Tier Two Breakover (M gal):		23	60,000	$ 217.44	$ 243.97	$ 26.53	12.20%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 248.94	$ 279.57	$ 30.63	12.30%
25				80,000	$ 280.44	$ 315.17	$ 34.73	12.38%
26				90,000	$ 311.94	$ 350.77	$ 38.83	12.45%
27				100,000	$ 343.44	$ 386.37	$ 42.93	12.50%
28								
29				Average Usage				
30				38,186	$ 148.73	$ 166.31	$ 17.58	11.82%
31				Median Usage				
32				14,638	$ 80.49	$ 89.17	$ 8.68	10.78%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial (Irrigation)
Rate Code: I4

Line No.	Rate Schedules		
1	**Present Rates:**		
2	Base Charge:	$	62.00
3	Arsenic Surcharge:	$	27.54
4			
5	Tier One Rate:	$	-
6	Tier Two Rate:	$	2.44
7	Tier Three Rate:	$	3.15
8			
9	Tier One Breakover (M gal):		-
10	Tier Two Breakover (M gal):		58
11	Tier Three Breakover (M gal):		999,999
12			
13			
14	**Proposed Rates:**		
15	Base Charge:	$	70.00
16	Arsenic Surcharge:	$	27.54
17			
18	Tier One Rate:	$	-
19	Tier Two Rate:	$	2.76
20	Tier Three Rate:	$	3.56
21			
22	Tier One Breakover (M gal):		-
23	Tier Two Breakover (M gal):		58
24	Tier Three Breakover (M gal):		999,999
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 89.54	$ 97.54	$ 8.00	8.93%
1,000	$ 91.98	$ 100.30	$ 8.32	9.05%
2,000	$ 94.42	$ 103.06	$ 8.64	9.15%
3,000	$ 96.86	$ 105.82	$ 8.96	9.25%
4,000	$ 99.30	$ 108.58	$ 9.28	9.35%
5,000	$ 101.74	$ 111.34	$ 9.60	9.44%
6,000	$ 104.18	$ 114.10	$ 9.92	9.52%
7,000	$ 106.62	$ 116.86	$ 10.24	9.60%
8,000	$ 109.06	$ 119.62	$ 10.56	9.68%
9,000	$ 111.50	$ 122.38	$ 10.88	9.76%
10,000	$ 113.94	$ 125.14	$ 11.20	9.83%
12,000	$ 118.82	$ 130.66	$ 11.84	9.96%
14,000	$ 123.70	$ 136.18	$ 12.48	10.09%
16,000	$ 128.58	$ 141.70	$ 13.12	10.20%
18,000	$ 133.46	$ 147.22	$ 13.76	10.31%
20,000	$ 138.34	$ 152.74	$ 14.40	10.41%
25,000	$ 150.54	$ 166.54	$ 16.00	10.63%
30,000	$ 162.74	$ 180.34	$ 17.60	10.81%
35,000	$ 174.94	$ 194.14	$ 19.20	10.98%
40,000	$ 187.14	$ 207.94	$ 20.80	11.11%
45,000	$ 199.34	$ 221.74	$ 22.40	11.24%
50,000	$ 211.54	$ 235.54	$ 24.00	11.35%
60,000	$ 237.36	$ 264.74	$ 27.38	11.54%
70,000	$ 268.86	$ 300.34	$ 31.48	11.71%
80,000	$ 300.36	$ 335.94	$ 35.58	11.85%
90,000	$ 331.86	$ 371.54	$ 39.68	11.96%
100,000	$ 363.36	$ 407.14	$ 43.78	12.05%
Average Usage				
93,833	$ 343.93	$ 385.19	$ 41.26	12.00%
Median Usage				
25,900	$ 152.74	$ 169.02	$ 16.28	10.66%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Meter Size: 2"
Class: Commercial (Irrigation)
Rate Code: I5

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 143.06	$ 156.06	$ 13.00	9.09%
2	Base Charge:	$	99.00	1,000	$ 145.50	$ 158.82	$ 13.32	9.15%
3	Arsenic Surcharge:	$	44.06	2,000	$ 147.94	$ 161.58	$ 13.64	9.22%
4				3,000	$ 150.38	$ 164.34	$ 13.96	9.28%
5	Tier One Rate:	$	-	4,000	$ 152.82	$ 167.10	$ 14.28	9.34%
6	Tier Two Rate:	$	2.44	5,000	$ 155.26	$ 169.86	$ 14.60	9.40%
7	Tier Three Rate:	$	3.15	6,000	$ 157.70	$ 172.62	$ 14.92	9.46%
8				7,000	$ 160.14	$ 175.38	$ 15.24	9.52%
9	Tier One Breakover (M gal):		-	8,000	$ 162.58	$ 178.14	$ 15.56	9.57%
10	Tier Two Breakover (M gal):		95	9,000	$ 165.02	$ 180.90	$ 15.88	9.62%
11	Tier Three Breakover (M gal):		999,999	10,000	$ 167.46	$ 183.66	$ 16.20	9.67%
12				12,000	$ 172.34	$ 189.18	$ 16.84	9.77%
13				14,000	$ 177.22	$ 194.70	$ 17.48	9.86%
14	**Proposed Rates:**			16,000	$ 182.10	$ 200.22	$ 18.12	9.95%
15	Base Charge:	$	112.00	18,000	$ 186.98	$ 205.74	$ 18.76	10.03%
16	Arsenic Surcharge:	$	44.06	20,000	$ 191.86	$ 211.26	$ 19.40	10.11%
17				25,000	$ 204.06	$ 225.06	$ 21.00	10.29%
18	Tier One Rate:	$	-	30,000	$ 216.26	$ 238.86	$ 22.60	10.45%
19	Tier Two Rate:	$	2.76	35,000	$ 228.46	$ 252.66	$ 24.20	10.59%
20	Tier Three Rate:	$	3.56	40,000	$ 240.66	$ 266.46	$ 25.80	10.72%
21				45,000	$ 252.86	$ 280.26	$ 27.40	10.84%
22	Tier One Breakover (M gal):		-	50,000	$ 265.06	$ 294.06	$ 29.00	10.94%
23	Tier Two Breakover (M gal):		95	60,000	$ 289.46	$ 321.66	$ 32.20	11.12%
24	Tier Three Breakover (M gal):		999,999	70,000	$ 313.86	$ 349.26	$ 35.40	11.28%
25				80,000	$ 338.26	$ 376.86	$ 38.60	11.41%
26				90,000	$ 362.66	$ 404.46	$ 41.80	11.53%
27				100,000	$ 390.61	$ 436.06	$ 45.45	11.64%
28								
29				Average Usage				
30				338,181	$ 1,140.88	$ 1,283.98	$ 143.10	12.54%
31				Median Usage				
32				216,600	$ 757.90	$ 851.16	$ 93.26	12.31%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Typical Bill Analysis

Exhibit: RLJ-DT4
Schedule H-4
Witness: Jones

Line Size: 6"
Class: Fire Service
Rate Code: F2

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ 12.40	$ 14.00	$ 1.60	12.90%
2	Base Charge:	$	12.40	1,000	$ 12.40	$ 14.00	$ 1.60	12.90%
3	Arsenic Surcharge:	$	-	2,000	$ 12.40	$ 14.00	$ 1.60	12.90%
4				3,000	$ 12.40	$ 14.00	$ 1.60	12.90%
5	Tier One Rate:	$	-	4,000	$ 12.40	$ 14.00	$ 1.60	12.90%
6	Tier Two Rate:	$	-	5,000	$ 12.40	$ 14.00	$ 1.60	12.90%
7	Tier Three Rate:	$	-	6,000	$ 12.40	$ 14.00	$ 1.60	12.90%
8				7,000	$ 12.40	$ 14.00	$ 1.60	12.90%
9	Tier One Breakover (M gal):		-	8,000	$ 12.40	$ 14.00	$ 1.60	12.90%
10	Tier Two Breakover (M gal):		-	9,000	$ 12.40	$ 14.00	$ 1.60	12.90%
11	Tier Three Breakover (M gal):		-	10,000	$ 12.40	$ 14.00	$ 1.60	12.90%
12				12,000	$ 12.40	$ 14.00	$ 1.60	12.90%
13				14,000	$ 12.40	$ 14.00	$ 1.60	12.90%
14	**Proposed Rates:**			16,000	$ 12.40	$ 14.00	$ 1.60	12.90%
15	Base Charge:	$	14.00	18,000	$ 12.40	$ 14.00	$ 1.60	12.90%
16	Arsenic Surcharge:	$	-	20,000	$ 12.40	$ 14.00	$ 1.60	12.90%
17				25,000	$ 12.40	$ 14.00	$ 1.60	12.90%
18	Tier One Rate:	$	-	30,000	$ 12.40	$ 14.00	$ 1.60	12.90%
19	Tier Two Rate:	$	-	35,000	$ 12.40	$ 14.00	$ 1.60	12.90%
20	Tier Three Rate:	$	-	40,000	$ 12.40	$ 14.00	$ 1.60	12.90%
21				45,000	$ 12.40	$ 14.00	$ 1.60	12.90%
22	Tier One Breakover (M gal):		-	50,000	$ 12.40	$ 14.00	$ 1.60	12.90%
23	Tier Two Breakover (M gal):		-	60,000	$ 12.40	$ 14.00	$ 1.60	12.90%
24	Tier Three Breakover (M gal):		-	70,000	$ 12.40	$ 14.00	$ 1.60	12.90%
25				80,000	$ 12.40	$ 14.00	$ 1.60	12.90%
26				90,000	$ 12.40	$ 14.00	$ 1.60	12.90%
27				100,000	$ 12.40	$ 14.00	$ 1.60	12.90%
28								
29				Average Usage				
30				-	$ 12.40	$ 14.00	$ 1.60	12.90%
31				Median Usage				
32				-	$ 12.40	$ 14.00	$ 1.60	12.90%
33								
34								

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 12.40	$ 14.00
Arsenic Surcharge:	$ 5.51	$ 5.51
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	33	-	-	33	2.72%	-	0.00%
2	1	-	1,000	93	347	32,300	126	10.38%	32,300	0.38%
3	1,001	-	2,000	88	1,531	134,750	214	17.63%	167,050	1.95%
4	2,001	-	3,000	146	2,544	371,490	360	29.65%	538,540	6.29%
5	3,001	-	4,000	132	3,465	457,390	492	40.53%	995,930	11.63%
6	4,001	-	5,000	105	4,452	467,490	597	49.18%	1,463,420	17.09%
7	5,001	-	6,000	106	5,518	584,870	703	57.91%	2,048,290	23.92%
8	6,001	-	7,000	93	6,534	607,680	796	65.57%	2,655,970	31.01%
9	7,001	-	8,000	65	7,423	482,490	861	70.92%	3,138,460	36.64%
10	8,001	-	9,000	61	8,409	512,920	922	75.95%	3,651,380	42.63%
11	9,001	-	10,000	41	9,497	389,380	963	79.32%	4,040,760	47.18%
12	10,001	-	11,000	42	10,492	440,680	1,005	82.78%	4,481,440	52.32%
13	11,001	-	12,000	28	11,501	322,040	1,033	85.09%	4,803,480	56.08%
14	12,001	-	13,000	22	12,443	273,750	1,055	86.90%	5,077,230	59.28%
15	13,001	-	14,000	24	13,442	322,600	1,079	88.88%	5,399,830	63.05%
16	14,001	-	15,000	14	14,433	202,060	1,093	90.03%	5,601,890	65.41%
17	15,001	-	16,000	15	15,631	234,470	1,108	91.27%	5,836,360	68.14%
18	16,001	-	17,000	10	16,750	167,500	1,118	92.09%	6,003,860	70.10%
19	17,001	-	18,000	12	17,591	211,090	1,130	93.08%	6,214,950	72.56%
20	18,001	-	19,000	8	18,310	146,480	1,138	93.74%	6,361,430	74.27%
21	19,001	-	20,000	10	19,422	194,220	1,148	94.56%	6,555,650	76.54%
22	20,001	-	21,000	7	20,464	143,250	1,155	95.14%	6,698,900	78.21%
23	21,001	-	22,000	4	21,718	86,870	1,159	95.47%	6,785,770	79.23%
24	22,001	-	23,000	3	22,360	67,080	1,162	95.72%	6,852,850	80.01%
25	23,001	-	24,000	10	23,647	236,470	1,172	96.54%	7,089,320	82.77%
26	24,001	-	25,000	5	24,340	121,700	1,177	96.95%	7,211,020	84.19%
27	25,001	-	26,000	1	25,830	25,830	1,178	97.03%	7,236,850	84.50%
28	26,001	-	27,000	4	26,500	106,000	1,182	97.36%	7,342,850	85.73%
29	27,001	-	28,000	3	27,543	82,630	1,185	97.61%	7,425,480	86.70%
30	28,001	-	29,000	2	28,370	56,740	1,187	97.78%	7,482,220	87.36%
31	29,001	-	30,000	2	29,510	59,020	1,189	97.94%	7,541,240	88.05%
32	30,001	-	31,000	3	30,433	91,300	1,192	98.19%	7,632,540	89.12%
33	31,001	-	32,000	4	31,398	125,590	1,196	98.52%	7,758,130	90.58%
34	32,001	-	33,000	-		-	1,196	98.52%	7,758,130	90.58%
35	33,001	-	34,000	2	33,860	67,720	1,198	98.68%	7,825,850	91.37%
36	34,001	-	35,000	3	34,330	102,990	1,201	98.93%	7,928,840	92.58%
37	35,001	-	36,000	3	35,267	105,800	1,204	99.18%	8,034,640	93.81%
38	36,001	-	37,000	1	36,110	36,110	1,205	99.26%	8,070,750	94.23%
39	37,001	-	38,000	-		-	1,205	99.26%	8,070,750	94.23%
40	38,001	-	39,000	1	38,740	38,740	1,206	99.34%	8,109,490	94.68%
41	39,001	-	40,000	2	39,765	79,530	1,208	99.51%	8,189,020	95.61%
42	40,001	-	41,000	1	40,800	40,800	1,209	99.59%	8,229,820	96.09%
43	41,001	-	42,000	1	41,570	41,570	1,210	99.67%	8,271,390	96.57%
44	42,001	-	43,000	-		-	1,210	99.67%	8,271,390	96.57%
45	43,001	-	44,000	-		-	1,210	99.67%	8,271,390	96.57%
46	44,001	-	45,000	1	44,160	44,160	1,211	99.75%	8,315,550	97.09%
47	45,001	-	46,000	-		-	1,211	99.75%	8,315,550	97.09%
48	46,001	-	47,000	-		-	1,211	99.75%	8,315,550	97.09%
49	47,001	-	48,000	-		-	1,211	99.75%	8,315,550	97.09%
50	48,001	-	49,000	1	48,200	48,200	1,212	99.84%	8,363,750	97.65%
51	49,001	-	50,000	-		-	1,212	99.84%	8,363,750	97.65%
52	50,001	-	51,000	1	50,010	50,010	1,213	99.92%	8,413,760	98.24%
53	51,001	-	52,000	-		-	1,213	99.92%	8,413,760	98.24%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 12.40	$ 14.00
Arsenic Surcharge:	$ 5.51	$ 5.51
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	1,213	99.92%	8,413,760	98.24%
55	53,001 - 54,000	-		-	1,213	99.92%	8,413,760	98.24%
56	54,001 - 55,000	-		-	1,213	99.92%	8,413,760	98.24%
57	55,001 - 56,000	-		-	1,213	99.92%	8,413,760	98.24%
58	56,001 - 57,000	-		-	1,213	99.92%	8,413,760	98.24%
59	57,001 - 58,000	-		-	1,213	99.92%	8,413,760	98.24%
60	58,001 - 59,000	-		-	1,213	99.92%	8,413,760	98.24%
61	59,001 - 60,000	-		-	1,213	99.92%	8,413,760	98.24%
62	60,001 - 61,000	-		-	1,213	99.92%	8,413,760	98.24%
63	61,001 - 62,000	-		-	1,213	99.92%	8,413,760	98.24%
64	62,001 - 63,000	-		-	1,213	99.92%	8,413,760	98.24%
65	63,001 - 64,000	-		-	1,213	99.92%	8,413,760	98.24%
66	64,001 - 65,000	-		-	1,213	99.92%	8,413,760	98.24%
67	65,001 - 66,000	-		-	1,213	99.92%	8,413,760	98.24%
68	66,001 - 67,000	-		-	1,213	99.92%	8,413,760	98.24%
69	67,001 - 68,000	-		-	1,213	99.92%	8,413,760	98.24%
70	68,001 - 69,000	-		-	1,213	99.92%	8,413,760	98.24%
71	69,001 - 70,000	-		-	1,213	99.92%	8,413,760	98.24%
72	70,001 - 71,000	-		-	1,213	99.92%	8,413,760	98.24%
73	71,001 - 72,000	-		-	1,213	99.92%	8,413,760	98.24%
74	72,001 - 73,000	-		-	1,213	99.92%	8,413,760	98.24%
75	73,001 - 74,000	-		-	1,213	99.92%	8,413,760	98.24%
76	74,001 - 75,000	-		-	1,213	99.92%	8,413,760	98.24%
77	75,001 - 76,000	-		-	1,213	99.92%	8,413,760	98.24%
78	76,001 - 77,000	-		-	1,213	99.92%	8,413,760	98.24%
79	77,001 - 78,000	-		-	1,213	99.92%	8,413,760	98.24%
80	78,001 - 79,000	-		-	1,213	99.92%	8,413,760	98.24%
81	79,001 - 80,000	-		-	1,213	99.92%	8,413,760	98.24%
82	80,001 - 81,000	-		-	1,213	99.92%	8,413,760	98.24%
83	81,001 - 82,000	-		-	1,213	99.92%	8,413,760	98.24%
84	82,001 - 83,000	-		-	1,213	99.92%	8,413,760	98.24%
85	83,001 - 84,000	-		-	1,213	99.92%	8,413,760	98.24%
86	84,001 - 85,000	-		-	1,213	99.92%	8,413,760	98.24%
87	85,001 - 86,000	-		-	1,213	99.92%	8,413,760	98.24%
88	86,001 - 87,000	-		-	1,213	99.92%	8,413,760	98.24%
89	87,001 - 88,000	-		-	1,213	99.92%	8,413,760	98.24%
90	88,001 - 89,000	-		-	1,213	99.92%	8,413,760	98.24%
91	89,001 - 90,000	-		-	1,213	99.92%	8,413,760	98.24%
92	90,001 - 91,000	-		-	1,213	99.92%	8,413,760	98.24%
93	91,001 - 92,000	-		-	1,213	99.92%	8,413,760	98.24%
94	92,001 - 93,000	-		-	1,213	99.92%	8,413,760	98.24%
95	93,001 - 94,000	-		-	1,213	99.92%	8,413,760	98.24%
96	94,001 - 95,000	-		-	1,213	99.92%	8,413,760	98.24%
97	95,001 - 96,000	-		-	1,213	99.92%	8,413,760	98.24%
98	96,001 - 97,000	-		-	1,213	99.92%	8,413,760	98.24%
99	97,001 - 98,000	-		-	1,213	99.92%	8,413,760	98.24%
100	98,001 - 99,000	-		-	1,213	99.92%	8,413,760	98.24%
101	99,001 - 100,000	-		-	1,213	99.92%	8,413,760	98.24%
102	151,000 - 151,000	1	151,000	151,000	1,214	100.00%	8,564,760	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Residential
Rate Code: R1

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 12.40	$ 14.00
Arsenic Surcharge:	$ 5.51	$ 5.51
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
103								
104	Totals	1,214		8,564,760	1,214		8,564,760	
105	1/2 of Prorated Bills[1]	(42)						
106	Equivalent Bills	1,172						

			Current Rates		Proposed Rates	
107			Units	Revenue	Units	Revenue
108		Base Charge	1,172	$ 14,533	1,172	$ 16,408
109	Average Number of Customers 98	Arsenic Surcharge	1,172	6,458	1,172	6,458
110		Usage (gallons)				
111	Average Consumption (gallons) 7,055	Tier One	3,100,540	$ 4,651	3,100,540	$ 5,240
112		Tier Two	3,450,220	8,419	3,450,220	9,523
113	*Median Consumption (gallons)* 4,546	Tier Three	2,014,000	6,344	2,014,000	7,170
114		Usage Totals	8,564,760		8,564,760	
115		Revenue Totals		$ 40,404		$ 44,798
116						

117 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
118 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
119 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
120 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
121 to avoid double counting billing units during months when account ownership changes. The reduction is based
122 on the actual number of meters in this class discontinuing and establishing service during the test year.
123

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 18.60	$ 21.00
Arsenic Surcharge:	$ 8.26	$ 8.26
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	138	-	-	138	1.35%	-	0.00%
2	1	-	1,000	434	351	152,440	572	5.58%	152,440	0.16%
3	1,001	-	2,000	468	1,505	704,200	1,040	10.15%	856,640	0.89%
4	2,001	-	3,000	591	2,525	1,492,510	1,631	15.92%	2,349,150	2.43%
5	3,001	-	4,000	732	3,510	2,569,180	2,363	23.06%	4,918,330	5.09%
6	4,001	-	5,000	790	4,491	3,547,510	3,153	30.77%	8,465,840	8.77%
7	5,001	-	6,000	805	5,494	4,422,680	3,958	38.63%	12,888,520	13.35%
8	6,001	-	7,000	769	6,496	4,995,790	4,727	46.14%	17,884,310	18.52%
9	7,001	-	8,000	726	7,517	5,457,487	5,453	53.22%	23,341,797	24.17%
10	8,001	-	9,000	641	8,477	5,433,800	6,094	59.48%	28,775,597	29.80%
11	9,001	-	10,000	592	9,484	5,614,440	6,686	65.25%	34,390,037	35.61%
12	10,001	-	11,000	492	10,478	5,155,280	7,178	70.06%	39,545,317	40.95%
13	11,001	-	12,000	410	11,483	4,707,950	7,588	74.06%	44,253,267	45.83%
14	12,001	-	13,000	379	12,503	4,738,690	7,967	77.76%	48,991,957	50.73%
15	13,001	-	14,000	325	13,512	4,391,540	8,292	80.93%	53,383,497	55.28%
16	14,001	-	15,000	285	14,495	4,131,110	8,577	83.71%	57,514,607	59.56%
17	15,001	-	16,000	204	15,500	3,162,040	8,781	85.70%	60,676,647	62.83%
18	16,001	-	17,000	179	16,491	2,951,940	8,960	87.45%	63,628,587	65.89%
19	17,001	-	18,000	181	17,486	3,165,040	9,141	89.22%	66,793,627	69.17%
20	18,001	-	19,000	150	18,506	2,775,890	9,291	90.68%	69,569,517	72.04%
21	19,001	-	20,000	131	19,488	2,552,910	9,422	91.96%	72,122,427	74.68%
22	20,001	-	21,000	116	20,483	2,376,000	9,538	93.09%	74,498,427	77.14%
23	21,001	-	22,000	85	21,420	1,820,660	9,623	93.92%	76,319,087	79.03%
24	22,001	-	23,000	70	22,501	1,575,100	9,693	94.60%	77,894,187	80.66%
25	23,001	-	24,000	68	23,478	1,596,530	9,761	95.27%	79,490,717	82.31%
26	24,001	-	25,000	55	24,513	1,348,200	9,816	95.80%	80,838,917	83.71%
27	25,001	-	26,000	61	25,476	1,554,060	9,877	96.40%	82,392,977	85.32%
28	26,001	-	27,000	44	26,498	1,165,890	9,921	96.83%	83,558,867	86.53%
29	27,001	-	28,000	29	27,492	797,260	9,950	97.11%	84,356,127	87.35%
30	28,001	-	29,000	31	28,394	880,210	9,981	97.41%	85,236,337	88.26%
31	29,001	-	30,000	24	29,483	707,590	10,005	97.65%	85,943,927	89.00%
32	30,001	-	31,000	29	30,508	884,740	10,034	97.93%	86,828,667	89.91%
33	31,001	-	32,000	21	31,445	660,340	10,055	98.14%	87,489,007	90.60%
34	32,001	-	33,000	18	32,504	585,080	10,073	98.31%	88,074,087	91.20%
35	33,001	-	34,000	19	33,475	636,030	10,092	98.50%	88,710,117	91.86%
36	34,001	-	35,000	15	34,562	518,430	10,107	98.64%	89,228,547	92.40%
37	35,001	-	36,000	17	35,476	603,090	10,124	98.81%	89,831,637	93.02%
38	36,001	-	37,000	10	36,542	365,420	10,134	98.91%	90,197,057	93.40%
39	37,001	-	38,000	10	37,504	375,040	10,144	99.00%	90,572,097	93.79%
40	38,001	-	39,000	7	38,294	268,060	10,151	99.07%	90,840,157	94.07%
41	39,001	-	40,000	6	39,463	236,780	10,157	99.13%	91,076,937	94.31%
42	40,001	-	41,000	13	40,527	526,850	10,170	99.26%	91,603,787	94.86%
43	41,001	-	42,000	7	41,424	289,970	10,177	99.33%	91,893,757	95.16%
44	42,001	-	43,000	5	42,430	212,150	10,182	99.38%	92,105,907	95.38%
45	43,001	-	44,000	3	43,510	130,530	10,185	99.40%	92,236,437	95.51%
46	44,001	-	45,000	3	44,263	132,790	10,188	99.43%	92,369,227	95.65%
47	45,001	-	46,000	1	45,200	45,200	10,189	99.44%	92,414,427	95.70%
48	46,001	-	47,000	2	46,495	92,990	10,191	99.46%	92,507,417	95.79%
49	47,001	-	48,000	2	47,630	95,260	10,193	99.48%	92,602,677	95.89%
50	48,001	-	49,000	4	48,343	193,370	10,197	99.52%	92,796,047	96.09%
51	49,001	-	50,000	-		-	10,197	99.52%	92,796,047	96.09%
52	50,001	-	51,000	3	50,593	151,780	10,200	99.55%	92,947,827	96.25%
53	51,001	-	52,000	1	51,330	51,330	10,201	99.56%	92,999,157	96.30%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 18.60	$ 21.00
Arsenic Surcharge:	$ 8.26	$ 8.26
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	2	52,405	104,810	10,203	99.58%	93,103,967	96.41%
55	53,001 - 54,000	1	53,530	53,530	10,204	99.59%	93,157,497	96.47%
56	54,001 - 55,000	3	54,513	163,540	10,207	99.62%	93,321,037	96.64%
57	55,001 - 56,000	1	55,130	55,130	10,208	99.63%	93,376,167	96.69%
58	56,001 - 57,000	1	56,660	56,660	10,209	99.64%	93,432,827	96.75%
59	57,001 - 58,000	1	57,110	57,110	10,210	99.65%	93,489,937	96.81%
60	58,001 - 59,000	4	58,563	234,250	10,214	99.69%	93,724,187	97.05%
61	59,001 - 60,000	-		-	10,214	99.69%	93,724,187	97.05%
62	60,001 - 61,000	2	60,595	121,190	10,216	99.71%	93,845,377	97.18%
63	61,001 - 62,000	-		-	10,216	99.71%	93,845,377	97.18%
64	62,001 - 63,000	2	62,505	125,010	10,218	99.73%	93,970,387	97.31%
65	63,001 - 64,000	-		-	10,218	99.73%	93,970,387	97.31%
66	64,001 - 65,000	3	64,117	192,350	10,221	99.76%	94,162,737	97.51%
67	65,001 - 66,000	-		-	10,221	99.76%	94,162,737	97.51%
68	66,001 - 67,000	1	66,920	66,920	10,222	99.77%	94,229,657	97.58%
69	67,001 - 68,000	-		-	10,222	99.77%	94,229,657	97.58%
70	68,001 - 69,000	-		-	10,222	99.77%	94,229,657	97.58%
71	69,001 - 70,000	1	69,750	69,750	10,223	99.78%	94,299,407	97.65%
72	70,001 - 71,000	-		-	10,223	99.78%	94,299,407	97.65%
73	71,001 - 72,000	-		-	10,223	99.78%	94,299,407	97.65%
74	72,001 - 73,000	1	72,960	72,960	10,224	99.79%	94,372,367	97.72%
75	73,001 - 74,000	1	73,370	73,370	10,225	99.80%	94,445,737	97.80%
76	74,001 - 75,000	2	74,475	148,950	10,227	99.81%	94,594,687	97.95%
77	75,001 - 76,000	-		-	10,227	99.81%	94,594,687	97.95%
78	76,001 - 77,000	2	76,470	152,940	10,229	99.83%	94,747,627	98.11%
79	77,001 - 78,000	2	77,260	154,520	10,231	99.85%	94,902,147	98.27%
80	78,001 - 79,000	-		-	10,231	99.85%	94,902,147	98.27%
81	79,001 - 80,000	-		-	10,231	99.85%	94,902,147	98.27%
82	80,001 - 81,000	-		-	10,231	99.85%	94,902,147	98.27%
83	81,001 - 82,000	1	81,520	81,520	10,232	99.86%	94,983,667	98.36%
84	82,001 - 83,000	-		-	10,232	99.86%	94,983,667	98.36%
85	83,001 - 84,000	1	83,580	83,580	10,233	99.87%	95,067,247	98.44%
86	84,001 - 85,000	1	84,160	84,160	10,234	99.88%	95,151,407	98.53%
87	85,001 - 86,000	-		-	10,234	99.88%	95,151,407	98.53%
88	86,001 - 87,000	1	86,160	86,160	10,235	99.89%	95,237,567	98.62%
89	87,001 - 88,000	-		-	10,235	99.89%	95,237,567	98.62%
90	88,001 - 89,000	-		-	10,235	99.89%	95,237,567	98.62%
91	89,001 - 90,000	-		-	10,235	99.89%	95,237,567	98.62%
92	90,001 - 91,000	1	90,090	90,090	10,236	99.90%	95,327,657	98.71%
93	91,001 - 92,000	-		-	10,236	99.90%	95,327,657	98.71%
94	92,001 - 93,000	1	92,310	92,310	10,237	99.91%	95,419,967	98.81%
95	93,001 - 94,000	1	93,010	93,010	10,238	99.92%	95,512,977	98.91%
96	94,001 - 95,000	-		-	10,238	99.92%	95,512,977	98.91%
97	95,001 - 96,000	-		-	10,238	99.92%	95,512,977	98.91%
98	96,001 - 97,000	-		-	10,238	99.92%	95,512,977	98.91%
99	97,001 - 98,000	1	97,050	97,050	10,239	99.93%	95,610,027	99.01%
100	98,001 - 99,000	-		-	10,239	99.93%	95,610,027	99.01%
101	99,001 - 100,000	-		-	10,239	99.93%	95,610,027	99.01%
102	101,460 - 101,460	1	101,460	101,460	10,240	99.94%	95,711,487	99.11%
103	112,190 - 112,190	1	112,190	112,190	10,241	99.95%	95,823,677	99.23%
104	130,390 - 130,390	1	130,390	130,390	10,242	99.96%	95,954,067	99.36%
105	140,090 - 140,090	1	140,090	140,090	10,243	99.97%	96,094,157	99.51%
106	152,210 - 152,210	1	152,210	152,210	10,244	99.98%	96,246,367	99.66%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3/4"
Class: Residential
Rate Code: R2

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	3	3
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 18.60	$ 21.00
Arsenic Surcharge:	$ 8.26	$ 8.26
Tier One Rate:	$ 1.50	$ 1.69
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	159,510 - 159,510	1	159,510	159,510	10,245	99.99%	96,405,877	99.83%
108	164,250 - 164,250	1	164,250	164,250	10,246	100.00%	96,570,127	100.00%
109								
110	Totals	10,246		96,570,127	10,246		96,570,127	
111	1/2 of Prorated Bills[1]	(273)						
112	Equivalent Bills	9,973						
113								
114								
115	Average Number of Customers		831					
116								
117	Average Consumption (gallons)		9,425					
118								
119	Median Consumption (gallons)		7,013					
120								
121								
122								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	9,973	$ 185,498	9,973	$ 209,433
Arsenic Surcharge	9,973	82,377	9,973	82,377
Usage (gallons)				
Tier One	28,194,150	$ 42,291	28,194,150	$ 47,648
Tier Two	41,795,887	101,982	41,795,887	115,357
Tier Three	26,580,090	83,727	26,580,090	94,625
Usage Totals	96,570,127		96,570,127	
Revenue Totals		$ 495,875		$ 549,440

123 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
124 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
125 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
126 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
127 to avoid double counting billing units during months when account ownership changes. The reduction is based
128 on the actual number of meters in this class discontinuing and establishing service during the test year.
129

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Residential
Rate Code: R3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	-	-
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	42	-	-	42	0.93%	-	0.00%
2	1	-	1,000	69	324	22,380	111	2.46%	22,380	0.03%
3	1,001	-	2,000	49	1,542	75,580	160	3.54%	97,960	0.11%
4	2,001	-	3,000	99	2,625	259,920	259	5.73%	357,880	0.41%
5	3,001	-	4,000	156	3,468	541,050	415	9.18%	898,930	1.02%
6	4,001	-	5,000	179	4,522	809,447	594	13.14%	1,708,377	1.94%
7	5,001	-	6,000	202	5,504	1,111,880	796	17.61%	2,820,257	3.21%
8	6,001	-	7,000	212	6,499	1,377,810	1,008	22.30%	4,198,067	4.77%
9	7,001	-	8,000	229	7,507	1,719,110	1,237	27.37%	5,917,177	6.73%
10	8,001	-	9,000	212	8,494	1,800,810	1,449	32.06%	7,717,987	8.77%
11	9,001	-	10,000	195	9,496	1,851,750	1,644	36.37%	9,569,737	10.88%
12	10,001	-	11,000	179	10,513	1,881,860	1,823	40.33%	11,451,597	13.02%
13	11,001	-	12,000	173	11,508	1,990,810	1,996	44.16%	13,442,407	15.28%
14	12,001	-	13,000	161	12,476	2,008,670	2,157	47.72%	15,451,077	17.56%
15	13,001	-	14,000	152	13,508	2,053,270	2,309	51.08%	17,504,347	19.90%
16	14,001	-	15,000	157	14,507	2,277,620	2,466	54.56%	19,781,967	22.49%
17	15,001	-	16,000	121	15,479	1,872,900	2,587	57.23%	21,654,867	24.62%
18	16,001	-	17,000	122	16,525	2,016,030	2,709	59.93%	23,670,897	26.91%
19	17,001	-	18,000	119	17,489	2,081,220	2,828	62.57%	25,752,117	29.27%
20	18,001	-	19,000	106	18,524	1,963,520	2,934	64.91%	27,715,637	31.50%
21	19,001	-	20,000	117	19,513	2,282,990	3,051	67.50%	29,998,627	34.10%
22	20,001	-	21,000	90	20,518	1,846,650	3,141	69.49%	31,845,277	36.20%
23	21,001	-	22,000	78	21,536	1,679,820	3,219	71.22%	33,525,097	38.11%
24	22,001	-	23,000	72	22,486	1,618,970	3,291	72.81%	35,144,067	39.95%
25	23,001	-	24,000	81	23,522	1,905,290	3,372	74.60%	37,049,357	42.11%
26	24,001	-	25,000	68	24,493	1,665,540	3,440	76.11%	38,714,897	44.01%
27	25,001	-	26,000	75	25,474	1,910,530	3,515	77.77%	40,625,427	46.18%
28	26,001	-	27,000	42	26,452	1,110,970	3,557	78.69%	41,736,397	47.44%
29	27,001	-	28,000	61	27,496	1,677,240	3,618	80.04%	43,413,637	49.35%
30	28,001	-	29,000	48	28,555	1,370,620	3,666	81.11%	44,784,257	50.91%
31	29,001	-	30,000	36	29,419	1,059,100	3,702	81.90%	45,843,357	52.11%
32	30,001	-	31,000	59	30,431	1,795,400	3,761	83.21%	47,638,757	54.15%
33	31,001	-	32,000	32	31,542	1,009,350	3,793	83.92%	48,648,107	55.30%
34	32,001	-	33,000	34	32,552	1,106,770	3,827	84.67%	49,754,877	56.56%
35	33,001	-	34,000	32	33,562	1,073,990	3,859	85.38%	50,828,867	57.78%
36	34,001	-	35,000	30	34,515	1,035,460	3,889	86.04%	51,864,327	58.95%
37	35,001	-	36,000	30	35,499	1,064,960	3,919	86.70%	52,929,287	60.16%
38	36,001	-	37,000	33	36,522	1,205,220	3,952	87.43%	54,134,507	61.53%
39	37,001	-	38,000	25	37,604	940,100	3,977	87.99%	55,074,607	62.60%
40	38,001	-	39,000	24	38,558	925,390	4,001	88.52%	55,999,997	63.66%
41	39,001	-	40,000	28	39,409	1,103,440	4,029	89.14%	57,103,437	64.91%
42	40,001	-	41,000	26	40,531	1,053,800	4,055	89.71%	58,157,237	66.11%
43	41,001	-	42,000	21	41,447	870,390	4,076	90.18%	59,027,627	67.10%
44	42,001	-	43,000	23	42,438	976,070	4,099	90.69%	60,003,697	68.21%
45	43,001	-	44,000	18	43,510	783,180	4,117	91.08%	60,786,877	69.10%
46	44,001	-	45,000	19	44,484	845,200	4,136	91.50%	61,632,077	70.06%
47	45,001	-	46,000	14	45,509	637,120	4,150	91.81%	62,269,197	70.78%
48	46,001	-	47,000	23	46,644	1,072,820	4,173	92.32%	63,342,017	72.00%
49	47,001	-	48,000	15	47,523	712,850	4,188	92.65%	64,054,867	72.81%
50	48,001	-	49,000	19	48,439	920,350	4,207	93.08%	64,975,217	73.86%
51	49,001	-	50,000	18	49,628	893,310	4,225	93.47%	65,868,527	74.87%
52	50,001	-	51,000	16	50,572	809,150	4,241	93.83%	66,677,677	75.79%
53	51,001	-	52,000	16	51,450	823,200	4,257	94.18%	67,500,877	76.73%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Residential
Rate Code: R3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	-	-
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	20	52,507	1,050,130	4,277	94.62%	68,551,007	77.92%
55	53,001 - 54,000	9	53,686	483,170	4,286	94.82%	69,034,177	78.47%
56	54,001 - 55,000	9	54,492	490,430	4,295	95.02%	69,524,607	79.03%
57	55,001 - 56,000	7	55,387	387,710	4,302	95.18%	69,912,317	79.47%
58	56,001 - 57,000	7	56,649	396,540	4,309	95.33%	70,308,857	79.92%
59	57,001 - 58,000	15	57,483	862,240	4,324	95.66%	71,171,097	80.90%
60	58,001 - 59,000	7	58,653	410,570	4,331	95.82%	71,581,667	81.37%
61	59,001 - 60,000	8	59,311	474,490	4,339	96.00%	72,056,157	81.91%
62	60,001 - 61,000	2	60,420	120,840	4,341	96.04%	72,176,997	82.04%
63	61,001 - 62,000	11	61,544	676,980	4,352	96.28%	72,853,977	82.81%
64	62,001 - 63,000	10	62,491	624,910	4,362	96.50%	73,478,887	83.52%
65	63,001 - 64,000	5	63,370	316,850	4,367	96.62%	73,795,737	83.88%
66	64,001 - 65,000	5	64,624	323,120	4,372	96.73%	74,118,857	84.25%
67	65,001 - 66,000	4	65,388	261,550	4,376	96.81%	74,380,407	84.55%
68	66,001 - 67,000	5	66,474	332,370	4,381	96.92%	74,712,777	84.93%
69	67,001 - 68,000	2	67,560	135,120	4,383	96.97%	74,847,897	85.08%
70	68,001 - 69,000	4	68,613	274,450	4,387	97.06%	75,122,347	85.39%
71	69,001 - 70,000	3	69,810	209,430	4,390	97.12%	75,331,777	85.63%
72	70,001 - 71,000	8	70,426	563,410	4,398	97.30%	75,895,187	86.27%
73	71,001 - 72,000	4	71,515	286,060	4,402	97.39%	76,181,247	86.60%
74	72,001 - 73,000	6	72,388	434,330	4,408	97.52%	76,615,577	87.09%
75	73,001 - 74,000	6	73,518	441,110	4,414	97.65%	77,056,687	87.59%
76	74,001 - 75,000	5	74,564	372,820	4,419	97.77%	77,429,507	88.01%
77	75,001 - 76,000	3	75,573	226,720	4,422	97.83%	77,656,227	88.27%
78	76,001 - 77,000	5	76,348	381,740	4,427	97.94%	78,037,967	88.71%
79	77,001 - 78,000	2	77,335	154,670	4,429	97.99%	78,192,637	88.88%
80	78,001 - 79,000	4	78,575	314,300	4,433	98.08%	78,506,937	89.24%
81	79,001 - 80,000	3	79,403	238,210	4,436	98.14%	78,745,147	89.51%
82	80,001 - 81,000	5	80,440	402,200	4,441	98.25%	79,147,347	89.97%
83	81,001 - 82,000	7	81,409	569,860	4,448	98.41%	79,717,207	90.61%
84	82,001 - 83,000	3	82,587	247,760	4,451	98.47%	79,964,967	90.90%
85	83,001 - 84,000	-		-	4,451	98.47%	79,964,967	90.90%
86	84,001 - 85,000	5	84,472	422,360	4,456	98.58%	80,387,327	91.38%
87	85,001 - 86,000	1	85,410	85,410	4,457	98.61%	80,472,737	91.47%
88	86,001 - 87,000	2	86,660	173,320	4,459	98.65%	80,646,057	91.67%
89	87,001 - 88,000	2	87,155	174,310	4,461	98.69%	80,820,367	91.87%
90	88,001 - 89,000	4	88,720	354,880	4,465	98.78%	81,175,247	92.27%
91	89,001 - 90,000	3	89,577	268,730	4,468	98.85%	81,443,977	92.58%
92	90,001 - 91,000	3	90,513	271,540	4,471	98.92%	81,715,517	92.89%
93	91,001 - 92,000	1	91,880	91,880	4,472	98.94%	81,807,397	92.99%
94	92,001 - 93,000	1	92,060	92,060	4,473	98.96%	81,899,457	93.10%
95	93,001 - 94,000	3	93,697	281,090	4,476	99.03%	82,180,547	93.41%
96	94,001 - 95,000	-		-	4,476	99.03%	82,180,547	93.41%
97	95,001 - 96,000	-		-	4,476	99.03%	82,180,547	93.41%
98	96,001 - 97,000	4	96,320	385,280	4,480	99.12%	82,565,827	93.85%
99	97,001 - 98,000	2	97,415	194,830	4,482	99.16%	82,760,657	94.07%
100	98,001 - 99,000	-		-	4,482	99.16%	82,760,657	94.07%
101	99,001 - 100,000	-		-	4,482	99.16%	82,760,657	94.07%
102	100,820 - 100,820	1	100,820	100,820	4,483	99.18%	82,861,477	94.19%
103	101,290 - 101,290	1	101,290	101,290	4,484	99.20%	82,962,767	94.30%
104	101,460 - 101,460	1	101,460	101,460	4,485	99.23%	83,064,227	94.42%
105	101,990 - 101,990	1	101,990	101,990	4,486	99.25%	83,166,217	94.54%
106	103,840 - 103,840	1	103,840	103,840	4,487	99.27%	83,270,057	94.65%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Residential
Rate Code: R3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	-	-
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	104,020	-	104,020	1	104,020	104,020	4,488	99.29%	83,374,077	94.77%
108	105,210	-	105,210	1	105,210	105,210	4,489	99.31%	83,479,287	94.89%
109	105,700	-	105,700	1	105,700	105,700	4,490	99.34%	83,584,987	95.01%
110	106,930	-	106,930	1	106,930	106,930	4,491	99.36%	83,691,917	95.13%
111	108,620	-	108,620	1	108,620	108,620	4,492	99.38%	83,800,537	95.26%
112	108,910	-	108,910	1	108,910	108,910	4,493	99.40%	83,909,447	95.38%
113	109,170	-	109,170	1	109,170	109,170	4,494	99.42%	84,018,617	95.50%
114	109,300	-	109,300	1	109,300	109,300	4,495	99.45%	84,127,917	95.63%
115	110,320	-	110,320	1	110,320	110,320	4,496	99.47%	84,238,237	95.75%
116	111,020	-	111,020	1	111,020	111,020	4,497	99.49%	84,349,257	95.88%
117	112,700	-	112,700	1	112,700	112,700	4,498	99.51%	84,461,957	96.01%
118	113,190	-	113,190	1	113,190	113,190	4,499	99.54%	84,575,147	96.14%
119	115,040	-	115,040	1	115,040	115,040	4,500	99.56%	84,690,187	96.27%
120	119,150	-	119,150	1	119,150	119,150	4,501	99.58%	84,809,337	96.40%
121	120,690	-	120,690	1	120,690	120,690	4,502	99.60%	84,930,027	96.54%
122	120,960	-	120,960	1	120,960	120,960	4,503	99.62%	85,050,987	96.68%
123	122,390	-	122,390	1	122,390	122,390	4,504	99.65%	85,173,377	96.82%
124	126,830	-	126,830	1	126,830	126,830	4,505	99.67%	85,300,207	96.96%
125	127,500	-	127,500	1	127,500	127,500	4,506	99.69%	85,427,707	97.11%
126	127,510	-	127,510	1	127,510	127,510	4,507	99.71%	85,555,217	97.25%
127	130,300	-	130,300	1	130,300	130,300	4,508	99.73%	85,685,517	97.40%
128	131,350	-	131,350	1	131,350	131,350	4,509	99.76%	85,816,867	97.55%
129	136,940	-	136,940	1	136,940	136,940	4,510	99.78%	85,953,807	97.70%
130	137,110	-	137,110	1	137,110	137,110	4,511	99.80%	86,090,917	97.86%
131	147,080	-	147,080	1	147,080	147,080	4,512	99.82%	86,237,997	98.03%
132	148,020	-	148,020	1	148,020	148,020	4,513	99.85%	86,386,017	98.20%
133	149,110	-	149,110	1	149,110	149,110	4,514	99.87%	86,535,127	98.36%
134	164,180	-	164,180	1	164,180	164,180	4,515	99.89%	86,699,307	98.55%
135	209,510	-	209,510	1	209,510	209,510	4,516	99.91%	86,908,817	98.79%
136	213,630	-	213,630	1	213,630	213,630	4,517	99.93%	87,122,447	99.03%
137	243,120	-	243,120	1	243,120	243,120	4,518	99.96%	87,365,567	99.31%
138	260,510	-	260,510	1	260,510	260,510	4,519	99.98%	87,626,077	99.60%
139	347,560	-	347,560	1	347,560	347,560	4,520	100.00%	87,973,637	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Residential
Rate Code: R3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):	-	-
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
140								
141	Totals	4,520		87,973,637	4,520		87,973,637	
142	1/2 of Prorated Bills[1]	(66)						
143	Equivalent Bills	4,454						
144								
145								
146	Average Number of Customers		371					
147								
148	Average Consumption (gallons)		19,463					
149								
150	Median Consumption (gallons)		13,096					
151								
152								
153								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	4,454	$ 138,074	4,454	$ 155,890
Arsenic Surcharge	4,454	61,332	4,454	61,332
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	63,411,067	154,723	63,411,067	175,015
Tier Three	24,562,570	77,372	24,562,570	87,443
Usage Totals	87,973,637		87,973,637	
Revenue Totals		$ 431,501		$ 479,679

154 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
155 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
156 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
157 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
158 to avoid double counting billing units during months when account ownership changes. The reduction is based
159 on the actual number of meters in this class discontinuing and establishing service during the test year.
160

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Residential
Rate Code: R4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	-		-	-	0.00%	-	0.00%
2	1	-	1,000	-		-	-	0.00%	-	0.00%
3	1,001	-	2,000	-		-	-	0.00%	-	0.00%
4	2,001	-	3,000	-		-	-	0.00%	-	0.00%
5	3,001	-	4,000	-		-	-	0.00%	-	0.00%
6	4,001	-	5,000	-		-	-	0.00%	-	0.00%
7	5,001	-	6,000	-		-	-	0.00%	-	0.00%
8	6,001	-	7,000	-		-	-	0.00%	-	0.00%
9	7,001	-	8,000	-		-	-	0.00%	-	0.00%
10	8,001	-	9,000	-		-	-	0.00%	-	0.00%
11	9,001	-	10,000	-		-	-	0.00%	-	0.00%
12	10,001	-	11,000	-		-	-	0.00%	-	0.00%
13	11,001	-	12,000	-		-	-	0.00%	-	0.00%
14	12,001	-	13,000	-		-	-	0.00%	-	0.00%
15	13,001	-	14,000	-		-	-	0.00%	-	0.00%
16	14,001	-	15,000	-		-	-	0.00%	-	0.00%
17	15,001	-	16,000	-		-	-	0.00%	-	0.00%
18	16,001	-	17,000	1	16,300	16,300	1	8.33%	16,300	5.37%
19	17,001	-	18,000	-		-	1	8.33%	16,300	5.37%
20	18,001	-	19,000	-		-	1	8.33%	16,300	5.37%
21	19,001	-	20,000	-		-	1	8.33%	16,300	5.37%
22	20,001	-	21,000	-		-	1	8.33%	16,300	5.37%
23	21,001	-	22,000	2	21,800	43,600	3	25.00%	59,900	19.74%
24	22,001	-	23,000	-		-	3	25.00%	59,900	19.74%
25	23,001	-	24,000	1	23,500	23,500	4	33.33%	83,400	27.49%
26	24,001	-	25,000	2	24,800	49,600	6	50.00%	133,000	43.84%
27	25,001	-	26,000	1	25,400	25,400	7	58.33%	158,400	52.21%
28	26,001	-	27,000	1	26,100	26,100	8	66.67%	184,500	60.81%
29	27,001	-	28,000	2	27,950	55,900	10	83.33%	240,400	79.24%
30	28,001	-	29,000	1	28,700	28,700	11	91.67%	269,100	88.69%
31	29,001	-	30,000	-		-	11	91.67%	269,100	88.69%
32	30,001	-	31,000	-		-	11	91.67%	269,100	88.69%
33	31,001	-	32,000	-		-	11	91.67%	269,100	88.69%
34	32,001	-	33,000	-		-	11	91.67%	269,100	88.69%
35	33,001	-	34,000	-		-	11	91.67%	269,100	88.69%
36	34,001	-	35,000	1	34,300	34,300	12	100.00%	303,400	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Residential
Rate Code: R4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
37								
38	Totals	12		303,400	12		303,400	
39	1/2 of Prorated Bills[1]							
40	Equivalent Bills	12						
41								
42								
43	Average Number of Customers		1					
44								
45	Average Consumption (gallons)		25,283					
46								
47	Median Consumption (gallons)		24,800					
48								
49								
50								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	12	$ 744	12	$ 840
Arsenic Surcharge	12	330	12	330
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	303,400	740	303,400	837
Tier Three	-	-	-	-
Usage Totals	303,400		303,400	
Revenue Totals		$ 1,815		$ 2,008

51 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
52 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
53 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
54 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
55 to avoid double counting billing units during months when account ownership changes. The reduction is based
56 on the actual number of meters in this class discontinuing and establishing service during the test year.
57

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial (Multifamily)
Rate Code: M3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	- - -	-		-	-	0.00%	-	0.00%
2	1 - 1,000	-		-	-	0.00%	-	0.00%
3	1,001 - 2,000	-		-	-	0.00%	-	0.00%
4	2,001 - 3,000	-		-	-	0.00%	-	0.00%
5	3,001 - 4,000	-		-	-	0.00%	-	0.00%
6	4,001 - 5,000	-		-	-	0.00%	-	0.00%
7	5,001 - 6,000	-		-	-	0.00%	-	0.00%
8	6,001 - 7,000	-		-	-	0.00%	-	0.00%
9	7,001 - 8,000	-		-	-	0.00%	-	0.00%
10	8,001 - 9,000	1	8,690	8,690	1	8.33%	8,690	2.70%
11	9,001 - 10,000	-		-	1	8.33%	8,690	2.70%
12	10,001 - 11,000	-		-	1	8.33%	8,690	2.70%
13	11,001 - 12,000	-		-	1	8.33%	8,690	2.70%
14	12,001 - 13,000	-		-	1	8.33%	8,690	2.70%
15	13,001 - 14,000	1	13,430	13,430	2	16.67%	22,120	6.87%
16	14,001 - 15,000	1	14,650	14,650	3	25.00%	36,770	11.42%
17	15,001 - 16,000	1	15,310	15,310	4	33.33%	52,080	16.17%
18	16,001 - 17,000	-		-	4	33.33%	52,080	16.17%
19	17,001 - 18,000	1	17,290	17,290	5	41.67%	69,370	21.54%
20	18,001 - 19,000	-		-	5	41.67%	69,370	21.54%
21	19,001 - 20,000	1	19,010	19,010	6	50.00%	88,380	27.45%
22	20,001 - 21,000	-		-	6	50.00%	88,380	27.45%
23	21,001 - 22,000	-		-	6	50.00%	88,380	27.45%
24	22,001 - 23,000	-		-	6	50.00%	88,380	27.45%
25	23,001 - 24,000	-		-	6	50.00%	88,380	27.45%
26	24,001 - 25,000	1	24,350	24,350	7	58.33%	112,730	35.01%
27	25,001 - 26,000	-		-	7	58.33%	112,730	35.01%
28	26,001 - 27,000	-		-	7	58.33%	112,730	35.01%
29	27,001 - 28,000	-		-	7	58.33%	112,730	35.01%
30	28,001 - 29,000	-		-	7	58.33%	112,730	35.01%
31	29,001 - 30,000	-		-	7	58.33%	112,730	35.01%
32	30,001 - 31,000	-		-	7	58.33%	112,730	35.01%
33	31,001 - 32,000	-		-	7	58.33%	112,730	35.01%
34	32,001 - 33,000	-		-	7	58.33%	112,730	35.01%
35	33,001 - 34,000	-		-	7	58.33%	112,730	35.01%
36	34,001 - 35,000	-		-	7	58.33%	112,730	35.01%
37	35,001 - 36,000	-		-	7	58.33%	112,730	35.01%
38	36,001 - 37,000	-		-	7	58.33%	112,730	35.01%
39	37,001 - 38,000	-		-	7	58.33%	112,730	35.01%
40	38,001 - 39,000	1	38,430	38,430	8	66.67%	151,160	46.95%
41	39,001 - 40,000	1	39,580	39,580	9	75.00%	190,740	59.24%
42	40,001 - 41,000	1	40,030	40,030	10	83.33%	230,770	71.67%
43	41,001 - 42,000	1	41,870	41,870	11	91.67%	272,640	84.68%
44	42,001 - 43,000	-		-	11	91.67%	272,640	84.68%
45	43,001 - 44,000	-		-	11	91.67%	272,640	84.68%
46	44,001 - 45,000	-		-	11	91.67%	272,640	84.68%
47	45,001 - 46,000	-		-	11	91.67%	272,640	84.68%
48	46,001 - 47,000	-		-	11	91.67%	272,640	84.68%
49	47,001 - 48,000	-		-	11	91.67%	272,640	84.68%
50	48,001 - 49,000	-		-	11	91.67%	272,640	84.68%
51	49,001 - 50,000	1	49,340	49,340	12	100.00%	321,980	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial (Multifamily)
Rate Code: M3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
52								
53	Totals	12		321,980	12		321,980	
54	1/2 of Prorated Bills[1]							
55	Equivalent Bills	12						
56								
57								
58	Average Number of Customers		1					
59								
60	Average Consumption (gallons)		26,832					
61								
62	Median Consumption (gallons)		19,010					
63								
64								
65								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	12	$ 372	12	$ 420
Arsenic Surcharge	12	165	12	165
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	226,380	552	226,380	625
Tier Three	95,600	301	95,600	340
Usage Totals	321,980		321,980	
Revenue Totals		$ 1,391		$ 1,550

66 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
67 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
68 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
69 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
70 to avoid double counting billing units during months when account ownership changes. The reduction is based
71 on the actual number of meters in this class discontinuing and establishing service during the test year.
72

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	22	-	-	22	5.56%	-	0.00%
2	1	-	1,000	8	1,000	8,000	30	7.58%	8,000	0.01%
3	1,001	-	2,000	4	2,000	8,000	34	8.59%	16,000	0.03%
4	2,001	-	3,000	1	3,000	3,000	35	8.84%	19,000	0.03%
5	3,001	-	4,000	-		-	35	8.84%	19,000	0.03%
6	4,001	-	5,000	-		-	35	8.84%	19,000	0.03%
7	5,001	-	6,000	2	5,910	11,820	37	9.34%	30,820	0.06%
8	6,001	-	7,000	1	6,300	6,300	38	9.60%	37,120	0.07%
9	7,001	-	8,000	1	7,720	7,720	39	9.85%	44,840	0.08%
10	8,001	-	9,000	1	8,140	8,140	40	10.10%	52,980	0.09%
11	9,001	-	10,000	1	9,900	9,900	41	10.35%	62,880	0.11%
12	10,001	-	11,000	-		-	41	10.35%	62,880	0.11%
13	11,001	-	12,000	-		-	41	10.35%	62,880	0.11%
14	12,001	-	13,000	1	12,520	12,520	42	10.61%	75,400	0.13%
15	13,001	-	14,000	1	13,740	13,740	43	10.86%	89,140	0.16%
16	14,001	-	15,000	-		-	43	10.86%	89,140	0.16%
17	15,001	-	16,000	-		-	43	10.86%	89,140	0.16%
18	16,001	-	17,000	4	16,420	65,680	47	11.87%	154,820	0.28%
19	17,001	-	18,000	5	17,206	86,030	52	13.13%	240,850	0.43%
20	18,001	-	19,000	5	18,376	91,880	57	14.39%	332,730	0.60%
21	19,001	-	20,000	1	19,290	19,290	58	14.65%	352,020	0.63%
22	20,001	-	21,000	-		-	58	14.65%	352,020	0.63%
23	21,001	-	22,000	1	21,870	21,870	59	14.90%	373,890	0.67%
24	22,001	-	23,000	3	22,547	67,640	62	15.66%	441,530	0.79%
25	23,001	-	24,000	2	23,345	46,690	64	16.16%	488,220	0.87%
26	24,001	-	25,000	1	24,340	24,340	65	16.41%	512,560	0.92%
27	25,001	-	26,000	2	25,575	51,150	67	16.92%	563,710	1.01%
28	26,001	-	27,000	2	26,520	53,040	69	17.42%	616,750	1.10%
29	27,001	-	28,000	1	27,730	27,730	70	17.68%	644,480	1.15%
30	28,001	-	29,000	1	28,940	28,940	71	17.93%	673,420	1.20%
31	29,001	-	30,000	2	29,270	58,540	73	18.43%	731,960	1.31%
32	30,001	-	31,000	3	30,313	90,940	76	19.19%	822,900	1.47%
33	31,001	-	32,000	4	31,378	125,510	80	20.20%	948,410	1.70%
34	32,001	-	33,000	3	32,290	96,870	83	20.96%	1,045,280	1.87%
35	33,001	-	34,000	-		-	83	20.96%	1,045,280	1.87%
36	34,001	-	35,000	2	34,555	69,110	85	21.46%	1,114,390	1.99%
37	35,001	-	36,000	-		-	85	21.46%	1,114,390	1.99%
38	36,001	-	37,000	1	36,380	36,380	86	21.72%	1,150,770	2.06%
39	37,001	-	38,000	1	37,670	37,670	87	21.97%	1,188,440	2.13%
40	38,001	-	39,000	5	38,400	192,000	92	23.23%	1,380,440	2.47%
41	39,001	-	40,000	3	39,773	119,320	95	23.99%	1,499,760	2.68%
42	40,001	-	41,000	6	40,713	244,280	101	25.51%	1,744,040	3.12%
43	41,001	-	42,000	7	41,390	289,730	108	27.27%	2,033,770	3.64%
44	42,001	-	43,000	8	42,534	340,270	116	29.29%	2,374,040	4.25%
45	43,001	-	44,000	3	43,643	130,930	119	30.05%	2,504,970	4.48%
46	44,001	-	45,000	8	44,719	357,750	127	32.07%	2,862,720	5.12%
47	45,001	-	46,000	5	45,534	227,670	132	33.33%	3,090,390	5.53%
48	46,001	-	47,000	3	46,393	139,180	135	34.09%	3,229,570	5.78%
49	47,001	-	48,000	7	47,600	333,200	142	35.86%	3,562,770	6.37%
50	48,001	-	49,000	4	48,700	194,800	146	36.87%	3,757,570	6.72%
51	49,001	-	50,000	4	49,690	198,760	150	37.88%	3,956,330	7.08%
52	50,001	-	51,000	4	50,280	201,120	154	38.89%	4,157,450	7.44%
53	51,001	-	52,000	4	51,680	206,720	158	39.90%	4,364,170	7.81%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	3	52,413	157,240	161	40.66%	4,521,410	8.09%
55	53,001 - 54,000	5	53,448	267,240	166	41.92%	4,788,650	8.57%
56	54,001 - 55,000	3	54,553	163,660	169	42.68%	4,952,310	8.86%
57	55,001 - 56,000	2	55,755	111,510	171	43.18%	5,063,820	9.06%
58	56,001 - 57,000	2	56,795	113,590	173	43.69%	5,177,410	9.26%
59	57,001 - 58,000	3	57,473	172,420	176	44.44%	5,349,830	9.57%
60	58,001 - 59,000	3	58,707	176,120	179	45.20%	5,525,950	9.89%
61	59,001 - 60,000	2	59,830	119,660	181	45.71%	5,645,610	10.10%
62	60,001 - 61,000	3	60,707	182,120	184	46.46%	5,827,730	10.43%
63	61,001 - 62,000	6	61,570	369,420	190	47.98%	6,197,150	11.09%
64	62,001 - 63,000	1	62,520	62,520	191	48.23%	6,259,670	11.20%
65	63,001 - 64,000	3	63,387	190,160	194	48.99%	6,449,830	11.54%
66	64,001 - 65,000	2	64,420	128,840	196	49.49%	6,578,670	11.77%
67	65,001 - 66,000	1	65,080	65,080	197	49.75%	6,643,750	11.88%
68	66,001 - 67,000	3	66,673	200,020	200	50.51%	6,843,770	12.24%
69	67,001 - 68,000	2	67,520	135,040	202	51.01%	6,978,810	12.48%
70	68,001 - 69,000	2	68,920	137,840	204	51.52%	7,116,650	12.73%
71	69,001 - 70,000	2	69,415	138,830	206	52.02%	7,255,480	12.98%
72	70,001 - 71,000	1	70,320	70,320	207	52.27%	7,325,800	13.10%
73	71,001 - 72,000	1	71,640	71,640	208	52.53%	7,397,440	13.23%
74	72,001 - 73,000	3	72,500	217,500	211	53.28%	7,614,940	13.62%
75	73,001 - 74,000	-		-	211	53.28%	7,614,940	13.62%
76	74,001 - 75,000	2	74,450	148,900	213	53.79%	7,763,840	13.89%
77	75,001 - 76,000	3	75,220	225,660	216	54.55%	7,989,500	14.29%
78	76,001 - 77,000	1	76,560	76,560	217	54.80%	8,066,060	14.43%
79	77,001 - 78,000	1	77,710	77,710	218	55.05%	8,143,770	14.57%
80	78,001 - 79,000	1	78,220	78,220	219	55.30%	8,221,990	14.71%
81	79,001 - 80,000	1	79,170	79,170	220	55.56%	8,301,160	14.85%
82	80,001 - 81,000	2	80,355	160,710	222	56.06%	8,461,870	15.14%
83	81,001 - 82,000	3	81,407	244,220	225	56.82%	8,706,090	15.57%
84	82,001 - 83,000	1	82,030	82,030	226	57.07%	8,788,120	15.72%
85	83,001 - 84,000	-		-	226	57.07%	8,788,120	15.72%
86	84,001 - 85,000	1	84,320	84,320	227	57.32%	8,872,440	15.87%
87	85,001 - 86,000	-		-	227	57.32%	8,872,440	15.87%
88	86,001 - 87,000	1	87,000	87,000	228	57.58%	8,959,440	16.03%
89	87,001 - 88,000	1	87,380	87,380	229	57.83%	9,046,820	16.18%
90	88,001 - 89,000	-		-	229	57.83%	9,046,820	16.18%
91	89,001 - 90,000	1	89,190	89,190	230	58.08%	9,136,010	16.34%
92	90,001 - 91,000	1	90,460	90,460	231	58.33%	9,226,470	16.51%
93	91,001 - 92,000	2	91,335	182,670	233	58.84%	9,409,140	16.83%
94	92,001 - 93,000	-		-	233	58.84%	9,409,140	16.83%
95	93,001 - 94,000	2	93,565	187,130	235	59.34%	9,596,270	17.17%
96	94,001 - 95,000	1	95,000	95,000	236	59.60%	9,691,270	17.34%
97	95,001 - 96,000	-		-	236	59.60%	9,691,270	17.34%
98	96,001 - 97,000	1	96,450	96,450	237	59.85%	9,787,720	17.51%
99	97,001 - 98,000	-		-	237	59.85%	9,787,720	17.51%
100	98,001 - 99,000	1	98,600	98,600	238	60.10%	9,886,320	17.69%
101	99,001 - 100,000	-		-	238	60.10%	9,886,320	17.69%
102	101,530 - 101,530	1	101,530	101,530	239	60.35%	9,987,850	17.87%
103	102,070 - 102,070	1	102,070	102,070	240	60.61%	10,089,920	18.05%
104	102,370 - 102,370	1	102,370	102,370	241	60.86%	10,192,290	18.23%
105	103,000 - 103,000	1	103,000	103,000	242	61.11%	10,295,290	18.42%
106	104,000 - 104,000	1	104,000	104,000	243	61.36%	10,399,290	18.60%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
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Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
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Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	104,580 - 104,580	1	104,580	104,580	244	61.62%	10,503,870	18.79%
108	107,550 - 107,550	1	107,550	107,550	245	61.87%	10,611,420	18.98%
109	109,770 - 109,770	1	109,770	109,770	246	62.12%	10,721,190	19.18%
110	110,990 - 110,990	1	110,990	110,990	247	62.37%	10,832,180	19.38%
111	113,000 - 113,000	1	113,000	113,000	248	62.63%	10,945,180	19.58%
112	113,160 - 113,160	1	113,160	113,160	249	62.88%	11,058,340	19.78%
113	114,330 - 114,330	1	114,330	114,330	250	63.13%	11,172,670	19.99%
114	117,070 - 117,070	1	117,070	117,070	251	63.38%	11,289,740	20.20%
115	120,170 - 120,170	1	120,170	120,170	252	63.64%	11,409,910	20.41%
116	124,400 - 124,400	1	124,400	124,400	253	63.89%	11,534,310	20.63%
117	126,980 - 126,980	1	126,980	126,980	254	64.14%	11,661,290	20.86%
118	127,000 - 127,000	1	127,000	127,000	255	64.39%	11,788,290	21.09%
119	127,900 - 127,900	1	127,900	127,900	256	64.65%	11,916,190	21.32%
120	129,680 - 129,680	1	129,680	129,680	257	64.90%	12,045,870	21.55%
121	132,600 - 132,600	1	132,600	132,600	258	65.15%	12,178,470	21.79%
122	132,700 - 132,700	1	132,700	132,700	259	65.40%	12,311,170	22.02%
123	133,790 - 133,790	1	133,790	133,790	260	65.66%	12,444,960	22.26%
124	134,300 - 134,300	1	134,300	134,300	261	65.91%	12,579,260	22.50%
125	138,000 - 138,000	1	138,000	138,000	262	66.16%	12,717,260	22.75%
126	139,510 - 139,510	1	139,510	139,510	263	66.41%	12,856,770	23.00%
127	140,470 - 140,470	1	140,470	140,470	264	66.67%	12,997,240	23.25%
128	142,190 - 142,190	1	142,190	142,190	265	66.92%	13,139,430	23.50%
129	145,940 - 145,940	1	145,940	145,940	266	67.17%	13,285,370	23.77%
130	147,300 - 147,300	1	147,300	147,300	267	67.42%	13,432,670	24.03%
131	148,000 - 148,000	1	148,000	148,000	268	67.68%	13,580,670	24.29%
132	148,980 - 148,980	1	148,980	148,980	269	67.93%	13,729,650	24.56%
133	149,040 - 149,040	1	149,040	149,040	270	68.18%	13,878,690	24.83%
134	149,060 - 149,060	1	149,060	149,060	271	68.43%	14,027,750	25.09%
135	149,400 - 149,400	1	149,400	149,400	272	68.69%	14,177,150	25.36%
136	150,060 - 150,060	1	150,060	150,060	273	68.94%	14,327,210	25.63%
137	151,670 - 151,670	1	151,670	151,670	274	69.19%	14,478,880	25.90%
138	151,920 - 151,920	1	151,920	151,920	275	69.44%	14,630,800	26.17%
139	153,410 - 153,410	1	153,410	153,410	276	69.70%	14,784,210	26.45%
140	154,070 - 154,070	1	154,070	154,070	277	69.95%	14,938,280	26.72%
141	154,650 - 154,650	1	154,650	154,650	278	70.20%	15,092,930	27.00%
142	156,570 - 156,570	1	156,570	156,570	279	70.45%	15,249,500	27.28%
143	157,700 - 157,700	1	157,700	157,700	280	70.71%	15,407,200	27.56%
144	158,100 - 158,100	1	158,100	158,100	281	70.96%	15,565,300	27.84%
145	158,900 - 158,900	1	158,900	158,900	282	71.21%	15,724,200	28.13%
146	159,330 - 159,330	1	159,330	159,330	283	71.46%	15,883,530	28.41%
147	160,000 - 160,000	1	160,000	160,000	284	71.72%	16,043,530	28.70%
148	161,210 - 161,210	1	161,210	161,210	285	71.97%	16,204,740	28.99%
149	162,200 - 162,200	1	162,200	162,200	286	72.22%	16,366,940	29.28%
150	162,990 - 162,990	1	162,990	162,990	287	72.47%	16,529,930	29.57%
151	163,500 - 163,500	1	163,500	163,500	288	72.73%	16,693,430	29.86%
152	164,800 - 164,800	1	164,800	164,800	289	72.98%	16,858,230	30.16%
153	166,610 - 166,610	1	166,610	166,610	290	73.23%	17,024,840	30.46%
154	172,960 - 172,960	1	172,960	172,960	291	73.48%	17,197,800	30.76%
155	174,340 - 174,340	1	174,340	174,340	292	73.74%	17,372,140	31.08%
156	174,430 - 174,430	1	174,430	174,430	293	73.99%	17,546,570	31.39%
157	178,230 - 178,230	1	178,230	178,230	294	74.24%	17,724,800	31.71%
158	180,330 - 180,330	1	180,330	180,330	295	74.49%	17,905,130	32.03%
159	182,000 - 182,000	1	182,000	182,000	296	74.75%	18,087,130	32.36%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

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Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
160	184,000	-	184,000	1	184,000	184,000	297	75.00%	18,271,130	32.68%
161	184,210	-	184,210	1	184,210	184,210	298	75.25%	18,455,340	33.01%
162	184,740	-	184,740	1	184,740	184,740	299	75.51%	18,640,080	33.34%
163	186,010	-	186,010	1	186,010	186,010	300	75.76%	18,826,090	33.68%
164	186,800	-	186,800	1	186,800	186,800	301	76.01%	19,012,890	34.01%
165	187,030	-	187,030	1	187,030	187,030	302	76.26%	19,199,920	34.35%
166	189,200	-	189,200	1	189,200	189,200	303	76.52%	19,389,120	34.68%
167	189,500	-	189,500	1	189,500	189,500	304	76.77%	19,578,620	35.02%
168	192,000	-	192,000	1	192,000	192,000	305	77.02%	19,770,620	35.37%
169	194,810	-	194,810	1	194,810	194,810	306	77.27%	19,965,430	35.72%
170	195,200	-	195,200	1	195,200	195,200	307	77.53%	20,160,630	36.06%
171	198,820	-	198,820	1	198,820	198,820	308	77.78%	20,359,450	36.42%
172	199,390	-	199,390	1	199,390	199,390	309	78.03%	20,558,840	36.78%
173	200,670	-	200,670	1	200,670	200,670	310	78.28%	20,759,510	37.14%
174	200,820	-	200,820	1	200,820	200,820	311	78.54%	20,960,330	37.50%
175	207,470	-	207,470	1	207,470	207,470	312	78.79%	21,167,800	37.87%
176	211,500	-	211,500	1	211,500	211,500	313	79.04%	21,379,300	38.24%
177	211,880	-	211,880	1	211,880	211,880	314	79.29%	21,591,180	38.62%
178	213,220	-	213,220	1	213,220	213,220	315	79.55%	21,804,400	39.01%
179	213,500	-	213,500	1	213,500	213,500	316	79.80%	22,017,900	39.39%
180	214,400	-	214,400	1	214,400	214,400	317	80.05%	22,232,300	39.77%
181	219,500	-	219,500	1	219,500	219,500	318	80.30%	22,451,800	40.16%
182	220,490	-	220,490	1	220,490	220,490	319	80.56%	22,672,290	40.56%
183	220,870	-	220,870	1	220,870	220,870	320	80.81%	22,893,160	40.95%
184	221,360	-	221,360	1	221,360	221,360	321	81.06%	23,114,520	41.35%
185	222,940	-	222,940	1	222,940	222,940	322	81.31%	23,337,460	41.75%
186	228,730	-	228,730	1	228,730	228,730	323	81.57%	23,566,190	42.16%
187	229,320	-	229,320	1	229,320	229,320	324	81.82%	23,795,510	42.57%
188	229,980	-	229,980	1	229,980	229,980	325	82.07%	24,025,490	42.98%
189	230,560	-	230,560	1	230,560	230,560	326	82.32%	24,256,050	43.39%
190	231,000	-	231,000	1	231,000	231,000	327	82.58%	24,487,050	43.80%
191	231,000	-	231,000	1	231,000	231,000	328	82.83%	24,718,050	44.22%
192	232,000	-	232,000	1	232,000	232,000	329	83.08%	24,950,050	44.63%
193	232,630	-	232,630	1	232,630	232,630	330	83.33%	25,182,680	45.05%
194	233,000	-	233,000	1	233,000	233,000	331	83.59%	25,415,680	45.47%
195	238,010	-	238,010	1	238,010	238,010	332	83.84%	25,653,690	45.89%
196	241,000	-	241,000	1	241,000	241,000	333	84.09%	25,894,690	46.32%
197	241,550	-	241,550	1	241,550	241,550	334	84.34%	26,136,240	46.75%
198	243,750	-	243,750	1	243,750	243,750	335	84.60%	26,379,990	47.19%
199	245,040	-	245,040	1	245,040	245,040	336	84.85%	26,625,030	47.63%
200	251,030	-	251,030	1	251,030	251,030	337	85.10%	26,876,060	48.08%
201	252,000	-	252,000	1	252,000	252,000	338	85.35%	27,128,060	48.53%
202	253,000	-	253,000	1	253,000	253,000	339	85.61%	27,381,060	48.98%
203	260,810	-	260,810	1	260,810	260,810	340	85.86%	27,641,870	49.45%
204	261,290	-	261,290	1	261,290	261,290	341	86.11%	27,903,160	49.92%
205	261,580	-	261,580	1	261,580	261,580	342	86.36%	28,164,740	50.38%
206	261,690	-	261,690	1	261,690	261,690	343	86.62%	28,426,430	50.85%
207	261,850	-	261,850	1	261,850	261,850	344	86.87%	28,688,280	51.32%
208	264,090	-	264,090	1	264,090	264,090	345	87.12%	28,952,370	51.79%
209	264,910	-	264,910	1	264,910	264,910	346	87.37%	29,217,280	52.27%
210	264,990	-	264,990	1	264,990	264,990	347	87.63%	29,482,270	52.74%
211	265,000	-	265,000	1	265,000	265,000	348	87.88%	29,747,270	53.21%
212	265,550	-	265,550	1	265,550	265,550	349	88.13%	30,012,820	53.69%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
213	267,360	-	267,360	1	267,360	267,360	350	88.38%	30,280,180	54.17%
214	270,250	-	270,250	1	270,250	270,250	351	88.64%	30,550,430	54.65%
215	271,780	-	271,780	1	271,780	271,780	352	88.89%	30,822,210	55.14%
216	271,970	-	271,970	1	271,970	271,970	353	89.14%	31,094,180	55.62%
217	274,520	-	274,520	1	274,520	274,520	354	89.39%	31,368,700	56.11%
218	276,520	-	276,520	1	276,520	276,520	355	89.65%	31,645,220	56.61%
219	279,290	-	279,290	1	279,290	279,290	356	89.90%	31,924,510	57.11%
220	282,790	-	282,790	1	282,790	282,790	357	90.15%	32,207,300	57.61%
221	283,740	-	283,740	1	283,740	283,740	358	90.40%	32,491,040	58.12%
222	290,450	-	290,450	1	290,450	290,450	359	90.66%	32,781,490	58.64%
223	293,530	-	293,530	1	293,530	293,530	360	90.91%	33,075,020	59.17%
224	302,230	-	302,230	1	302,230	302,230	361	91.16%	33,377,250	59.71%
225	302,590	-	302,590	1	302,590	302,590	362	91.41%	33,679,840	60.25%
226	306,750	-	306,750	1	306,750	306,750	363	91.67%	33,986,590	60.80%
227	309,180	-	309,180	1	309,180	309,180	364	91.92%	34,295,770	61.35%
228	315,580	-	315,580	1	315,580	315,580	365	92.17%	34,611,350	61.92%
229	319,520	-	319,520	1	319,520	319,520	366	92.42%	34,930,870	62.49%
230	320,530	-	320,530	1	320,530	320,530	367	92.68%	35,251,400	63.06%
231	336,200	-	336,200	1	336,200	336,200	368	92.93%	35,587,600	63.66%
232	338,920	-	338,920	1	338,920	338,920	369	93.18%	35,926,520	64.27%
233	340,500	-	340,500	1	340,500	340,500	370	93.43%	36,267,020	64.88%
234	349,130	-	349,130	1	349,130	349,130	371	93.69%	36,616,150	65.50%
235	355,090	-	355,090	1	355,090	355,090	372	93.94%	36,971,240	66.14%
236	357,170	-	357,170	1	357,170	357,170	373	94.19%	37,328,410	66.78%
237	369,000	-	369,000	1	369,000	369,000	374	94.44%	37,697,410	67.44%
238	369,600	-	369,600	1	369,600	369,600	375	94.70%	38,067,010	68.10%
239	372,080	-	372,080	1	372,080	372,080	376	94.95%	38,439,090	68.76%
240	381,960	-	381,960	1	381,960	381,960	377	95.20%	38,821,050	69.45%
241	388,980	-	388,980	1	388,980	388,980	378	95.45%	39,210,030	70.14%
242	389,000	-	389,000	1	389,000	389,000	379	95.71%	39,599,030	70.84%
243	403,820	-	403,820	1	403,820	403,820	380	95.96%	40,002,850	71.56%
244	407,920	-	407,920	1	407,920	407,920	381	96.21%	40,410,770	72.29%
245	429,240	-	429,240	1	429,240	429,240	382	96.46%	40,840,010	73.06%
246	494,990	-	494,990	1	494,990	494,990	383	96.72%	41,335,000	73.94%
247	531,000	-	531,000	1	531,000	531,000	384	96.97%	41,866,000	74.89%
248	692,000	-	692,000	1	692,000	692,000	385	97.22%	42,558,000	76.13%
249	751,000	-	751,000	1	751,000	751,000	386	97.47%	43,309,000	77.47%
250	847,000	-	847,000	1	847,000	847,000	387	97.73%	44,156,000	78.99%
251	885,000	-	885,000	1	885,000	885,000	388	97.98%	45,041,000	80.57%
252	#######	-	#######	1	1,071,000	1,071,000	389	98.23%	46,112,000	82.49%
253	#######	-	#######	1	1,098,000	1,098,000	390	98.48%	47,210,000	84.45%
254	#######	-	#######	1	1,174,000	1,174,000	391	98.74%	48,384,000	86.55%
255	#######	-	#######	1	1,188,000	1,188,000	392	98.99%	49,572,000	88.68%
256	#######	-	#######	1	1,355,000	1,355,000	393	99.24%	50,927,000	91.10%
257	#######	-	#######	1	1,436,000	1,436,000	394	99.49%	52,363,000	93.67%
258	#######	-	#######	1	1,687,000	1,687,000	395	99.75%	54,050,000	96.69%
259	#######	-	#######	1	1,851,000	1,851,000	396	100.00%	55,901,000	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Multifamily)
Rate Code: M5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
260								
261	Totals	396		55,901,000	396		55,901,000	
262	1/2 of Prorated Bills[1]							
263	Equivalent Bills	396						
264								
265								
266	Average Number of Customers		33					
267								
268	Average Consumption (gallons)		141,164					
269								
270	Median Consumption (gallons)		65,611					
271								
272								
273								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	396	$ 39,204	396	$ 44,352
Arsenic Surcharge	396	17,448	396	17,448
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	24,891,270	60,735	24,891,270	68,700
Tier Three	31,009,730	97,681	31,009,730	110,395
Usage Totals	55,901,000		55,901,000	
Revenue Totals		$ 215,067		$ 240,894

274 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
275 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
276 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
277 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
278 to avoid double counting billing units during months when account ownership changes. The reduction is based
279 on the actual number of meters in this class discontinuing and establishing service during the test year.
280

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 5/8" x 3/4"
Class: Commercial
Rate Code: C1

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 12.40	$ 14.00
Arsenic Surcharge:	$ 5.51	$ 5.51
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	- - -	14	-	-	14	17.72%	-	0.00%
2	1 - 1,000	16	404	6,470	30	37.97%	6,470	5.90%
3	1,001 - 2,000	26	1,506	39,150	56	70.89%	45,620	41.58%
4	2,001 - 3,000	16	2,379	38,070	72	91.14%	83,690	76.28%
5	3,001 - 4,000	5	3,424	17,120	77	97.47%	100,810	91.88%
6	4,001 - 5,000	2	4,455	8,910	79	100.00%	109,720	100.00%
7	5,001 - 6,000	-		-	79	100.00%	109,720	100.00%
8	6,001 - 7,000	-		-	79	100.00%	109,720	100.00%
9	7,001 - 8,000	-		-	79	100.00%	109,720	100.00%
10	8,001 - 9,000	-		-	79	100.00%	109,720	100.00%
11	9,001 - 10,000	-		-	79	100.00%	109,720	100.00%
12	10,001 - 11,000	-		-	79	100.00%	109,720	100.00%
13	11,001 - 12,000	-		-	79	100.00%	109,720	100.00%
14	12,001 - 13,000	-		-	79	100.00%	109,720	100.00%
15	13,001 - 14,000	-		-	79	100.00%	109,720	100.00%
16	14,001 - 15,000	-		-	79	100.00%	109,720	100.00%
17	15,001 - 16,000	-		-	79	100.00%	109,720	100.00%
18	16,001 - 17,000	-		-	79	100.00%	109,720	100.00%
19	17,001 - 18,000	-		-	79	100.00%	109,720	100.00%
20	18,001 - 19,000	-		-	79	100.00%	109,720	100.00%
21	19,001 - 20,000	-		-	79	100.00%	109,720	100.00%
22	20,001 - 21,000	-		-	79	100.00%	109,720	100.00%
23	21,001 - 22,000	-		-	79	100.00%	109,720	100.00%
24	22,001 - 23,000	-		-	79	100.00%	109,720	100.00%
25	23,001 - 24,000	-		-	79	100.00%	109,720	100.00%
26	24,001 - 25,000	-		-	79	100.00%	109,720	100.00%
27	25,001 - 26,000	-		-	79	100.00%	109,720	100.00%
28	26,001 - 27,000	-		-	79	100.00%	109,720	100.00%
29	27,001 - 28,000	-		-	79	100.00%	109,720	100.00%
30	28,001 - 29,000	-		-	79	100.00%	109,720	100.00%
31								
32	Totals	79		109,720	79		109,720	
33	1/2 of Prorated Bills[1]							
34	Equivalent Bills	79						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
35					
36	Base Charge	79	$ 980	79	$ 1,106
37	Arsenic Surcharge	79	435	79	435
38	Usage (gallons)				
39	Tier One	-	$ -	-	$ -
40	Tier Two	109,720	268	109,720	303
41	Tier Three	-	-	-	-
42	Usage Totals	109,720		109,720	
43	Revenue Totals		$ 1,683		$ 1,844
44					

36	Average Number of Customers: 7
38	Average Consumption (gallons): 1,389
41	Median Consumption (gallons): 807

45 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
46 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
47 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
48 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
49 to avoid double counting billing units during months when account ownership changes. The reduction is based
50 on the actual number of meters in this class discontinuing and establishing service during the test year.
51

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3/4"
Class: Commercial
Rate Code: C2

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	10	10
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 18.60	$ 21.00
Arsenic Surcharge:	$ 8.26	$ 8.26
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	- - -	-		-	-	0.00%	-	0.00%
2	1 - 1,000	12	500	6,000	12	25.00%	6,000	2.23%
3	1,001 - 2,000	6	1,758	10,550	18	37.50%	16,550	6.15%
4	2,001 - 3,000	6	2,403	14,420	24	50.00%	30,970	11.51%
5	3,001 - 4,000	1	3,070	3,070	25	52.08%	34,040	12.65%
6	4,001 - 5,000	5	4,440	22,200	30	62.50%	56,240	20.90%
7	5,001 - 6,000	1	5,380	5,380	31	64.58%	61,620	22.90%
8	6,001 - 7,000	2	6,585	13,170	33	68.75%	74,790	27.80%
9	7,001 - 8,000	3	7,463	22,390	36	75.00%	97,180	36.12%
10	8,001 - 9,000	5	8,480	42,400	41	85.42%	139,580	51.88%
11	9,001 - 10,000	1	9,680	9,680	42	87.50%	149,260	55.47%
12	10,001 - 11,000	-		-	42	87.50%	149,260	55.47%
13	11,001 - 12,000	-		-	42	87.50%	149,260	55.47%
14	12,001 - 13,000	-		-	42	87.50%	149,260	55.47%
15	13,001 - 14,000	1	13,750	13,750	43	89.58%	163,010	60.58%
16	14,001 - 15,000	1	14,720	14,720	44	91.67%	177,730	66.06%
17	15,001 - 16,000	-		-	44	91.67%	177,730	66.06%
18	16,001 - 17,000	-		-	44	91.67%	177,730	66.06%
19	17,001 - 18,000	-		-	44	91.67%	177,730	66.06%
20	18,001 - 19,000	-		-	44	91.67%	177,730	66.06%
21	19,001 - 20,000	1	19,530	19,530	45	93.75%	197,260	73.31%
22	20,001 - 21,000	1	20,600	20,600	46	95.83%	217,860	80.97%
23	21,001 - 22,000	-		-	46	95.83%	217,860	80.97%
24	22,001 - 23,000	-		-	46	95.83%	217,860	80.97%
25	23,001 - 24,000	-		-	46	95.83%	217,860	80.97%
26	24,001 - 25,000	1	24,420	24,420	47	97.92%	242,280	90.05%
27	25,001 - 26,000	-		-	47	97.92%	242,280	90.05%
28	26,001 - 27,000	1	26,780	26,780	48	100.00%	269,060	100.00%
29	27,001 - 28,000	-		-	48	100.00%	269,060	100.00%
30	28,001 - 29,000	-		-	48	100.00%	269,060	100.00%
31								
32	Totals	48		269,060	48		269,060	
33	1/2 of Prorated Bills[1]							
34	Equivalent Bills	48						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
35					
36	Base Charge	48	$ 893	48	$ 1,008
37	Arsenic Surcharge	48	396	48	396
38	Usage (gallons)				
39	Tier One	-	$ -	-	$ -
40	Tier Two	209,260	511	209,260	578
41	Tier Three	59,800	188	59,800	213
42	Usage Totals	269,060		269,060	
43	Revenue Totals		$ 1,988		$ 2,195

37	Average Number of Customers: 4
39	Average Consumption (gallons): 5,605
41	Median Consumption (gallons): 3,017

44

45 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
46 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
47 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
48 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
49 to avoid double counting billing units during months when account ownership changes. The reduction is based
50 on the actual number of meters in this class discontinuing and establishing service during the test year.
51

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial
Rate Code: C3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	2	-	-	2	1.39%	-	0.00%
2	1	-	1,000	16	461	7,380	18	12.50%	7,380	0.15%
3	1,001	-	2,000	4	1,615	6,460	22	15.28%	13,840	0.28%
4	2,001	-	3,000	13	2,367	30,770	35	24.31%	44,610	0.90%
5	3,001	-	4,000	4	3,373	13,490	39	27.08%	58,100	1.17%
6	4,001	-	5,000	6	4,448	26,690	45	31.25%	84,790	1.70%
7	5,001	-	6,000	7	5,594	39,160	52	36.11%	123,950	2.49%
8	6,001	-	7,000	2	6,530	13,060	54	37.50%	137,010	2.75%
9	7,001	-	8,000	6	7,543	45,260	60	41.67%	182,270	3.66%
10	8,001	-	9,000	3	8,450	25,350	63	43.75%	207,620	4.17%
11	9,001	-	10,000	2	9,385	18,770	65	45.14%	226,390	4.54%
12	10,001	-	11,000	1	10,940	10,940	66	45.83%	237,330	4.76%
13	11,001	-	12,000	-		-	66	45.83%	237,330	4.76%
14	12,001	-	13,000	1	12,520	12,520	67	46.53%	249,850	5.02%
15	13,001	-	14,000	1	13,230	13,230	68	47.22%	263,080	5.28%
16	14,001	-	15,000	3	14,827	44,480	71	49.31%	307,560	6.17%
17	15,001	-	16,000	2	15,400	30,800	73	50.69%	338,360	6.79%
18	16,001	-	17,000	3	16,867	50,600	76	52.78%	388,960	7.81%
19	17,001	-	18,000	6	17,453	104,720	82	56.94%	493,680	9.91%
20	18,001	-	19,000	4	18,600	74,400	86	59.72%	568,080	11.40%
21	19,001	-	20,000	4	19,310	77,240	90	62.50%	645,320	12.95%
22	20,001	-	21,000	3	20,450	61,350	93	64.58%	706,670	14.18%
23	21,001	-	22,000	4	21,515	86,060	97	67.36%	792,730	15.91%
24	22,001	-	23,000	2	22,380	44,760	99	68.75%	837,490	16.81%
25	23,001	-	24,000	5	23,382	116,910	104	72.22%	954,400	19.16%
26	24,001	-	25,000	2	24,285	48,570	106	73.61%	1,002,970	20.13%
27	25,001	-	26,000	1	25,420	25,420	107	74.31%	1,028,390	20.64%
28	26,001	-	27,000	-		-	107	74.31%	1,028,390	20.64%
29	27,001	-	28,000	-		-	107	74.31%	1,028,390	20.64%
30	28,001	-	29,000	-		-	107	74.31%	1,028,390	20.64%
31	29,001	-	30,000	-		-	107	74.31%	1,028,390	20.64%
32	30,001	-	31,000	-		-	107	74.31%	1,028,390	20.64%
33	31,001	-	32,000	1	31,260	31,260	108	75.00%	1,059,650	21.27%
34	32,001	-	33,000	1	32,850	32,850	109	75.69%	1,092,500	21.93%
35	33,001	-	34,000	-		-	109	75.69%	1,092,500	21.93%
36	34,001	-	35,000	1	34,090	34,090	110	76.39%	1,126,590	22.61%
37	35,001	-	36,000	-		-	110	76.39%	1,126,590	22.61%
38	36,001	-	37,000	-		-	110	76.39%	1,126,590	22.61%
39	37,001	-	38,000	1	37,430	37,430	111	77.08%	1,164,020	23.37%
40	38,001	-	39,000	-		-	111	77.08%	1,164,020	23.37%
41	39,001	-	40,000	-		-	111	77.08%	1,164,020	23.37%
42	40,001	-	41,000	3	40,430	121,290	114	79.17%	1,285,310	25.80%
43	41,001	-	42,000	-		-	114	79.17%	1,285,310	25.80%
44	42,001	-	43,000	-		-	114	79.17%	1,285,310	25.80%
45	43,001	-	44,000	-		-	114	79.17%	1,285,310	25.80%
46	44,001	-	45,000	2	44,385	88,770	116	80.56%	1,374,080	27.58%
47	45,001	-	46,000	1	45,400	45,400	117	81.25%	1,419,480	28.49%
48	46,001	-	47,000	-		-	117	81.25%	1,419,480	28.49%
49	47,001	-	48,000	-		-	117	81.25%	1,419,480	28.49%
50	48,001	-	49,000	1	48,710	48,710	118	81.94%	1,468,190	29.47%
51	49,001	-	50,000	-		-	118	81.94%	1,468,190	29.47%
52	50,001	-	51,000	-		-	118	81.94%	1,468,190	29.47%
53	51,001	-	52,000	-		-	118	81.94%	1,468,190	29.47%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial
Rate Code: C3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	118	81.94%	1,468,190	29.47%
55	53,001 - 54,000	1	53,150	53,150	119	82.64%	1,521,340	30.54%
56	54,001 - 55,000	2	54,550	109,100	121	84.03%	1,630,440	32.73%
57	55,001 - 56,000	-		-	121	84.03%	1,630,440	32.73%
58	56,001 - 57,000	-		-	121	84.03%	1,630,440	32.73%
59	57,001 - 58,000	2	57,795	115,590	123	85.42%	1,746,030	35.05%
60	58,001 - 59,000	-		-	123	85.42%	1,746,030	35.05%
61	59,001 - 60,000	-		-	123	85.42%	1,746,030	35.05%
62	60,001 - 61,000	-		-	123	85.42%	1,746,030	35.05%
63	61,001 - 62,000	1	61,870	61,870	124	86.11%	1,807,900	36.29%
64	62,001 - 63,000	-		-	124	86.11%	1,807,900	36.29%
65	63,001 - 64,000	1	63,290	63,290	125	86.81%	1,871,190	37.56%
66	64,001 - 65,000	-		-	125	86.81%	1,871,190	37.56%
67	65,001 - 66,000	-		-	125	86.81%	1,871,190	37.56%
68	66,001 - 67,000	1	66,100	66,100	126	87.50%	1,937,290	38.89%
69	67,001 - 68,000	-		-	126	87.50%	1,937,290	38.89%
70	68,001 - 69,000	2	68,355	136,710	128	88.89%	2,074,000	41.63%
71	69,001 - 70,000	-		-	128	88.89%	2,074,000	41.63%
72	70,001 - 71,000	-		-	128	88.89%	2,074,000	41.63%
73	71,001 - 72,000	-		-	128	88.89%	2,074,000	41.63%
74	72,001 - 73,000	1	72,150	72,150	129	89.58%	2,146,150	43.08%
75	73,001 - 74,000	-		-	129	89.58%	2,146,150	43.08%
76	74,001 - 75,000	-		-	129	89.58%	2,146,150	43.08%
77	75,001 - 76,000	-		-	129	89.58%	2,146,150	43.08%
78	76,001 - 77,000	1	76,260	76,260	130	90.28%	2,222,410	44.61%
79	77,001 - 78,000	-		-	130	90.28%	2,222,410	44.61%
80	78,001 - 79,000	-		-	130	90.28%	2,222,410	44.61%
81	79,001 - 80,000	-		-	130	90.28%	2,222,410	44.61%
82	80,001 - 81,000	1	80,280	80,280	131	90.97%	2,302,690	46.22%
83	81,001 - 82,000	-		-	131	90.97%	2,302,690	46.22%
84	82,001 - 83,000	-		-	131	90.97%	2,302,690	46.22%
85	83,001 - 84,000	-		-	131	90.97%	2,302,690	46.22%
86	84,001 - 85,000	-		-	131	90.97%	2,302,690	46.22%
87	85,001 - 86,000	-		-	131	90.97%	2,302,690	46.22%
88	86,001 - 87,000	-		-	131	90.97%	2,302,690	46.22%
89	87,001 - 88,000	-		-	131	90.97%	2,302,690	46.22%
90	88,001 - 89,000	-		-	131	90.97%	2,302,690	46.22%
91	89,001 - 90,000	-		-	131	90.97%	2,302,690	46.22%
92	90,001 - 91,000	-		-	131	90.97%	2,302,690	46.22%
93	91,001 - 92,000	-		-	131	90.97%	2,302,690	46.22%
94	92,001 - 93,000	-		-	131	90.97%	2,302,690	46.22%
95	93,001 - 94,000	-		-	131	90.97%	2,302,690	46.22%
96	94,001 - 95,000	-		-	131	90.97%	2,302,690	46.22%
97	95,001 - 96,000	-		-	131	90.97%	2,302,690	46.22%
98	96,001 - 97,000	-		-	131	90.97%	2,302,690	46.22%
99	97,001 - 98,000	-		-	131	90.97%	2,302,690	46.22%
100	98,001 - 99,000	1	98,860	98,860	132	91.67%	2,401,550	48.21%
101	99,001 - 100,000	1	99,830	99,830	133	92.36%	2,501,380	50.21%
102	149,660 - 149,660	1	149,660	149,660	134	93.06%	2,651,040	53.21%
103	151,470 - 151,470	1	151,470	151,470	135	93.75%	2,802,510	56.25%
104	162,510 - 162,510	1	162,510	162,510	136	94.44%	2,965,020	59.52%
105	172,040 - 172,040	1	172,040	172,040	137	95.14%	3,137,060	62.97%
106	172,170 - 172,170	1	172,170	172,170	138	95.83%	3,309,230	66.43%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial
Rate Code: C3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	172,540 - 172,540	1	172,540	172,540	139	96.53%	3,481,770	69.89%
108	204,030 - 204,030	1	204,030	204,030	140	97.22%	3,685,800	73.99%
109	252,980 - 252,980	1	252,980	252,980	141	97.92%	3,938,780	79.06%
110	320,910 - 320,910	1	320,910	320,910	142	98.61%	4,259,690	85.50%
111	327,730 - 327,730	1	327,730	327,730	143	99.31%	4,587,420	92.08%
112	394,400 - 394,400	1	394,400	394,400	144	100.00%	4,981,820	100.00%
113								
114	Totals	144		4,981,820	144		4,981,820	
115	1/2 of Prorated Bills[1]							
116	Equivalent Bills	144						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
117					
118	Base Charge	144	$ 4,464	144	$ 5,040
119	Average Number of Customers 12 — Arsenic Surcharge	144	1,983	144	1,983
120	Usage (gallons)				
121	Average Consumption (gallons) 34,596 — Tier One	-	$ -	-	$ -
122	Tier Two	1,872,490	4,569	1,872,490	5,168
123	Median Consumption (gallons) 15,113 — Tier Three	3,109,330	9,794	3,109,330	11,069
124	Usage Totals	4,981,820		4,981,820	
125	Revenue Totals		$ 20,810		$ 23,260
126					

127 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
128 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
129 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
130 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
131 to avoid double counting billing units during months when account ownership changes. The reduction is based
132 on the actual number of meters in this class discontinuing and establishing service during the test year.
133

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial
Rate Code: C4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	-		-	-	0.00%	-	0.00%
2	1	-	1,000	13	384	4,990	13	13.40%	4,990	0.16%
3	1,001	-	2,000	1	1,230	1,230	14	14.43%	6,220	0.20%
4	2,001	-	3,000	-		-	14	14.43%	6,220	0.20%
5	3,001	-	4,000	-		-	14	14.43%	6,220	0.20%
6	4,001	-	5,000	1	4,900	4,900	15	15.46%	11,120	0.35%
7	5,001	-	6,000	1	6,000	6,000	16	16.49%	17,120	0.54%
8	6,001	-	7,000	2	6,450	12,900	18	18.56%	30,020	0.95%
9	7,001	-	8,000	4	7,625	30,500	22	22.68%	60,520	1.92%
10	8,001	-	9,000	1	8,600	8,600	23	23.71%	69,120	2.19%
11	9,001	-	10,000	2	9,750	19,500	25	25.77%	88,620	2.81%
12	10,001	-	11,000	-		-	25	25.77%	88,620	2.81%
13	11,001	-	12,000	-		-	25	25.77%	88,620	2.81%
14	12,001	-	13,000	-		-	25	25.77%	88,620	2.81%
15	13,001	-	14,000	2	13,300	26,600	27	27.84%	115,220	3.65%
16	14,001	-	15,000	-		-	27	27.84%	115,220	3.65%
17	15,001	-	16,000	3	15,433	46,300	30	30.93%	161,520	5.12%
18	16,001	-	17,000	4	16,625	66,500	34	35.05%	228,020	7.23%
19	17,001	-	18,000	-		-	34	35.05%	228,020	7.23%
20	18,001	-	19,000	-		-	34	35.05%	228,020	7.23%
21	19,001	-	20,000	4	19,450	77,800	38	39.18%	305,820	9.70%
22	20,001	-	21,000	1	21,000	21,000	39	40.21%	326,820	10.36%
23	21,001	-	22,000	3	21,433	64,300	42	43.30%	391,120	12.40%
24	22,001	-	23,000	-		-	42	43.30%	391,120	12.40%
25	23,001	-	24,000	5	23,580	117,900	47	48.45%	509,020	16.14%
26	24,001	-	25,000	-		-	47	48.45%	509,020	16.14%
27	25,001	-	26,000	1	25,700	25,700	48	49.48%	534,720	16.95%
28	26,001	-	27,000	-		-	48	49.48%	534,720	16.95%
29	27,001	-	28,000	-		-	48	49.48%	534,720	16.95%
30	28,001	-	29,000	-		-	48	49.48%	534,720	16.95%
31	29,001	-	30,000	1	29,200	29,200	49	50.52%	563,920	17.88%
32	30,001	-	31,000	4	30,400	121,600	53	54.64%	685,520	21.73%
33	31,001	-	32,000	1	31,900	31,900	54	55.67%	717,420	22.75%
34	32,001	-	33,000	-		-	54	55.67%	717,420	22.75%
35	33,001	-	34,000	1	33,400	33,400	55	56.70%	750,820	23.80%
36	34,001	-	35,000	2	34,550	69,100	57	58.76%	819,920	26.00%
37	35,001	-	36,000	5	35,680	178,400	62	63.92%	998,320	31.65%
38	36,001	-	37,000	3	36,433	109,300	65	67.01%	1,107,620	35.12%
39	37,001	-	38,000	1	37,900	37,900	66	68.04%	1,145,520	36.32%
40	38,001	-	39,000	1	38,900	38,900	67	69.07%	1,184,420	37.55%
41	39,001	-	40,000	-		-	67	69.07%	1,184,420	37.55%
42	40,001	-	41,000	2	40,810	81,620	69	71.13%	1,266,040	40.14%
43	41,001	-	42,000	1	41,600	41,600	70	72.16%	1,307,640	41.46%
44	42,001	-	43,000	1	42,700	42,700	71	73.20%	1,350,340	42.81%
45	43,001	-	44,000	1	43,200	43,200	72	74.23%	1,393,540	44.18%
46	44,001	-	45,000	3	44,473	133,420	75	77.32%	1,526,960	48.41%
47	45,001	-	46,000	-		-	75	77.32%	1,526,960	48.41%
48	46,001	-	47,000	-		-	75	77.32%	1,526,960	48.41%
49	47,001	-	48,000	-		-	75	77.32%	1,526,960	48.41%
50	48,001	-	49,000	1	48,700	48,700	76	78.35%	1,575,660	49.96%
51	49,001	-	50,000	2	49,355	98,710	78	80.41%	1,674,370	53.09%
52	50,001	-	51,000	1	51,000	51,000	79	81.44%	1,725,370	54.70%
53	51,001	-	52,000	1	51,520	51,520	80	82.47%	1,776,890	56.34%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial
Rate Code: C4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001	-	53,000	-		-	80	82.47%	1,776,890	56.34%
55	53,001	-	54,000	2	53,860	107,720	82	84.54%	1,884,610	59.75%
56	54,001	-	55,000	-		-	82	84.54%	1,884,610	59.75%
57	55,001	-	56,000	-		-	82	84.54%	1,884,610	59.75%
58	56,001	-	57,000	1	56,590	56,590	83	85.57%	1,941,200	61.55%
59	57,001	-	58,000	1	58,000	58,000	84	86.60%	1,999,200	63.38%
60	58,001	-	59,000	-		-	84	86.60%	1,999,200	63.38%
61	59,001	-	60,000	1	59,790	59,790	85	87.63%	2,058,990	65.28%
62	60,001	-	61,000	-		-	85	87.63%	2,058,990	65.28%
63	61,001	-	62,000	1	61,100	61,100	86	88.66%	2,120,090	67.22%
64	62,001	-	63,000	1	62,300	62,300	87	89.69%	2,182,390	69.19%
65	63,001	-	64,000	-		-	87	89.69%	2,182,390	69.19%
66	64,001	-	65,000	1	64,600	64,600	88	90.72%	2,246,990	71.24%
67	65,001	-	66,000	-		-	88	90.72%	2,246,990	71.24%
68	66,001	-	67,000	-		-	88	90.72%	2,246,990	71.24%
69	67,001	-	68,000	-		-	88	90.72%	2,246,990	71.24%
70	68,001	-	69,000	-		-	88	90.72%	2,246,990	71.24%
71	69,001	-	70,000	-		-	88	90.72%	2,246,990	71.24%
72	70,001	-	71,000	-		-	88	90.72%	2,246,990	71.24%
73	71,001	-	72,000	-		-	88	90.72%	2,246,990	71.24%
74	72,001	-	73,000	1	72,300	72,300	89	91.75%	2,319,290	73.53%
75	73,001	-	74,000	-		-	89	91.75%	2,319,290	73.53%
76	74,001	-	75,000	-		-	89	91.75%	2,319,290	73.53%
77	75,001	-	76,000	-		-	89	91.75%	2,319,290	73.53%
78	76,001	-	77,000	-		-	89	91.75%	2,319,290	73.53%
79	77,001	-	78,000	-		-	89	91.75%	2,319,290	73.53%
80	78,001	-	79,000	-		-	89	91.75%	2,319,290	73.53%
81	79,001	-	80,000	1	79,700	79,700	90	92.78%	2,398,990	76.06%
82	80,001	-	81,000	1	80,300	80,300	91	93.81%	2,479,290	78.61%
83	81,001	-	82,000	-		-	91	93.81%	2,479,290	78.61%
84	82,001	-	83,000	-		-	91	93.81%	2,479,290	78.61%
85	83,001	-	84,000	-		-	91	93.81%	2,479,290	78.61%
86	84,001	-	85,000	-		-	91	93.81%	2,479,290	78.61%
87	85,001	-	86,000	-		-	91	93.81%	2,479,290	78.61%
88	86,001	-	87,000	1	86,200	86,200	92	94.85%	2,565,490	81.34%
89	87,001	-	88,000	-		-	92	94.85%	2,565,490	81.34%
90	88,001	-	89,000	-		-	92	94.85%	2,565,490	81.34%
91	89,001	-	90,000	-		-	92	94.85%	2,565,490	81.34%
92	90,001	-	91,000	-		-	92	94.85%	2,565,490	81.34%
93	91,001	-	92,000	-		-	92	94.85%	2,565,490	81.34%
94	92,001	-	93,000	1	92,700	92,700	93	95.88%	2,658,190	84.28%
95	93,001	-	94,000	-		-	93	95.88%	2,658,190	84.28%
96	94,001	-	95,000	-		-	93	95.88%	2,658,190	84.28%
97	95,001	-	96,000	-		-	93	95.88%	2,658,190	84.28%
98	96,001	-	97,000	-		-	93	95.88%	2,658,190	84.28%
99	97,001	-	98,000	-		-	93	95.88%	2,658,190	84.28%
100	98,001	-	99,000	-		-	93	95.88%	2,658,190	84.28%
101	99,001	-	100,000	-		-	93	95.88%	2,658,190	84.28%
102	100,700	-	100,700	1	100,700	100,700	94	96.91%	2,758,890	87.47%
103	102,300	-	102,300	1	102,300	102,300	95	97.94%	2,861,190	90.71%
104	126,700	-	126,700	1	126,700	126,700	96	98.97%	2,987,890	94.73%
105	166,200	-	166,200	1	166,200	166,200	97	100.00%	3,154,090	100.00%
106		-	-				97	100.00%	3,154,090	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial
Rate Code: C4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107								
108	Totals	97		3,154,090	97		3,154,090	
109	1/2 of Prorated Bills[1]	(1)						
110	Equivalent Bills	96						
111								
112								
113	Average Number of Customers		8					
114								
115	Average Consumption (gallons)		32,516					
116								
117	Median Consumption (gallons)		22,372					
118								
119								
120								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	96	$ 5,952	96	$ 6,720
Arsenic Surcharge	96	2,644	96	2,644
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	2,753,200	6,718	2,753,200	7,599
Tier Three	400,890	1,263	400,890	1,427
Usage Totals	3,154,090		3,154,090	
Revenue Totals		$ 16,576		$ 18,390

121 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
122 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
123 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
124 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
125 to avoid double counting billing units during months when account ownership changes. The reduction is based
126 on the actual number of meters in this class discontinuing and establishing service during the test year.
127

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial
Rate Code: C5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	12	-	-	12	11.11%	-	0.00%
2	1	-	1,000	-		-	12	11.11%	-	0.00%
3	1,001	-	2,000	2	1,450	2,900	14	12.96%	2,900	0.09%
4	2,001	-	3,000	3	2,833	8,500	17	15.74%	11,400	0.37%
5	3,001	-	4,000	3	3,600	10,800	20	18.52%	22,200	0.72%
6	4,001	-	5,000	4	4,600	18,400	24	22.22%	40,600	1.32%
7	5,001	-	6,000	-		-	24	22.22%	40,600	1.32%
8	6,001	-	7,000	2	6,600	13,200	26	24.07%	53,800	1.75%
9	7,001	-	8,000	1	7,600	7,600	27	25.00%	61,400	2.00%
10	8,001	-	9,000	2	8,100	16,200	29	26.85%	77,600	2.52%
11	9,001	-	10,000	1	9,900	9,900	30	27.78%	87,500	2.84%
12	10,001	-	11,000	1	10,600	10,600	31	28.70%	98,100	3.19%
13	11,001	-	12,000	-		-	31	28.70%	98,100	3.19%
14	12,001	-	13,000	3	12,700	38,100	34	31.48%	136,200	4.43%
15	13,001	-	14,000	2	13,600	27,200	36	33.33%	163,400	5.31%
16	14,001	-	15,000	4	14,425	57,700	40	37.04%	221,100	7.19%
17	15,001	-	16,000	3	15,500	46,500	43	39.81%	267,600	8.70%
18	16,001	-	17,000	2	16,300	32,600	45	41.67%	300,200	9.76%
19	17,001	-	18,000	3	17,567	52,700	48	44.44%	352,900	11.47%
20	18,001	-	19,000	3	18,733	56,200	51	47.22%	409,100	13.30%
21	19,001	-	20,000	2	19,750	39,500	53	49.07%	448,600	14.59%
22	20,001	-	21,000	3	20,667	62,000	56	51.85%	510,600	16.60%
23	21,001	-	22,000	8	21,388	171,100	64	59.26%	681,700	22.16%
24	22,001	-	23,000	5	22,640	113,200	69	63.89%	794,900	25.84%
25	23,001	-	24,000	1	23,800	23,800	70	64.81%	818,700	26.62%
26	24,001	-	25,000	3	24,467	73,400	73	67.59%	892,100	29.01%
27	25,001	-	26,000	1	25,800	25,800	74	68.52%	917,900	29.84%
28	26,001	-	27,000	2	26,600	53,200	76	70.37%	971,100	31.57%
29	27,001	-	28,000	-		-	76	70.37%	971,100	31.57%
30	28,001	-	29,000	-		-	76	70.37%	971,100	31.57%
31	29,001	-	30,000	1	29,500	29,500	77	71.30%	1,000,600	32.53%
32	30,001	-	31,000	1	30,900	30,900	78	72.22%	1,031,500	33.54%
33	31,001	-	32,000	1	31,900	31,900	79	73.15%	1,063,400	34.57%
34	32,001	-	33,000	1	32,500	32,500	80	74.07%	1,095,900	35.63%
35	33,001	-	34,000	1	33,300	33,300	81	75.00%	1,129,200	36.71%
36	34,001	-	35,000	-		-	81	75.00%	1,129,200	36.71%
37	35,001	-	36,000	-		-	81	75.00%	1,129,200	36.71%
38	36,001	-	37,000	-		-	81	75.00%	1,129,200	36.71%
39	37,001	-	38,000	-		-	81	75.00%	1,129,200	36.71%
40	38,001	-	39,000	1	38,600	38,600	82	75.93%	1,167,800	37.97%
41	39,001	-	40,000	-		-	82	75.93%	1,167,800	37.97%
42	40,001	-	41,000	-		-	82	75.93%	1,167,800	37.97%
43	41,001	-	42,000	1	42,000	42,000	83	76.85%	1,209,800	39.33%
44	42,001	-	43,000	-		-	83	76.85%	1,209,800	39.33%
45	43,001	-	44,000	-		-	83	76.85%	1,209,800	39.33%
46	44,001	-	45,000	1	44,800	44,800	84	77.78%	1,254,600	40.79%
47	45,001	-	46,000	1	45,200	45,200	85	78.70%	1,299,800	42.26%
48	46,001	-	47,000	-		-	85	78.70%	1,299,800	42.26%
49	47,001	-	48,000	-		-	85	78.70%	1,299,800	42.26%
50	48,001	-	49,000	1	48,400	48,400	86	79.63%	1,348,200	43.83%
51	49,001	-	50,000	-		-	86	79.63%	1,348,200	43.83%
52	50,001	-	51,000	-		-	86	79.63%	1,348,200	43.83%
53	51,001	-	52,000	1	51,500	51,500	87	80.56%	1,399,700	45.51%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial
Rate Code: C5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	87	80.56%	1,399,700	45.51%
55	53,001 - 54,000	-		-	87	80.56%	1,399,700	45.51%
56	54,001 - 55,000	-		-	87	80.56%	1,399,700	45.51%
57	55,001 - 56,000	1	55,300	55,300	88	81.48%	1,455,000	47.31%
58	56,001 - 57,000	1	56,500	56,500	89	82.41%	1,511,500	49.14%
59	57,001 - 58,000	-		-	89	82.41%	1,511,500	49.14%
60	58,001 - 59,000	4	58,675	234,700	93	86.11%	1,746,200	56.77%
61	59,001 - 60,000	1	59,300	59,300	94	87.04%	1,805,500	58.70%
62	60,001 - 61,000	-		-	94	87.04%	1,805,500	58.70%
63	61,001 - 62,000	1	61,100	61,100	95	87.96%	1,866,600	60.69%
64	62,001 - 63,000	1	62,900	62,900	96	88.89%	1,929,500	62.73%
65	63,001 - 64,000	-		-	96	88.89%	1,929,500	62.73%
66	64,001 - 65,000	1	64,900	64,900	97	89.81%	1,994,400	64.84%
67	65,001 - 66,000	-		-	97	89.81%	1,994,400	64.84%
68	66,001 - 67,000	-		-	97	89.81%	1,994,400	64.84%
69	67,001 - 68,000	-		-	97	89.81%	1,994,400	64.84%
70	68,001 - 69,000	-		-	97	89.81%	1,994,400	64.84%
71	69,001 - 70,000	1	69,020	69,020	98	90.74%	2,063,420	67.09%
72	70,001 - 71,000	-		-	98	90.74%	2,063,420	67.09%
73	71,001 - 72,000	-		-	98	90.74%	2,063,420	67.09%
74	72,001 - 73,000	1	72,800	72,800	99	91.67%	2,136,220	69.46%
75	73,001 - 74,000	-		-	99	91.67%	2,136,220	69.46%
76	74,001 - 75,000	-		-	99	91.67%	2,136,220	69.46%
77	75,001 - 76,000	-		-	99	91.67%	2,136,220	69.46%
78	76,001 - 77,000	-		-	99	91.67%	2,136,220	69.46%
79	77,001 - 78,000	-		-	99	91.67%	2,136,220	69.46%
80	78,001 - 79,000	-		-	99	91.67%	2,136,220	69.46%
81	79,001 - 80,000	-		-	99	91.67%	2,136,220	69.46%
82	80,001 - 81,000	-		-	99	91.67%	2,136,220	69.46%
83	81,001 - 82,000	-		-	99	91.67%	2,136,220	69.46%
84	82,001 - 83,000	1	82,500	82,500	100	92.59%	2,218,720	72.14%
85	83,001 - 84,000	-		-	100	92.59%	2,218,720	72.14%
86	84,001 - 85,000	1	84,430	84,430	101	93.52%	2,303,150	74.88%
87	85,001 - 86,000	-		-	101	93.52%	2,303,150	74.88%
88	86,001 - 87,000	1	86,440	86,440	102	94.44%	2,389,590	77.69%
89	87,001 - 88,000	-		-	102	94.44%	2,389,590	77.69%
90	88,001 - 89,000	-		-	102	94.44%	2,389,590	77.69%
91	89,001 - 90,000	-		-	102	94.44%	2,389,590	77.69%
92	90,001 - 91,000	-		-	102	94.44%	2,389,590	77.69%
93	91,001 - 92,000	-		-	102	94.44%	2,389,590	77.69%
94	92,001 - 93,000	-		-	102	94.44%	2,389,590	77.69%
95	93,001 - 94,000	-		-	102	94.44%	2,389,590	77.69%
96	94,001 - 95,000	-		-	102	94.44%	2,389,590	77.69%
97	95,001 - 96,000	1	95,020	95,020	103	95.37%	2,484,610	80.78%
98	96,001 - 97,000	-		-	103	95.37%	2,484,610	80.78%
99	97,001 - 98,000	-		-	103	95.37%	2,484,610	80.78%
100	98,001 - 99,000	-		-	103	95.37%	2,484,610	80.78%
101	99,001 - 100,000	-		-	103	95.37%	2,484,610	80.78%
102	101,800 - 101,800	1	101,800	101,800	104	96.30%	2,586,410	84.09%
103	110,860 - 110,860	1	110,860	110,860	105	97.22%	2,697,270	87.70%
104	113,100 - 113,100	1	113,100	113,100	106	98.15%	2,810,370	91.37%
105	117,400 - 117,400	1	117,400	117,400	107	99.07%	2,927,770	95.19%
106	147,880 - 147,880	1	147,880	147,880	108	100.00%	3,075,650	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial
Rate Code: C5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107								
108	Totals	108		3,075,650	108		3,075,650	
109	1/2 of Prorated Bills[1]							
110	Equivalent Bills	108						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
111					
112	Base Charge	108	$ 10,692	108	$ 12,096
113	Arsenic Surcharge	108	4,758	108	4,758
114	Usage (gallons)				
115	Tier One	-	$ -	-	$ -
116	Tier Two	2,959,590	7,221	2,959,590	8,168
117	Tier Three	116,060	366	116,060	413
118	Usage Totals	3,075,650		3,075,650	
119	Revenue Totals		$ 23,037		$ 25,436

Average Number of Customers	9
Average Consumption (gallons)	28,478
Median Consumption (gallons)	20,100

120

121 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
122 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
123 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
124 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
125 to avoid double counting billing units during months when account ownership changes. The reduction is based
126 on the actual number of meters in this class discontinuing and establishing service during the test year.
127

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3"
Class: Commercial (Construction)
Rate Code: C6

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):		
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 198.00	$ 198.00
Arsenic Surcharge:	$ 88.12	$ 88.12
Tier One Rate:		
Tier Two Rate:		
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	10	-	-	10	47.62%	-	0.00%
2	1	-	1,000	2	200	400	12	57.14%	400	0.05%
3	1,001	-	2,000	3	1,667	5,000	15	71.43%	5,400	0.61%
4	2,001	-	3,000	-		-	15	71.43%	5,400	0.61%
5	3,001	-	4,000	-		-	15	71.43%	5,400	0.61%
6	4,001	-	5,000	2	4,250	8,500	17	80.95%	13,900	1.57%
7	5,001	-	6,000	-		-	17	80.95%	13,900	1.57%
8	6,001	-	7,000	-		-	17	80.95%	13,900	1.57%
9	7,001	-	8,000	-		-	17	80.95%	13,900	1.57%
10	8,001	-	9,000	-		-	17	80.95%	13,900	1.57%
11	9,001	-	10,000	-		-	17	80.95%	13,900	1.57%
12	10,001	-	11,000	-		-	17	80.95%	13,900	1.57%
13	11,001	-	12,000	-		-	17	80.95%	13,900	1.57%
14	12,001	-	13,000	-		-	17	80.95%	13,900	1.57%
15	13,001	-	14,000	-		-	17	80.95%	13,900	1.57%
16	14,001	-	15,000	-		-	17	80.95%	13,900	1.57%
17	15,001	-	16,000	-		-	17	80.95%	13,900	1.57%
18	16,001	-	17,000	-		-	17	80.95%	13,900	1.57%
19	17,001	-	18,000	-		-	17	80.95%	13,900	1.57%
20	18,001	-	19,000	-		-	17	80.95%	13,900	1.57%
21	19,001	-	20,000	1	19,700	19,700	18	85.71%	33,600	3.79%
22	20,001	-	21,000	-		-	18	85.71%	33,600	3.79%
23	21,001	-	22,000	-		-	18	85.71%	33,600	3.79%
24	22,001	-	23,000	-		-	18	85.71%	33,600	3.79%
25	23,001	-	24,000	-		-	18	85.71%	33,600	3.79%
26	24,001	-	25,000	-		-	18	85.71%	33,600	3.79%
27	25,001	-	26,000	-		-	18	85.71%	33,600	3.79%
28	26,001	-	27,000	-		-	18	85.71%	33,600	3.79%
29	27,001	-	28,000	-		-	18	85.71%	33,600	3.79%
30	28,001	-	29,000	-		-	18	85.71%	33,600	3.79%
31	29,001	-	30,000	-		-	18	85.71%	33,600	3.79%
32	30,001	-	31,000	-		-	18	85.71%	33,600	3.79%
33	31,001	-	32,000	-		-	18	85.71%	33,600	3.79%
34	32,001	-	33,000	-		-	18	85.71%	33,600	3.79%
35	33,001	-	34,000	-		-	18	85.71%	33,600	3.79%
36	34,001	-	35,000	-		-	18	85.71%	33,600	3.79%
37	35,001	-	36,000	-		-	18	85.71%	33,600	3.79%
38	36,001	-	37,000	-		-	18	85.71%	33,600	3.79%
39	37,001	-	38,000	-		-	18	85.71%	33,600	3.79%
40	38,001	-	39,000	-		-	18	85.71%	33,600	3.79%
41	39,001	-	40,000	-		-	18	85.71%	33,600	3.79%
42	40,001	-	41,000	-		-	18	85.71%	33,600	3.79%
43	41,001	-	42,000	-		-	18	85.71%	33,600	3.79%
44	42,001	-	43,000	-		-	18	85.71%	33,600	3.79%
45	43,001	-	44,000	-		-	18	85.71%	33,600	3.79%
46	44,001	-	45,000	-		-	18	85.71%	33,600	3.79%
47	45,001	-	46,000	-		-	18	85.71%	33,600	3.79%
48	46,001	-	47,000	-		-	18	85.71%	33,600	3.79%
49	47,001	-	48,000	-		-	18	85.71%	33,600	3.79%
50	48,001	-	49,000	-		-	18	85.71%	33,600	3.79%
51	49,001	-	50,000	-		-	18	85.71%	33,600	3.79%
52	50,001	-	51,000	-		-	18	85.71%	33,600	3.79%
53	51,001	-	52,000	-		-	18	85.71%	33,600	3.79%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3"
Class: Commercial (Construction)
Rate Code: C6

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):		
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 198.00	$ 198.00
Arsenic Surcharge:	$ 88.12	$ 88.12
Tier One Rate:		
Tier Two Rate:		
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001	-	53,000	-		-	18	85.71%	33,600	3.79%
55	53,001	-	54,000	-		-	18	85.71%	33,600	3.79%
56	54,001	-	55,000	-		-	18	85.71%	33,600	3.79%
57	55,001	-	56,000	-		-	18	85.71%	33,600	3.79%
58	56,001	-	57,000	-		-	18	85.71%	33,600	3.79%
59	57,001	-	58,000	-		-	18	85.71%	33,600	3.79%
60	58,001	-	59,000	-		-	18	85.71%	33,600	3.79%
61	59,001	-	60,000	-		-	18	85.71%	33,600	3.79%
62	60,001	-	61,000	-		-	18	85.71%	33,600	3.79%
63	61,001	-	62,000	-		-	18	85.71%	33,600	3.79%
64	62,001	-	63,000	-		-	18	85.71%	33,600	3.79%
65	63,001	-	64,000	-		-	18	85.71%	33,600	3.79%
66	64,001	-	65,000	-		-	18	85.71%	33,600	3.79%
67	65,001	-	66,000	-		-	18	85.71%	33,600	3.79%
68	66,001	-	67,000	-		-	18	85.71%	33,600	3.79%
69	67,001	-	68,000	-		-	18	85.71%	33,600	3.79%
70	68,001	-	69,000	-		-	18	85.71%	33,600	3.79%
71	69,001	-	70,000	-		-	18	85.71%	33,600	3.79%
72	70,001	-	71,000	-		-	18	85.71%	33,600	3.79%
73	71,001	-	72,000	-		-	18	85.71%	33,600	3.79%
74	72,001	-	73,000	-		-	18	85.71%	33,600	3.79%
75	73,001	-	74,000	-		-	18	85.71%	33,600	3.79%
76	74,001	-	75,000	-		-	18	85.71%	33,600	3.79%
77	75,001	-	76,000	-		-	18	85.71%	33,600	3.79%
78	76,001	-	77,000	-		-	18	85.71%	33,600	3.79%
79	77,001	-	78,000	-		-	18	85.71%	33,600	3.79%
80	78,001	-	79,000	-		-	18	85.71%	33,600	3.79%
81	79,001	-	80,000	-		-	18	85.71%	33,600	3.79%
82	80,001	-	81,000	-		-	18	85.71%	33,600	3.79%
83	81,001	-	82,000	-		-	18	85.71%	33,600	3.79%
84	82,001	-	83,000	-		-	18	85.71%	33,600	3.79%
85	83,001	-	84,000	-		-	18	85.71%	33,600	3.79%
86	84,001	-	85,000	-		-	18	85.71%	33,600	3.79%
87	85,001	-	86,000	-		-	18	85.71%	33,600	3.79%
88	86,001	-	87,000	-		-	18	85.71%	33,600	3.79%
89	87,001	-	88,000	-		-	18	85.71%	33,600	3.79%
90	88,001	-	89,000	-		-	18	85.71%	33,600	3.79%
91	89,001	-	90,000	-		-	18	85.71%	33,600	3.79%
92	90,001	-	91,000	-		-	18	85.71%	33,600	3.79%
93	91,001	-	92,000	-		-	18	85.71%	33,600	3.79%
94	92,001	-	93,000	-		-	18	85.71%	33,600	3.79%
95	93,001	-	94,000	-		-	18	85.71%	33,600	3.79%
96	94,001	-	95,000	-		-	18	85.71%	33,600	3.79%
97	95,001	-	96,000	-		-	18	85.71%	33,600	3.79%
98	96,001	-	97,000	-		-	18	85.71%	33,600	3.79%
99	97,001	-	98,000	-		-	18	85.71%	33,600	3.79%
100	98,001	-	99,000	-		-	18	85.71%	33,600	3.79%
101	99,001	-	100,000	-		-	18	85.71%	33,600	3.79%
102	167,700	-	167,700	1	167,700	167,700	19	90.48%	201,300	22.69%
103	254,200	-	254,200	1	254,200	254,200	20	95.24%	455,500	51.35%
104	431,600	-	431,600	1	431,600	431,600	21	100.00%	887,100	100.00%
105		-	-				21	100.00%	887,100	100.00%
106		-	-				21	100.00%	887,100	100.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 3"
Class: Commercial (Construction)
Rate Code: C6

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):		
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 198.00	$ 198.00
Arsenic Surcharge:	$ 88.12	$ 88.12
Tier One Rate:		
Tier Two Rate:		
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107								
108	Totals	21		887,100	21		887,100	
109	1/2 of Prorated Bills[1]	(4)						
110	Equivalent Bills	17						
111								
112								
113	Average Number of Customers		1					
114								
115	Average Consumption (gallons)		42,243					
116								
117	Median Consumption (gallons)		-					
118								
119								
120								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	17	$ 3,366	17	$ 3,366
Arsenic Surcharge	17	1,498	17	1,498
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	-	-	-	-
Tier Three	887,100	2,794	887,100	3,158
Usage Totals	887,100		887,100	
Revenue Totals		$ 7,658		$ 8,022

121 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
122 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
123 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
124 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
125 to avoid double counting billing units during months when account ownership changes. The reduction is based
126 on the actual number of meters in this class discontinuing and establishing service during the test year.
127

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial (Irrigation)
Rate Code: I3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	-		-	-	0.00%	-	0.00%
2	1	-	1,000	-		-	-	0.00%	-	0.00%
3	1,001	-	2,000	3	1,713	5,140	3	3.30%	5,140	0.15%
4	2,001	-	3,000	6	2,637	15,820	9	9.89%	20,960	0.60%
5	3,001	-	4,000	6	3,393	20,360	15	16.48%	41,320	1.19%
6	4,001	-	5,000	-		-	15	16.48%	41,320	1.19%
7	5,001	-	6,000	6	5,378	32,270	21	23.08%	73,590	2.12%
8	6,001	-	7,000	4	6,350	25,400	25	27.47%	98,990	2.85%
9	7,001	-	8,000	6	7,605	45,630	31	34.07%	144,620	4.16%
10	8,001	-	9,000	-		-	31	34.07%	144,620	4.16%
11	9,001	-	10,000	2	9,330	18,660	33	36.26%	163,280	4.70%
12	10,001	-	11,000	-		-	33	36.26%	163,280	4.70%
13	11,001	-	12,000	3	11,353	34,060	36	39.56%	197,340	5.68%
14	12,001	-	13,000	1	12,930	12,930	37	40.66%	210,270	6.05%
15	13,001	-	14,000	1	13,830	13,830	38	41.76%	224,100	6.45%
16	14,001	-	15,000	6	14,477	86,860	44	48.35%	310,960	8.95%
17	15,001	-	16,000	2	15,560	31,120	46	50.55%	342,080	9.84%
18	16,001	-	17,000	-		-	46	50.55%	342,080	9.84%
19	17,001	-	18,000	2	17,650	35,300	48	52.75%	377,380	10.86%
20	18,001	-	19,000	1	18,410	18,410	49	53.85%	395,790	11.39%
21	19,001	-	20,000	1	19,520	19,520	50	54.95%	415,310	11.95%
22	20,001	-	21,000	1	20,520	20,520	51	56.04%	435,830	12.54%
23	21,001	-	22,000	1	21,030	21,030	52	57.14%	456,860	13.15%
24	22,001	-	23,000	1	22,190	22,190	53	58.24%	479,050	13.79%
25	23,001	-	24,000	-		-	53	58.24%	479,050	13.79%
26	24,001	-	25,000	-		-	53	58.24%	479,050	13.79%
27	25,001	-	26,000	1	25,520	25,520	54	59.34%	504,570	14.52%
28	26,001	-	27,000	2	26,655	53,310	56	61.54%	557,880	16.05%
29	27,001	-	28,000	-		-	56	61.54%	557,880	16.05%
30	28,001	-	29,000	-		-	56	61.54%	557,880	16.05%
31	29,001	-	30,000	2	29,395	58,790	58	63.74%	616,670	17.75%
32	30,001	-	31,000	1	30,030	30,030	59	64.84%	646,700	18.61%
33	31,001	-	32,000	-		-	59	64.84%	646,700	18.61%
34	32,001	-	33,000	4	32,575	130,300	63	69.23%	777,000	22.36%
35	33,001	-	34,000	2	33,730	67,460	65	71.43%	844,460	24.30%
36	34,001	-	35,000	1	34,210	34,210	66	72.53%	878,670	25.29%
37	35,001	-	36,000	1	35,680	35,680	67	73.63%	914,350	26.31%
38	36,001	-	37,000	1	36,410	36,410	68	74.73%	950,760	27.36%
39	37,001	-	38,000	-		-	68	74.73%	950,760	27.36%
40	38,001	-	39,000	1	38,170	38,170	69	75.82%	988,930	28.46%
41	39,001	-	40,000	-		-	69	75.82%	988,930	28.46%
42	40,001	-	41,000	-		-	69	75.82%	988,930	28.46%
43	41,001	-	42,000	-		-	69	75.82%	988,930	28.46%
44	42,001	-	43,000	-		-	69	75.82%	988,930	28.46%
45	43,001	-	44,000	1	43,440	43,440	70	76.92%	1,032,370	29.71%
46	44,001	-	45,000	-		-	70	76.92%	1,032,370	29.71%
47	45,001	-	46,000	-		-	70	76.92%	1,032,370	29.71%
48	46,001	-	47,000	1	46,670	46,670	71	78.02%	1,079,040	31.05%
49	47,001	-	48,000	-		-	71	78.02%	1,079,040	31.05%
50	48,001	-	49,000	-		-	71	78.02%	1,079,040	31.05%
51	49,001	-	50,000	-		-	71	78.02%	1,079,040	31.05%
52	50,001	-	51,000	-		-	71	78.02%	1,079,040	31.05%
53	51,001	-	52,000	1	51,790	51,790	72	79.12%	1,130,830	32.54%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial (Irrigation)
Rate Code: I3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	72	79.12%	1,130,830	32.54%
55	53,001 - 54,000	1	53,940	53,940	73	80.22%	1,184,770	34.09%
56	54,001 - 55,000	-		-	73	80.22%	1,184,770	34.09%
57	55,001 - 56,000	-		-	73	80.22%	1,184,770	34.09%
58	56,001 - 57,000	-		-	73	80.22%	1,184,770	34.09%
59	57,001 - 58,000	-		-	73	80.22%	1,184,770	34.09%
60	58,001 - 59,000	-		-	73	80.22%	1,184,770	34.09%
61	59,001 - 60,000	1	59,010	59,010	74	81.32%	1,243,780	35.79%
62	60,001 - 61,000	-		-	74	81.32%	1,243,780	35.79%
63	61,001 - 62,000	1	61,060	61,060	75	82.42%	1,304,840	37.55%
64	62,001 - 63,000	-		-	75	82.42%	1,304,840	37.55%
65	63,001 - 64,000	-		-	75	82.42%	1,304,840	37.55%
66	64,001 - 65,000	-		-	75	82.42%	1,304,840	37.55%
67	65,001 - 66,000	-		-	75	82.42%	1,304,840	37.55%
68	66,001 - 67,000	1	66,840	66,840	76	83.52%	1,371,680	39.47%
69	67,001 - 68,000	-		-	76	83.52%	1,371,680	39.47%
70	68,001 - 69,000	-		-	76	83.52%	1,371,680	39.47%
71	69,001 - 70,000	2	69,815	139,630	78	85.71%	1,511,310	43.49%
72	70,001 - 71,000	-		-	78	85.71%	1,511,310	43.49%
73	71,001 - 72,000	-		-	78	85.71%	1,511,310	43.49%
74	72,001 - 73,000	1	72,950	72,950	79	86.81%	1,584,260	45.59%
75	73,001 - 74,000	1	73,390	73,390	80	87.91%	1,657,650	47.70%
76	74,001 - 75,000	-		-	80	87.91%	1,657,650	47.70%
77	75,001 - 76,000	-		-	80	87.91%	1,657,650	47.70%
78	76,001 - 77,000	-		-	80	87.91%	1,657,650	47.70%
79	77,001 - 78,000	1	78,000	78,000	81	89.01%	1,735,650	49.95%
80	78,001 - 79,000	-		-	81	89.01%	1,735,650	49.95%
81	79,001 - 80,000	-		-	81	89.01%	1,735,650	49.95%
82	80,001 - 81,000	-		-	81	89.01%	1,735,650	49.95%
83	81,001 - 82,000	-		-	81	89.01%	1,735,650	49.95%
84	82,001 - 83,000	-		-	81	89.01%	1,735,650	49.95%
85	83,001 - 84,000	-		-	81	89.01%	1,735,650	49.95%
86	84,001 - 85,000	-		-	81	89.01%	1,735,650	49.95%
87	85,001 - 86,000	-		-	81	89.01%	1,735,650	49.95%
88	86,001 - 87,000	-		-	81	89.01%	1,735,650	49.95%
89	87,001 - 88,000	-		-	81	89.01%	1,735,650	49.95%
90	88,001 - 89,000	-		-	81	89.01%	1,735,650	49.95%
91	89,001 - 90,000	-		-	81	89.01%	1,735,650	49.95%
92	90,001 - 91,000	-		-	81	89.01%	1,735,650	49.95%
93	91,001 - 92,000	1	91,380	91,380	82	90.11%	1,827,030	52.58%
94	92,001 - 93,000	-		-	82	90.11%	1,827,030	52.58%
95	93,001 - 94,000	-		-	82	90.11%	1,827,030	52.58%
96	94,001 - 95,000	-		-	82	90.11%	1,827,030	52.58%
97	95,001 - 96,000	-		-	82	90.11%	1,827,030	52.58%
98	96,001 - 97,000	-		-	82	90.11%	1,827,030	52.58%
99	97,001 - 98,000	-		-	82	90.11%	1,827,030	52.58%
100	98,001 - 99,000	-		-	82	90.11%	1,827,030	52.58%
101	99,001 - 100,000	-		-	82	90.11%	1,827,030	52.58%
102	115,690 - 115,690	1	115,690	115,690	83	91.21%	1,942,720	55.91%
103	139,700 - 139,700	1	139,700	139,700	84	92.31%	2,082,420	59.93%
104	143,080 - 143,080	1	143,080	143,080	85	93.41%	2,225,500	64.04%
105	196,210 - 196,210	1	196,210	196,210	86	94.51%	2,421,710	69.69%
106	198,720 - 198,720	1	198,720	198,720	87	95.60%	2,620,430	75.41%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1"
Class: Commercial (Irrigation)
Rate Code: I3

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	23	23
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 31.00	$ 35.00
Arsenic Surcharge:	$ 13.77	$ 13.77
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	201,030 - 201,030	1	201,030	201,030	88	96.70%	2,821,460	81.19%
108	205,330 - 205,330	1	205,330	205,330	89	97.80%	3,026,790	87.10%
109	215,840 - 215,840	1	215,840	215,840	90	98.90%	3,242,630	93.32%
110	232,290 - 232,290	1	232,290	232,290	91	100.00%	3,474,920	100.00%
111								
112	Totals	91		3,474,920	91		3,474,920	
113	1/2 of Prorated Bills[1]							
114	Equivalent Bills	91						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
115					
116	Base Charge	91	$ 2,821	91	$ 3,185
117	Arsenic Surcharge	91	1,253	91	1,253
118	Usage (gallons)				
119	Tier One	-	$ -	-	$ -
120	Tier Two	1,353,050	3,301	1,353,050	3,734
121	Tier Three	2,121,870	6,684	2,121,870	7,554
122	Usage Totals	3,474,920		3,474,920	
123	Revenue Totals		$ 14,059		$ 15,726

114	Average Number of Customers	8
119	Average Consumption (gallons)	38,186
121	Median Consumption (gallons)	14,638

124

125 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
126 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
127 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
128 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
129 to avoid double counting billing units during months when account ownership changes. The reduction is based
130 on the actual number of meters in this class discontinuing and establishing service during the test year.
131

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial (Irrigation)
Rate Code: I4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	- - -	4	-	-	4	11.11%	-	0.00%
2	1 - 1,000	-		-	4	11.11%	-	0.00%
3	1,001 - 2,000	1	1,800	1,800	5	13.89%	1,800	0.05%
4	2,001 - 3,000	3	2,467	7,400	8	22.22%	9,200	0.27%
5	3,001 - 4,000	2	3,400	6,800	10	27.78%	16,000	0.47%
6	4,001 - 5,000	-		-	10	27.78%	16,000	0.47%
7	5,001 - 6,000	-		-	10	27.78%	16,000	0.47%
8	6,001 - 7,000	1	6,100	6,100	11	30.56%	22,100	0.65%
9	7,001 - 8,000	1	7,100	7,100	12	33.33%	29,200	0.86%
10	8,001 - 9,000	-		-	12	33.33%	29,200	0.86%
11	9,001 - 10,000	1	9,200	9,200	13	36.11%	38,400	1.14%
12	10,001 - 11,000	-		-	13	36.11%	38,400	1.14%
13	11,001 - 12,000	-		-	13	36.11%	38,400	1.14%
14	12,001 - 13,000	-		-	13	36.11%	38,400	1.14%
15	13,001 - 14,000	2	13,500	27,000	15	41.67%	65,400	1.94%
16	14,001 - 15,000	-		-	15	41.67%	65,400	1.94%
17	15,001 - 16,000	-		-	15	41.67%	65,400	1.94%
18	16,001 - 17,000	1	16,300	16,300	16	44.44%	81,700	2.42%
19	17,001 - 18,000	-		-	16	44.44%	81,700	2.42%
20	18,001 - 19,000	-		-	16	44.44%	81,700	2.42%
21	19,001 - 20,000	-		-	16	44.44%	81,700	2.42%
22	20,001 - 21,000	-		-	16	44.44%	81,700	2.42%
23	21,001 - 22,000	-		-	16	44.44%	81,700	2.42%
24	22,001 - 23,000	1	23,000	23,000	17	47.22%	104,700	3.10%
25	23,001 - 24,000	-		-	17	47.22%	104,700	3.10%
26	24,001 - 25,000	-		-	17	47.22%	104,700	3.10%
27	25,001 - 26,000	1	25,900	25,900	18	50.00%	130,600	3.87%
28	26,001 - 27,000	-		-	18	50.00%	130,600	3.87%
29	27,001 - 28,000	-		-	18	50.00%	130,600	3.87%
30	28,001 - 29,000	-		-	18	50.00%	130,600	3.87%
31	29,001 - 30,000	-		-	18	50.00%	130,600	3.87%
32	30,001 - 31,000	-		-	18	50.00%	130,600	3.87%
33	31,001 - 32,000	1	31,700	31,700	19	52.78%	162,300	4.80%
34	32,001 - 33,000	-		-	19	52.78%	162,300	4.80%
35	33,001 - 34,000	-		-	19	52.78%	162,300	4.80%
36	34,001 - 35,000	-		-	19	52.78%	162,300	4.80%
37	35,001 - 36,000	-		-	19	52.78%	162,300	4.80%
38	36,001 - 37,000	-		-	19	52.78%	162,300	4.80%
39	37,001 - 38,000	-		-	19	52.78%	162,300	4.80%
40	38,001 - 39,000	-		-	19	52.78%	162,300	4.80%
41	39,001 - 40,000	-		-	19	52.78%	162,300	4.80%
42	40,001 - 41,000	1	40,400	40,400	20	55.56%	202,700	6.00%
43	41,001 - 42,000	-		-	20	55.56%	202,700	6.00%
44	42,001 - 43,000	-		-	20	55.56%	202,700	6.00%
45	43,001 - 44,000	-		-	20	55.56%	202,700	6.00%
46	44,001 - 45,000	-		-	20	55.56%	202,700	6.00%
47	45,001 - 46,000	-		-	20	55.56%	202,700	6.00%
48	46,001 - 47,000	-		-	20	55.56%	202,700	6.00%
49	47,001 - 48,000	-		-	20	55.56%	202,700	6.00%
50	48,001 - 49,000	-		-	20	55.56%	202,700	6.00%
51	49,001 - 50,000	-		-	20	55.56%	202,700	6.00%
52	50,001 - 51,000	-		-	20	55.56%	202,700	6.00%
53	51,001 - 52,000	-		-	20	55.56%	202,700	6.00%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: *Commercial (Irrigation)*
Rate Code: I4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	20	55.56%	202,700	6.00%
55	53,001 - 54,000	-		-	20	55.56%	202,700	6.00%
56	54,001 - 55,000	-		-	20	55.56%	202,700	6.00%
57	55,001 - 56,000	-		-	20	55.56%	202,700	6.00%
58	56,001 - 57,000	1	56,200	56,200	21	58.33%	258,900	7.66%
59	57,001 - 58,000	-		-	21	58.33%	258,900	7.66%
60	58,001 - 59,000	-		-	21	58.33%	258,900	7.66%
61	59,001 - 60,000	-		-	21	58.33%	258,900	7.66%
62	60,001 - 61,000	-		-	21	58.33%	258,900	7.66%
63	61,001 - 62,000	-		-	21	58.33%	258,900	7.66%
64	62,001 - 63,000	-		-	21	58.33%	258,900	7.66%
65	63,001 - 64,000	1	63,500	63,500	22	61.11%	322,400	9.54%
66	64,001 - 65,000	-		-	22	61.11%	322,400	9.54%
67	65,001 - 66,000	-		-	22	61.11%	322,400	9.54%
68	66,001 - 67,000	1	66,200	66,200	23	63.89%	388,600	11.50%
69	67,001 - 68,000	-		-	23	63.89%	388,600	11.50%
70	68,001 - 69,000	-		-	23	63.89%	388,600	11.50%
71	69,001 - 70,000	-		-	23	63.89%	388,600	11.50%
72	70,001 - 71,000	-		-	23	63.89%	388,600	11.50%
73	71,001 - 72,000	-		-	23	63.89%	388,600	11.50%
74	72,001 - 73,000	-		-	23	63.89%	388,600	11.50%
75	73,001 - 74,000	-		-	23	63.89%	388,600	11.50%
76	74,001 - 75,000	-		-	23	63.89%	388,600	11.50%
77	75,001 - 76,000	-		-	23	63.89%	388,600	11.50%
78	76,001 - 77,000	-		-	23	63.89%	388,600	11.50%
79	77,001 - 78,000	-		-	23	63.89%	388,600	11.50%
80	78,001 - 79,000	-		-	23	63.89%	388,600	11.50%
81	79,001 - 80,000	-		-	23	63.89%	388,600	11.50%
82	80,001 - 81,000	-		-	23	63.89%	388,600	11.50%
83	81,001 - 82,000	-		-	23	63.89%	388,600	11.50%
84	82,001 - 83,000	1	82,700	82,700	24	66.67%	471,300	13.95%
85	83,001 - 84,000	-		-	24	66.67%	471,300	13.95%
86	84,001 - 85,000	-		-	24	66.67%	471,300	13.95%
87	85,001 - 86,000	-		-	24	66.67%	471,300	13.95%
88	86,001 - 87,000	-		-	24	66.67%	471,300	13.95%
89	87,001 - 88,000	-		-	24	66.67%	471,300	13.95%
90	88,001 - 89,000	-		-	24	66.67%	471,300	13.95%
91	89,001 - 90,000	-		-	24	66.67%	471,300	13.95%
92	90,001 - 91,000	-		-	24	66.67%	471,300	13.95%
93	91,001 - 92,000	-		-	24	66.67%	471,300	13.95%
94	92,001 - 93,000	-		-	24	66.67%	471,300	13.95%
95	93,001 - 94,000	-		-	24	66.67%	471,300	13.95%
96	94,001 - 95,000	-		-	24	66.67%	471,300	13.95%
97	95,001 - 96,000	-		-	24	66.67%	471,300	13.95%
98	96,001 - 97,000	-		-	24	66.67%	471,300	13.95%
99	97,001 - 98,000	1	97,100	97,100	25	69.44%	568,400	16.83%
100	98,001 - 99,000	-		-	25	69.44%	568,400	16.83%
101	99,001 - 100,000	-		-	25	69.44%	568,400	16.83%
102	110,200 - 110,200	1	110,200	110,200	26	72.22%	678,600	20.09%
103	130,400 - 130,400	1	130,400	130,400	27	75.00%	809,000	23.95%
104	136,300 - 136,300	1	136,300	136,300	28	77.78%	945,300	27.98%
105	162,700 - 162,700	1	162,700	162,700	29	80.56%	1,108,000	32.80%
106	181,300 - 181,300	1	181,300	181,300	30	83.33%	1,289,300	38.17%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 1 1/2"
Class: Commercial (Irrigation)
Rate Code: I4

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	58	58
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 62.00	$ 70.00
Arsenic Surcharge:	$ 27.54	$ 27.54
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	181,900 - 181,900	1	181,900	181,900	31	86.11%	1,471,200	43.55%
108	207,100 - 207,100	1	207,100	207,100	32	88.89%	1,678,300	49.68%
109	266,100 - 266,100	1	266,100	266,100	33	91.67%	1,944,400	57.56%
110	292,500 - 292,500	1	292,500	292,500	34	94.44%	2,236,900	66.22%
111	537,900 - 537,900	1	537,900	537,900	35	97.22%	2,774,800	82.14%
112	603,200 - 603,200	1	603,200	603,200	36	100.00%	3,378,000	100.00%
113								
114	Totals	36		3,378,000	36		3,378,000	
115	1/2 of Prorated Bills[1]							
116	Equivalent Bills	36						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
117					
118	Base Charge	36	$ 2,232	36	$ 2,520
119	Arsenic Surcharge	36	991	36	991
120	Usage (gallons)				
121	Tier One	-	$ -	-	$ -
122	Tier Two	1,128,900	2,755	1,128,900	3,116
123	Tier Three	2,249,100	7,085	2,249,100	8,007
124	Usage Totals	3,378,000		3,378,000	
125	Revenue Totals		$ 13,063		$ 14,634

126	
127	Average Number of Customers 3
128	
129	Average Consumption (gallons) 93,833
130	
131	Median Consumption (gallons) 25,900
132	
133	

[1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
When homes change ownership during a month, two bills are generated. One for each owner for the portion of the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary to avoid double counting billing units during months when account ownership changes. The reduction is based on the actual number of meters in this class discontinuing and establishing service during the test year.

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Irrigation)
Rate Code: I5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	-	-	-	1	-	-	1	1.04%	-	0.00%
2	1	-	1,000	1	600	600	2	2.08%	600	0.00%
3	1,001	-	2,000	-		-	2	2.08%	600	0.00%
4	2,001	-	3,000	-		-	2	2.08%	600	0.00%
5	3,001	-	4,000	2	3,850	7,700	4	4.17%	8,300	0.03%
6	4,001	-	5,000	-		-	4	4.17%	8,300	0.03%
7	5,001	-	6,000	1	5,400	5,400	5	5.21%	13,700	0.04%
8	6,001	-	7,000	-		-	5	5.21%	13,700	0.04%
9	7,001	-	8,000	2	7,650	15,300	7	7.29%	29,000	0.09%
10	8,001	-	9,000	-		-	7	7.29%	29,000	0.09%
11	9,001	-	10,000	1	9,800	9,800	8	8.33%	38,800	0.12%
12	10,001	-	11,000	1	10,800	10,800	9	9.38%	49,600	0.15%
13	11,001	-	12,000	1	11,300	11,300	10	10.42%	60,900	0.19%
14	12,001	-	13,000	-		-	10	10.42%	60,900	0.19%
15	13,001	-	14,000	-		-	10	10.42%	60,900	0.19%
16	14,001	-	15,000	-		-	10	10.42%	60,900	0.19%
17	15,001	-	16,000	-		-	10	10.42%	60,900	0.19%
18	16,001	-	17,000	-		-	10	10.42%	60,900	0.19%
19	17,001	-	18,000	1	18,000	18,000	11	11.46%	78,900	0.24%
20	18,001	-	19,000	1	18,600	18,600	12	12.50%	97,500	0.30%
21	19,001	-	20,000	-		-	12	12.50%	97,500	0.30%
22	20,001	-	21,000	2	20,220	40,440	14	14.58%	137,940	0.42%
23	21,001	-	22,000	-		-	14	14.58%	137,940	0.42%
24	22,001	-	23,000	-		-	14	14.58%	137,940	0.42%
25	23,001	-	24,000	-		-	14	14.58%	137,940	0.42%
26	24,001	-	25,000	-		-	14	14.58%	137,940	0.42%
27	25,001	-	26,000	1	25,700	25,700	15	15.63%	163,640	0.50%
28	26,001	-	27,000	1	27,000	27,000	16	16.67%	190,640	0.59%
29	27,001	-	28,000	1	27,800	27,800	17	17.71%	218,440	0.67%
30	28,001	-	29,000	1	28,100	28,100	18	18.75%	246,540	0.76%
31	29,001	-	30,000	-		-	18	18.75%	246,540	0.76%
32	30,001	-	31,000	-		-	18	18.75%	246,540	0.76%
33	31,001	-	32,000	-		-	18	18.75%	246,540	0.76%
34	32,001	-	33,000	-		-	18	18.75%	246,540	0.76%
35	33,001	-	34,000	-		-	18	18.75%	246,540	0.76%
36	34,001	-	35,000	-		-	18	18.75%	246,540	0.76%
37	35,001	-	36,000	2	35,550	71,100	20	20.83%	317,640	0.98%
38	36,001	-	37,000	-		-	20	20.83%	317,640	0.98%
39	37,001	-	38,000	-		-	20	20.83%	317,640	0.98%
40	38,001	-	39,000	1	38,200	38,200	21	21.88%	355,840	1.10%
41	39,001	-	40,000	-		-	21	21.88%	355,840	1.10%
42	40,001	-	41,000	-		-	21	21.88%	355,840	1.10%
43	41,001	-	42,000	-		-	21	21.88%	355,840	1.10%
44	42,001	-	43,000	-		-	21	21.88%	355,840	1.10%
45	43,001	-	44,000	-		-	21	21.88%	355,840	1.10%
46	44,001	-	45,000	-		-	21	21.88%	355,840	1.10%
47	45,001	-	46,000	1	45,300	45,300	22	22.92%	401,140	1.24%
48	46,001	-	47,000	1	46,200	46,200	23	23.96%	447,340	1.38%
49	47,001	-	48,000	-		-	23	23.96%	447,340	1.38%
50	48,001	-	49,000	-		-	23	23.96%	447,340	1.38%
51	49,001	-	50,000	-		-	23	23.96%	447,340	1.38%
52	50,001	-	51,000	-		-	23	23.96%	447,340	1.38%
53	51,001	-	52,000	-		-	23	23.96%	447,340	1.38%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Irrigation)
Rate Code: I5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
54	52,001 - 53,000	-		-	23	23.96%	447,340	1.38%
55	53,001 - 54,000	-		-	23	23.96%	447,340	1.38%
56	54,001 - 55,000	-		-	23	23.96%	447,340	1.38%
57	55,001 - 56,000	-		-	23	23.96%	447,340	1.38%
58	56,001 - 57,000	-		-	23	23.96%	447,340	1.38%
59	57,001 - 58,000	-		-	23	23.96%	447,340	1.38%
60	58,001 - 59,000	-		-	23	23.96%	447,340	1.38%
61	59,001 - 60,000	-		-	23	23.96%	447,340	1.38%
62	60,001 - 61,000	-		-	23	23.96%	447,340	1.38%
63	61,001 - 62,000	2	61,850	123,700	25	26.04%	571,040	1.76%
64	62,001 - 63,000	-		-	25	26.04%	571,040	1.76%
65	63,001 - 64,000	-		-	25	26.04%	571,040	1.76%
66	64,001 - 65,000	-		-	25	26.04%	571,040	1.76%
67	65,001 - 66,000	-		-	25	26.04%	571,040	1.76%
68	66,001 - 67,000	-		-	25	26.04%	571,040	1.76%
69	67,001 - 68,000	-		-	25	26.04%	571,040	1.76%
70	68,001 - 69,000	-		-	25	26.04%	571,040	1.76%
71	69,001 - 70,000	-		-	25	26.04%	571,040	1.76%
72	70,001 - 71,000	-		-	25	26.04%	571,040	1.76%
73	71,001 - 72,000	-		-	25	26.04%	571,040	1.76%
74	72,001 - 73,000	1	73,000	73,000	26	27.08%	644,040	1.98%
75	73,001 - 74,000	-		-	26	27.08%	644,040	1.98%
76	74,001 - 75,000	-		-	26	27.08%	644,040	1.98%
77	75,001 - 76,000	-		-	26	27.08%	644,040	1.98%
78	76,001 - 77,000	-		-	26	27.08%	644,040	1.98%
79	77,001 - 78,000	-		-	26	27.08%	644,040	1.98%
80	78,001 - 79,000	1	78,800	78,800	27	28.13%	722,840	2.23%
81	79,001 - 80,000	-		-	27	28.13%	722,840	2.23%
82	80,001 - 81,000	1	81,000	81,000	28	29.17%	803,840	2.48%
83	81,001 - 82,000	-		-	28	29.17%	803,840	2.48%
84	82,001 - 83,000	-		-	28	29.17%	803,840	2.48%
85	83,001 - 84,000	-		-	28	29.17%	803,840	2.48%
86	84,001 - 85,000	-		-	28	29.17%	803,840	2.48%
87	85,001 - 86,000	-		-	28	29.17%	803,840	2.48%
88	86,001 - 87,000	-		-	28	29.17%	803,840	2.48%
89	87,001 - 88,000	-		-	28	29.17%	803,840	2.48%
90	88,001 - 89,000	1	88,200	88,200	29	30.21%	892,040	2.75%
91	89,001 - 90,000	-		-	29	30.21%	892,040	2.75%
92	90,001 - 91,000	1	90,500	90,500	30	31.25%	982,540	3.03%
93	91,001 - 92,000	-		-	30	31.25%	982,540	3.03%
94	92,001 - 93,000	-		-	30	31.25%	982,540	3.03%
95	93,001 - 94,000	-		-	30	31.25%	982,540	3.03%
96	94,001 - 95,000	2	94,850	189,700	32	33.33%	1,172,240	3.61%
97	95,001 - 96,000	-		-	32	33.33%	1,172,240	3.61%
98	96,001 - 97,000	-		-	32	33.33%	1,172,240	3.61%
99	97,001 - 98,000	-		-	32	33.33%	1,172,240	3.61%
100	98,001 - 99,000	-		-	32	33.33%	1,172,240	3.61%
101	99,001 - 100,000	-		-	32	33.33%	1,172,240	3.61%
102	106,200 - 106,200	1	106,200	106,200	33	34.38%	1,278,440	3.94%
103	111,000 - 111,000	1	111,000	111,000	34	35.42%	1,389,440	4.28%
104	121,700 - 121,700	1	121,700	121,700	35	36.46%	1,511,140	4.65%
105	129,000 - 129,000	1	129,000	129,000	36	37.50%	1,640,140	5.05%
106	129,900 - 129,900	1	129,900	129,900	37	38.54%	1,770,040	5.45%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Irrigation)
Rate Code: I5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block			Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
107	130,100	-	130,100	1	130,100	130,100	38	39.58%	1,900,140	5.85%
108	131,100	-	131,100	1	131,100	131,100	39	40.63%	2,031,240	6.26%
109	132,000	-	132,000	1	132,000	132,000	40	41.67%	2,163,240	6.66%
110	135,400	-	135,400	1	135,400	135,400	41	42.71%	2,298,640	7.08%
111	137,100	-	137,100	1	137,100	137,100	42	43.75%	2,435,740	7.50%
112	155,100	-	155,100	1	155,100	155,100	43	44.79%	2,590,840	7.98%
113	173,300	-	173,300	1	173,300	173,300	44	45.83%	2,764,140	8.51%
114	174,200	-	174,200	1	174,200	174,200	45	46.88%	2,938,340	9.05%
115	177,600	-	177,600	1	177,600	177,600	46	47.92%	3,115,940	9.60%
116	184,400	-	184,400	1	184,400	184,400	47	48.96%	3,300,340	10.17%
117	190,000	-	190,000	1	190,000	190,000	48	50.00%	3,490,340	10.75%
118	191,700	-	191,700	1	191,700	191,700	49	51.04%	3,682,040	11.34%
119	193,200	-	193,200	1	193,200	193,200	50	52.08%	3,875,240	11.94%
120	198,000	-	198,000	1	198,000	198,000	51	53.13%	4,073,240	12.55%
121	203,200	-	203,200	1	203,200	203,200	52	54.17%	4,276,440	13.17%
122	208,800	-	208,800	1	208,800	208,800	53	55.21%	4,485,240	13.82%
123	210,900	-	210,900	1	210,900	210,900	54	56.25%	4,696,140	14.47%
124	211,300	-	211,300	1	211,300	211,300	55	57.29%	4,907,440	15.12%
125	216,000	-	216,000	1	216,000	216,000	56	58.33%	5,123,440	15.78%
126	220,900	-	220,900	1	220,900	220,900	57	59.38%	5,344,340	16.46%
127	238,000	-	238,000	1	238,000	238,000	58	60.42%	5,582,340	17.19%
128	243,600	-	243,600	1	243,600	243,600	59	61.46%	5,825,940	17.95%
129	246,600	-	246,600	1	246,600	246,600	60	62.50%	6,072,540	18.70%
130	247,400	-	247,400	1	247,400	247,400	61	63.54%	6,319,940	19.47%
131	258,900	-	258,900	1	258,900	258,900	62	64.58%	6,578,840	20.26%
132	268,700	-	268,700	1	268,700	268,700	63	65.63%	6,847,540	21.09%
133	270,000	-	270,000	1	270,000	270,000	64	66.67%	7,117,540	21.92%
134	291,000	-	291,000	1	291,000	291,000	65	67.71%	7,408,540	22.82%
135	295,100	-	295,100	1	295,100	295,100	66	68.75%	7,703,640	23.73%
136	305,100	-	305,100	1	305,100	305,100	67	69.79%	8,008,740	24.67%
137	306,000	-	306,000	1	306,000	306,000	68	70.83%	8,314,740	25.61%
138	354,000	-	354,000	1	354,000	354,000	69	71.88%	8,668,740	26.70%
139	358,800	-	358,800	1	358,800	358,800	70	72.92%	9,027,540	27.81%
140	389,300	-	389,300	1	389,300	389,300	71	73.96%	9,416,840	29.01%
141	407,700	-	407,700	1	407,700	407,700	72	75.00%	9,824,540	30.26%
142	443,300	-	443,300	1	443,300	443,300	73	76.04%	10,267,840	31.63%
143	443,500	-	443,500	1	443,500	443,500	74	77.08%	10,711,340	32.99%
144	478,400	-	478,400	1	478,400	478,400	75	78.13%	11,189,740	34.47%
145	497,000	-	497,000	1	497,000	497,000	76	79.17%	11,686,740	36.00%
146	515,400	-	515,400	1	515,400	515,400	77	80.21%	12,202,140	37.59%
147	595,400	-	595,400	1	595,400	595,400	78	81.25%	12,797,540	39.42%
148	615,600	-	615,600	1	615,600	615,600	79	82.29%	13,413,140	41.32%
149	639,800	-	639,800	1	639,800	639,800	80	83.33%	14,052,940	43.29%
150	674,400	-	674,400	1	674,400	674,400	81	84.38%	14,727,340	45.36%
151	755,100	-	755,100	1	755,100	755,100	82	85.42%	15,482,440	47.69%
152	790,400	-	790,400	1	790,400	790,400	83	86.46%	16,272,840	50.12%
153	792,200	-	792,200	1	792,200	792,200	84	87.50%	17,065,040	52.56%
154	836,100	-	836,100	1	836,100	836,100	85	88.54%	17,901,140	55.14%
155	881,400	-	881,400	1	881,400	881,400	86	89.58%	18,782,540	57.85%
156	987,000	-	987,000	1	987,000	987,000	87	90.63%	19,769,540	60.89%
157	#######	-	#######	1	1,172,700	1,172,700	88	91.67%	20,942,240	64.51%
158	#######	-	#######	1	1,223,300	1,223,300	89	92.71%	22,165,540	68.27%
159	#######	-	#######	1	1,287,800	1,287,800	90	93.75%	23,453,340	72.24%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Meter Size: 2"
Class: Commercial (Irrigation)
Rate Code: I5

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		
Tier Two Breakover (M gal):	95	95
Tier Three Breakover (M gal):	999,999	999,999

Charges	Present Rates	Proposed Rates
Base Charge:	$ 99.00	$ 112.00
Arsenic Surcharge:	$ 44.06	$ 44.06
Tier One Rate:		
Tier Two Rate:	$ 2.44	$ 2.76
Tier Three Rate:	$ 3.15	$ 3.56

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
160	####### - #######	1	1,289,600	1,289,600	91	94.79%	24,742,940	76.21%
161	####### - #######	1	1,322,100	1,322,100	92	95.83%	26,065,040	80.29%
162	####### - #######	1	1,369,800	1,369,800	93	96.88%	27,434,840	84.51%
163	####### - #######	1	1,410,800	1,410,800	94	97.92%	28,845,640	88.85%
164	####### - #######	1	1,748,300	1,748,300	95	98.96%	30,593,940	94.24%
165	####### - #######	1	1,871,400	1,871,400	96	100.00%	32,465,340	100.00%
166								
167	Totals	96		32,465,340	96		32,465,340	
168	1/2 of Prorated Bills[1]							
169	Equivalent Bills	96						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
170					
171	Base Charge	96	$ 9,504	96	$ 10,752
172	Average Number of Customers 8 — Arsenic Surcharge	96	4,230	96	4,230
173	Usage (gallons)				
174	Average Consumption (gallons) 338,181 — Tier One	-	$ -	-	$ -
175	Tier Two	7,252,240	17,695	7,252,240	20,016
176	Median Consumption (gallons) 216,600 — Tier Three	25,213,100	79,421	25,213,100	89,759
177	Usage Totals	32,465,340		32,465,340	
178	Revenue Totals		$ 110,851		$ 124,757

179
180 [1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
181 When homes change ownership during a month, two bills are generated. One for each owner for the portion of
182 the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings
183 will be equal to the monthly minimum charge for the meter size. The reduction in bill count is necessary
184 to avoid double counting billing units during months when account ownership changes. The reduction is based
185 on the actual number of meters in this class discontinuing and establishing service during the test year.
186

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Bill Count

Exhibit: RLJ-DT4
Schedule H-5
Witness: Jones

Line Size: 6"
Class: Fire Service
Rate Code: F2

Charges	Present Rates	Proposed Rates
Base Charge:	$ 12.40	$ 14.00
Arsenic Surcharge:		
Tier One Rate:		
Tier Two Rate:		
Tier Three Rate:		

Rate Tiers	Present Rates	Proposed Rates
Tier One Breakover (M gal):		-
Tier Two Breakover (M gal):		-
Tier Three Breakover (M gal):		-

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills No.	Cumulative Bills % of Total	Cumulative Consumption Amount	Cumulative Consumption % of Total
1	- - -	55		-	55	100.00%	-	
2	1 - 1,000	-		-	55	100.00%	-	
3	1,001 - 2,000	-		-	55	100.00%	-	
4	2,001 - 3,000	-		-	55	100.00%	-	
5	3,001 - 4,000	-		-	55	100.00%	-	
6	4,001 - 5,000	-		-	55	100.00%	-	
7	5,001 - 6,000	-		-	55	100.00%	-	
8	6,001 - 7,000	-		-	55	100.00%	-	
9	7,001 - 8,000	-		-	55	100.00%	-	
10	8,001 - 9,000	-		-	55	100.00%	-	
11	9,001 - 10,000	-		-	55	100.00%	-	
12	10,001 - 11,000	-		-	55	100.00%	-	
13	11,001 - 12,000	-		-	55	100.00%	-	
14	12,001 - 13,000	-		-	55	100.00%	-	
15	13,001 - 14,000	-		-	55	100.00%	-	
16	14,001 - 15,000	-		-	55	100.00%	-	
17	15,001 - 16,000	-		-	55	100.00%	-	
18	16,001 - 17,000	-		-	55	100.00%	-	
19	17,001 - 18,000	-		-	55	100.00%	-	
20	18,001 - 19,000	-		-	55	100.00%	-	
21	19,001 - 20,000	-		-	55	100.00%	-	
22	20,001 - 21,000	-		-	55	100.00%	-	
23	21,001 - 22,000	-		-	55	100.00%	-	
24	22,001 - 23,000	-		-	55	100.00%	-	
25	23,001 - 24,000	-		-	55	100.00%	-	
26	24,001 - 25,000	-		-	55	100.00%	-	
27	25,001 - 26,000	-		-	55	100.00%	-	
28	26,001 - 27,000	-		-	55	100.00%	-	
29	27,001 - 28,000	-		-	55	100.00%	-	
30	28,001 - 29,000	-		-	55	100.00%	-	
31								
32	Totals	55		-	55		-	
33	1/2 of Prorated Bills[1]							
34	Equivalent Bills	55						

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	55	$ 682	55	$ 770
Arsenic Surcharge	55	-	55	-
Usage (gallons)				
Tier One	-	$ -	-	$ -
Tier Two	-	-	-	-
Tier Three	-	-	-	-
Usage Totals	-		-	
Revenue Totals		$ 682		$ 770

Average Number of Customers	5
Average Consumption (gallons)	
Median Consumption (gallons)	

[1]Customer Base Charges are prorated for billing periods less than 25 days and greater than 35 days.
When homes change ownership during a month, two bills are generated. One for each owner for the portion of the month that owner took water service. The sum of the Minimum Charge billed on each of the two billings will be equal to the monthly minimum charge for the meter size. *The reduction in bill count is necessary* to avoid double counting billing units during months when account ownership changes. The reduction is based on the actual number of meters in this class discontinuing and establishing service during the test year.

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT5

Exhibit RLJ-DT5

Valley Utilities Water Company, Inc.
Normalized Arsenic Media Replacement Cost

Arsenic Media Replacement Actual Data / Cost through 12-31-2011

	[1] Media in Service Date	[2] Media Exhaustion Date	[3] Months in Service	[4] Original Media Volume (Cu-Ft)	[5] Replacement Media Volume (Cu-Ft)	[6] Months in Service (Adjusted for Replacement Media Volume)	[7] Media Cost	[8] Vessel Coating Cost	[9] Total Arsenic Media Replacement Cost	[10] Actual Cost Per Months in Service	[11] Cost Per Projected Months in Servcie
						[3] * [5] / [4]			[7] + [8]	[9] / [3]	[9] / [6]
Glendale Vessel A (2011 Media Changeout)	07-2009	11-2011	29	128	180	41	$ 59,867.41	$ 9,709.00	$ 69,576.41	$ 2,399.19	$ 1,696.99
Glendale Vessel B	07-2009	In Service		128	180						
Bethany Vessel A	02-2011	In Service		228	228						
Bethany Vessel B	02-2011	In Service		228	228						

Normalized Arsenic Media Replacement Cost

	[12] Projected Months in Service as Lead Vessel	[13] Projected Months in Service as Lag Vessel	[14] Total Projected Months in Service	[15] Media Volume Ratio[1]	[16] Media Cost	[17] Vessel Coating Cost	[18] Total Arsenic Media Replacement Cost	[19] Normalized Cost Per Month	[20] Normalized Annual Cost
	[6]	[12]	[12] + [13]		[7] * [15]	[8] * [15]	[16] + [17]	[18] / [14]	[19] * 12
Normalized Cost Per Vessel at Glendale	41	41	82	1.00	$ 59,867.41	$ 9,709.00	$ 69,576.41	$ 848.49	
							Number of Vessels	2	
							Normalized Monthly Cost Glendale	$ 1,696.99	$ 20,364
Normalized Cost Per Vessel at Bethany	41	41	82	1.27	$ 75,832.05	$ 12,298.07	$ 88,130.12	$ 1,074.76	
							Number of Vessels	2	
							Normalized Monthly Cost Bethany	$ 2,149.52	$ 25,794
							Total Normalized Cost	**$3,846.50**	**$ 46,158**

[1] Ratio of replacement media volume for Glendale A to required media replacement volume

Notes:
Glendale Vessel A exclusively used as lead vessel.
Glendale Vessel B exclusively used as lag vessel

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT6

Valley Utilities Water Company, Inc.
Noralized Valve Maintenace Cost

Exhibit RLJ-DT6

VALVE REPAIR DESCRIPTION	2011 Actual	Scheduled Repair Date and Cost* 2012	2013	2014	2015	2016
2011 Actual Valve Repairs -	$ 18,382					
SW CORNER OF DYSART & OCOTILLO		$912.31				
SE CORNER OF 133RD AVE. & ROSE LANE		$912.31				
N.E. CORNER OF 134THLN/CLAREMONT ST. 6" VALVE (REPLACE PACKING BOLT TO STAINLESS STEEL BOLTS)		$912.31				
HERITAGE ELEM. SCHOOL 135TH AVE./OCOTILLO 6" VALVE PACKING LEAKS		$912.31				
13101 W. OCOTILLO 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
6706 N. DYSART 6" VALVE WILL NOT SHUT DOWN COMPLETELY		$912.31				
6501 N. 131ST DR. 6" VALVE PACKING LEAKS IN THE OFF POSITION		$912.31				
13124 W. MARYLAND 6" VALVE PACKING LEAKS IN THE OFF POSITION		$912.31				
13501 W. MARLETTE 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
13501 W. MARYLAND 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
13712 W. CLAREMONT 4" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
VINEYARD APARTMENTS OCOTILLO FEED 6" VALVE LEAKS AT PACKING IN OFF POSITION		$912.31				
VINEYARD APARTMENTS DYSART ROAD 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
6501 N. 135TH AVE. 6" VALVE PACKING LEAKS IN THE OFF POSITION		$912.31				
5901 N 129TH DR 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
6509 N. 134TH DR. 6" VALVE PACKING LEAKS IN OFF POSITION		$912.31				
25'S OF 6509 N 134TH DR. 6" VALVE PACKING LEAKS IN THE OFF POSITION		$912.31				
13012 W. SOLANO DR. 6" VALVE WILL NOT SHUT DOWN COMPLETEY			$912.31			
13225 W. MCLELLAN 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13337 W. TUCKEY 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13227 W. SIERRA VISTA 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13235 W. TUCKEY 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13124 W. SIERRA VISTA 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13502 W. MARYLAND 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
12540 W. BETHANY HOMES RD. 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
12640 W. BETHANY HOMES RD 6" VALVE BROKE IN ON POSITION			$912.31			
13808 W. MARYLAND 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
TO THE REAR OF 6149 N. 126TH AVENUE 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13708 W. CLAREMONT TAPPING SLEEVE 4" VALVE TO LITCHFIELD VILLAGE MOBILE HOME PARK			$912.31			
138TH DRIVE & CLAREMONT TAPPING SLEEVE 4" VALVE TO LITCHFIELD VILLAGE MOBILE HOME PARK			$912.31			
13012 W. SOLANO FIRE HYDRANT 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
GLENDALE WELL YARD 137TH & GLENDALE AVE. NE CORNER 12" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
U STORE IT @ DYSART & GLENDALE AVE. 12" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
13702 WEST MARYLAND 6" VALVE WILL NOT SHUT DOWN COMPLETELY			$912.31			
135TH AVE. & CLAREMONT 6" VALVE VERY DIFFICULT TO OPERATE				$912.31		
TO THE REAR OF 6150 NORTH 130TH AVE. 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
6028 N. 129TH AVE. 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
129TH AVE. & BETHANY 6" VALVE WILL NOT SHUT DOWN COMPLETELY AND IS VERY DIFFICULT TO OPERATE				$912.31		
129TH DRIVE & SOLANO F.H. 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
129TH DRIVE & SOLANO F.H. 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
5901 NORTH 129TH DRIVE 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
13022 WEST SOLANO 6" FH VALVE WILL NOT SHUT DOWN COMPETELY				$912.31		
13022 WEST SOLANO SW CORNER OF LOT 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
12520 WEST ROVEY SW CORNER OF LOT 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
BETHANY HILLS WEST PLANTSITE NW CORNER OF LOT 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
NORTH OF L. THOMAS HECK SCHOOL 8" VALVE WILL NOT SHUT DOWN COMPLETELY (DISTRIBUTION LINE)				$912.31		
6328 N. 126TH AVE. SE CORNER OF LOT 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
6328 N. 126TH AVE. SW CORNER OF LOT BESIDE APS BOX 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
6211 N. 126TH AVE. NE CORNER OF LOT 6" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
12450 W. MARYLAND AVE. SW CORNER OF LOT 8" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
12609 W. MCLELLAN SW CORNER 8" VALVE WILL NOT SHUT DOWN COMPLETELY				$912.31		
129TH AVE. & MARYLAND 200' FEET EAST 8" VALVE WILL NOT SHUT DOWN COMPLETELY (AC PIPE)				$912.31		
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #1 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #1 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	

Valley Utilities Water Company, Inc.
Noralized Valve Maintenace Cost

Exhibit RLJ-DT6

VALVE REPAIR DESCRIPTION	2011 Actual	Scheduled Repair Date and Cost* 2012	2013	2014	2015	2016
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #1 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #10 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #10 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #13 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #18 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #18 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #27 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #27 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK SE CORNER OF SPACE #30 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #35 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #35 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #35 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #44 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NE CORNER OF SPACE #44 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK SE CORNER OF SPACE #47 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NW CORNER OF SPACE #53 6" VALVE NEEDS REPAIR-BOLTS-PACKING					$912.31	
LITCHFIELD VILLAGE MOBILE HOME PARK NW CORNER OF SPACE #53 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SE CORNER OF SPACE #65 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SE CORNER OF SPACE #65 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SE CORNER OF SPACE #65 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #73 6" VALVE NEEDS REPAIR-BOLTS-PACKING.						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #73 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK NW CORNER OF SPACE #70 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #82 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #82 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #82 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #90 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #90 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK NW CORNER OF SPACE #87 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #99 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #99 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK SW CORNER OF SPACE #99 FH 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
135TH AVENUE ENTRANCE TO LITCHFIELD MOBILE HOME PARK 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
135TH AVENUE ENTRANCE TO LITCHFIELD MOBILE HOME PARK 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
LITCHFIELD VILLAGE MOBILE HOME PARK NW OF SPACE #10 6" VALVE NEEDS REPAIR-BOLTS-PACKING						$912.31
Total Actual/Estimated Cost	$ 18,382	$ 15,509	$ 15,509	$ 16,422	$ 16,422	$ 17,334
Total Program Cost	$ 99,578					
Normalized 6-Year Average Cost	$ 16,596					

* PROJECTED AMOUNT IS BASED ON AVERAGE COST OF ALL VALVES REPAIRED IN 2011.

Valley Utilities Water Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT7

Valley Utilities Water Company, Inc.
Normalized Storage, Backwash and Hydrpneumatic Tank Coating Cost

Exhibit RLJ-DT7

	Date Constructed	Last Coated	15-Year Target Date	Estimated Cost	Cost per Gallon	Scheduled Coating Date and Cost														
						2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
GLENDALE WELL YARD																				
North Tank-100K Gal.	2002	2002	2017	$27,000	$0.27							$27,000								
South Tank-100K Gal.	1996	1996	2011 -	$27,000	$0.27			$27,000												
Pressure Tank-5K Gal.	2002	2002	2017	$5,000	$1.00							$5,000								
MARYLAND BOOSTER STATION																				
West Tank-1 Million Gal.	2008	2008	2023	$105,000	$0.11											$105,000				
East Tank-560K Gal.	2001	2001	2016	$80,000	$0.14					$80,000										
Pressure Tank-10K Gal.	2001	2001	2016	$6,000	$0.60					$6,000										
BETHANY HILLS WEST																				
Storage Tank-200K Gal.	1983	2009	2024	$40,000	$0.20												$40,000			
Pressure Tank-7.5K Gal.	1996	1996	2011-overdue	$6,000	$0.80	$6,000														
Backwash Tank - 70K Gal.	2011	2011	2026	$19,000	$0.27														$19,000	
LUX																				
Storage Tank-100K Gal.	1996	1996	2011-overdue	$25,000	$0.25	$25,000														
Pressure Tank-5K Gal.	1996	1996	2011-overdue	$5,000	$1.00	$5,000														
Total Estimated Cost						$ 36,000	$ -	$ 27,000	$ -	$ 86,000	$ -	$ 32,000	$ -	$ -	$ -	$ 105,000	$ 40,000	$ -	$ 19,000	$ -
Total Program Cost						$ 345,000														
Normalized 15-Year Average Cost						$ 23,000														

EXHIBIT

S-1

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER-SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO. W-01412A-12-0195

DIRECT

TESTIMONY

OF

MARLIN SCOTT, JR.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 7, 2013

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EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-08-0586

CONCLUSIONS

A. Valley Utilities Water Company, Inc. ("Company") has a water loss of 8.3% which is within the acceptable limits.

B. The Company's current well and storage capacity is sufficient to serve the present customer base at this time and reasonable growth. The emergency interconnection with the Liberty Utilities' water system also provides a supplemental source of water.

C. According to the Maricopa County Environmental Service Department ("MCESD") Compliance Status Report, the Company's system has no deficiencies and is in compliance with MCESD requirements.

D. The Company is located in the Arizona Department of Water Resources' ("ADWR") Phoenix Active Management Area and ADWR has reported that the Company is in compliance with ADWR's requirements governing water providers and/or community water systems.

E. According to the Utilities Division Compliance database, the Company has no delinquent Arizona Corporation Commission ("ACC") compliance items.

F. The Company has an approved curtailment tariff on file with the ACC.

G. The Company has an approved backflow prevention tariff on file with the ACC.

H. The Company has Best Management Practice Tariffs that were approved by Decision No. 72005, dated December 10, 2010.

I. The Company has an Arsenic Impact Fee Tariff that was approved by Decision No. 67669, dated March 9, 2005.

RECOMMENDATIONS

1. Staff recommends the adoption of the Company's water testing expense of $10,732 for this proceeding.

2. For the requested post-test year ("PTY") plant items; a) the drainage improvement project at the Bethany Site has yet to commence and is not complete at this time, and b) Well #6A's pump replacement is completed and is currently in service. Based on these factors, Staff concludes that only the requested PTY plant item – Well #6A project is used and useful, as of September 2012, for the provision of service to customers with plant adjustments totaling to $24,561 as shown in Table H-1.

3. Wells #2 and #4 are no longer in service. Staff recommends the removal of Wells #2 and #4 at a total cost of $18,520 from the plant-in-service because these wells are not used and useful.

4. Staff recommends that the Company continue to use the depreciation rates by individual National Association of Regulatory Utility Commissioners category as presented in Table I-1.

5. Staff recommends the acceptance of the Company's proposed service line and meter installation charges which includes "Note: To include the actual cost incurred when road crossing is required." as presented in Table J-1 of Exhibit MSJ.

INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Utilities Engineer.

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

A. I have been employed by the Commission since November 1987.

Q. Please list your duties and responsibilities.

A. As a Utilities Engineer, specializing in water and wastewater engineering, my responsibilities include: the inspection, investigation, and evaluation of water and wastewater systems; preparing reconstruction cost new and/or original cost studies, reviewing cost of service studies and preparing investigative reports; providing technical recommendations and suggesting corrective action for water and wastewater systems; and providing written and oral testimony on rate applications and other cases before the Commission.

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

A. I have analyzed approximately 580 cases covering various responsibilities for the Utilities Division.

Q. Have you previously testified before this Commission?

A. Yes, I have testified in 90 proceedings before this Commission.

Q. What is your educational background?

A. I graduated from Northern Arizona University in 1984 with a Bachelor of Science degree in Civil Engineering Technology.

Q. Briefly describe your pertinent work experience.

A. Prior to my employment with the Commission, I was Assistant Engineer for the City of Winslow, Arizona, for about two years. Prior to that, I was a Civil Engineering Technician with the U.S. Public Health Service in Winslow for approximately six years.

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

A. I am a member of the National Association of Regulatory Utility Commissioners ("NARUC") Staff Subcommittee on Water.

PURPOSE OF TESTIMONY

Q. Were you assigned to provide Staff's engineering analysis and recommendation for the Valley Utilities Water Company, Inc. ("Company") in this proceeding?

A. Yes. I reviewed the Company's rate application and I inspected the water system on September 7, 2012. This testimony and the attached Exhibit MSJ present Staff's engineering evaluation.

ENGINEERING REPORT

Q. Please describe the attached Engineering Report, Exhibit MSJ.

A. Exhibit MSJ presents the details and analyses of Staff's findings for this rate case, and is attached to this direct testimony. Exhibit MSJ contains the following major topics: (1) a description of the water system and the processes, (2) water use, (3) growth, (4) compliance with the rules of the Maricopa County Environmental Services Department,

Arizona Department of Water Resources, and the Arizona Corporation Commission, (5) plant-in-service adjustments, (6) depreciation rates, (7) service line and meter installation charges, and (8) tariff filings.

Staff's conclusions and recommendations from the Engineering Report are contained in the "EXECUTIVE SUMMARY" above.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Engineering Report
For
Valley Utilities Water Company, Inc.
Docket No. W-01412A-12-0195 (Rates)

November 15, 2012

A. LOCATION OF VALLEY UTILITIES WATER COMPANY, INC. ("COMPANY")

The Company serves a community located in Maricopa County, just east of Luke Air Force Base, in the Phoenix West Valley. Figure A-1 shows the location of the Company within Maricopa County and Figure A-2 shows the approximate five square-miles of certificated area.

B. DESCRIPTION OF WATER SYSTEM

The water system was field inspected on September 7, 2012, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Robert Prince, representing the Company. The current operation of the water system consisted of five producing wells, six storage tanks, four booster stations and a distribution system serving over 1,400 customers as of June 2008. This system is also interconnected with Liberty Utilities with a 6-inch meter (monthly minimum of $283.00), limited to a maximum of 400 GPM, for emergency purposes. A system schematic is shown in Figure B-1 with detailed plant facility descriptions as follows:

Table 1. Well Data

Well #	ADWR ID No.	Pump Hp (Submersible)	Flow Rate (GPM)	Casing Size & Depth	Meter Size	Year Drilled
#1	55-639720	25	75	12" x 650'	3"	1942
#2 (retired)	55-639721	30	-	10" x 650'	3"	1969
#3	55-639723	25	90	8" x 425'	4"	1965
*#4 (OOS)	55-639722	25	-	12" x 800'	4"	1970
#5	55-503273	75 - Turbine	450	20" x 850'	8"	1982
* #6A	55-216455	125 – Turbine	150	16" x 810'	8"	2008
* #7	55-208819	125 - Turbine	450	16" x 715'	8"	2007
		TOTAL:	1,215			

*Notes: Well #4 was taken out-of-service ("OOS") in 2007 due to well casing deterioration. This well is still OOS.
Well #6A has a down-hole sand separator and Well 7 has an above-ground sand separator.

Table 2. Storage Tanks

Capacity (Gallons)	Quantity (Each)	Location
560,000 1,000,000	1 1	@ Maryland Booster Station
200,000	1	@ Bethany Hills West
100,000	3	Two tanks @ Glendale Yard & one tank @ Lux Yard
Totals: 2,060,000 gal.	6	

Table 3. Booster Systems

Location	Booster Systems	Storage Tanks (From Table 2)
Glendale Yard (Wells #1 & #7)	40, 20 & 15-Hp booster pumps 5,000 gal. pressure tank	Two 100,000 gal. storage tanks
Lux Yard (Well #3)	30, 30 & 15-Hp booster pumps 5,000 gallon pressure tank	100,000 gal. storage tank
Bethany Hills West (Wells #4, #5 & #6A)	40 & 40-Hp booster pumps 7,500 gal. pressure tank	200,000 gal. storage tank
Maryland Booster Station	50,50, 20 & 20-Hp booster pumps 10,000 gal. pressure tank	560,000 gal. & 1.0 MG storage tanks

Table 4. Water Mains

Diameter	Material	Length
4-inch	AC & PVC	10,000 ft.
6-inch	AC & DIP	78,034 ft.
8-inch	AC & DIP	52,911 ft.
10-inch	DIP	2,952 ft.
12-inch	AC & DIP	5,925 ft.
	Total:	149,822 ft. or 28.4 miles

Table 5. Customer Meters

Size	Quantity
5/8 x 3/4-inch	104
3/4-inch	844
1- inch	398
1-1/2-inch	12
2-inch	50
3-inch	2
Total:	1,410

Table 6. Fire Hydrants

Size	Quantity
Standard	201

Table 7. Structures & Treatment Equipment

Structures & Treatment Equipment
Glendale Site: 500 GPM arsenic treatment system with a 17,000 gallon backwash tank, liquid chlorination unit and 175 kW diesel generator. Arsenic treatment building is 22 ft. by 36 ft. metal building & motor control center building is 11 ft. by 22 ft. metal building. Chain linking fencing (CLF) is 200 ft. by 75 ft.
Lux Site: Liquid chlorination unit and CLF is 100 ft. by 100 ft.
Maryland Site: Storage building is 14 ft. by 14 ft. metal building & motor control center building is 12 ft. by 38 ft. metal building. 125 kW diesel generator. Block fencing is 150 ft. by 250 ft. & CLF is 200 ft. by 250 ft.
Bethany Site: 1,500 GPM arsenic treatment system with a 75,000 gallon backwash tank & liquid chlorination. Arsenic treatment building is 40 ft. x 60 ft. metal building. CLF is 130 ft. by 325 ft.

C. WATER USE

Water Sold

Based on the information provided by the Company, water use for the test year is presented in Figure C-1. Customer consumption experienced a high monthly average water use

of 979 gallons per day ("GPD") per connection in July and a low monthly average water use of 370 GPD per connection in December for an average annual use of 599 GPD per connection.

Non-Account Water

Non-account water should be 10% or less. The Company reported 328,826,000 gallons pumped/purchased and 301,430,000 gallons sold, resulting in a water loss of 8.3%. This 8.3% is within the acceptable limits.

System Analysis

The system's current well capacity of 1,215 GPM and storage capacity of 2,060,000 gallons is sufficient to serve the present customer base at this time and reasonable growth. The emergency interconnection with the Liberty Utilities' water system also provides a supplemental source of water.

D. GROWTH

Figure D-1 depicts the customer growth using linear regression analysis by using the number of customers obtained from annual reports that were submitted to the Commission. During the test year ending December 2011, the Company had approximately 1,400 customers and it is projected that the Company could have approximately 1,440 customers by December 2016.

E. MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPARTMENT ("MCESD") COMPLIANCE

Compliance

According to a MCESD Compliance Status Report, dated August 29, 2012, the Company's system, PWS No. 07-079, has no deficiencies and is in compliance with MCESD requirements.

Water Testing Expense

The Company is subject to mandatory participation in the ADEQ Monitoring Assistance Program. The Company reported its water testing expense of $10,732 during the test year. Staff has reviewed the Company's reported expense amount and recommends that the Company's water testing expense of $10,732 be adopted for this proceeding.

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

The Company is located in the Phoenix Active Management Area. According to ADWR's Water Provider Compliance Report, dated August 28, 2012, the Company is currently in compliance with ADWR requirements governing water providers and/or community water systems.

G. ARIZONA CORPORATION COMMISSION ("ACC") COMPLIANCE

According to the Utilities Division Compliance database, the Company had no delinquent ACC compliance items.

J. PLANT-IN-SERVICE ADJUSTMENTS

Post-Test Year Plant

In its rate application filing, the Company submitted $94,500 worth of post-test year ("PTY") plant for; 1) a well pump replacement and installation of a sand separator on Well #6A and 2) drainage improvement at the Bethany Arsenic Treatment Facility. Through Staff's field inspection and Company data responses, updates of the PTY plant items are as follows:

Table H-1. Post-Test Year Plant

Acct. No.	Plant items	Updated Original Costs
304	Structures & Improvements	
	Drainage improvement at the Bethany Site, estimated at $60,000. (Construction has not commenced as of Staff's field inspection on September 7, 2012. Therefore, this project is not complete.)	$0
311	Pumping Equipment	
	Well #6A – new pump/sand separator, installed and returned to service in May 2012.	$31,231
	Well #6A – retire old pump, installed in 2009	($6,670)
	Total:	**$24,561**

As stated above, the drainage improvement project at the Bethany Site has yet to commence and was not completed at the time of Staff's field inspection. The Well #6A project has been completed and is currently in service. Based on these factors, Staff concludes that only the requested PTY plant item – Well #6A project is used and useful for the provision of service to customers with plant adjustments totaling to $24,561 as shown in Table H-1.

Not Used and Useful Plant

During Staff's field inspection, Staff noted that Wells #2 and #4 were disconnected from the system. Through Company data responses, Well #2 was taken out of service due to the failure of the well casing in 2010 and was retired in 2011. Well #4 was taken out of service due

to well casing deterioration in 2007 and is still out of service. Based on these factors, Staff found these two wells not used and useful with corresponding data as follows:

Table H-2. Plant Not Used and Useful

Acct. No.	Plant Items	Year Installed	Year Retired	Original Cost
307	Wells & Springs			
	– Well #2	1969	2011	2,408
	– Well #4	1970	2011	12,202
311	Pumping Equipment			
	– Well #2, 30-Hp sub. pump	2006	2011	3,150
	– Well #4, 25-Hp sub. pump	1970	2011	760
	Total:			**$18,520**

Staff recommends the removal of Wells #2 and #4 at a total cost of $18,520 from the plant-in-service because these wells are not used and useful.

I. DEPRECIATION RATES

In the prior rate case, the Company adopted Staff's typical and customary water depreciation rates. These rates are presented in Table I-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

J. SERVICE LINE AND METER INSTALLATION CHARGES

In its application, the Company requested no changes to its service line and meter installation charges. However, in the prior rate case and its Decision No. 71482 (February 3, 2010), the service line charge's Note 1 stating, "For long-side service line installation, charges will be at actual cost" was inadvertently omitted in the ordering paragraph. During Staff's field inspection, the Company requested that this noted language be reconsidered and adopted in this proceeding. Staff recommends the acceptance of the Company's proposed installation charges which includes "Note: To include the actual cost incurred when road crossing is required." as shown in Table J-1.

K. CURTAILMENT TARIFF

The Company has an approved Curtailment Tariff with an effective date of December 1, 2005.

L. BACKFLOW PREVENTION TARIFF

The Company has an approved Backflow Prevention Tariff with an effective date of October 1, 2000.

M. ADWR BEST MANAGEMENT PRACTICE ("BMP") TARIFFS

The Company has BMP Tariffs that were approved by Decision No. 72005, dated December 10, 2010.

N. ARSENIC IMPACT FEE ("AIF") TARIFF

The Company has an AIF Tariff that was approved by Decision No. 67669, dated March 9, 2005, and the Company requests no changes to this tariff. Staff has no objection to continue this tariff.

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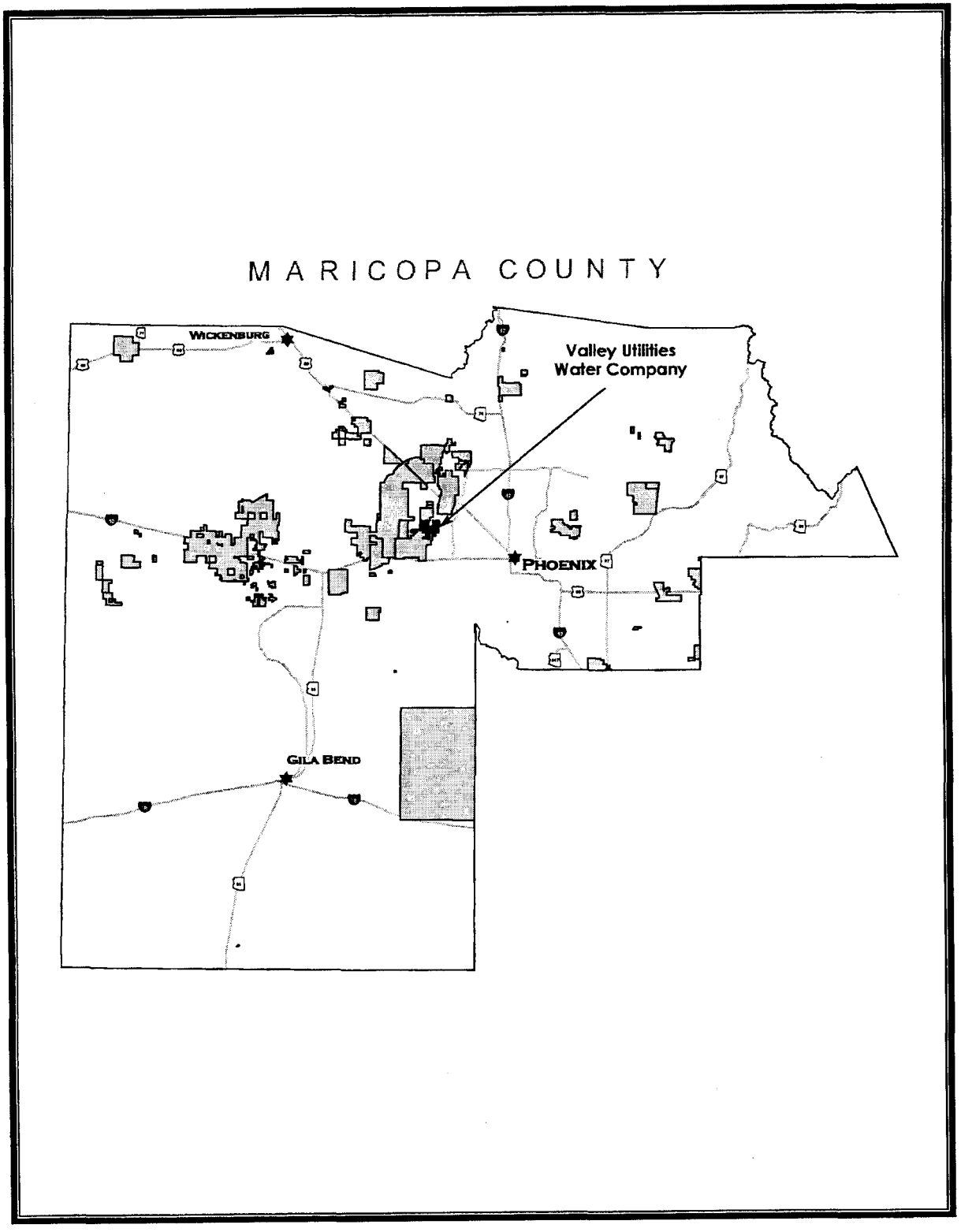

Figure A-1. Maricopa County Map

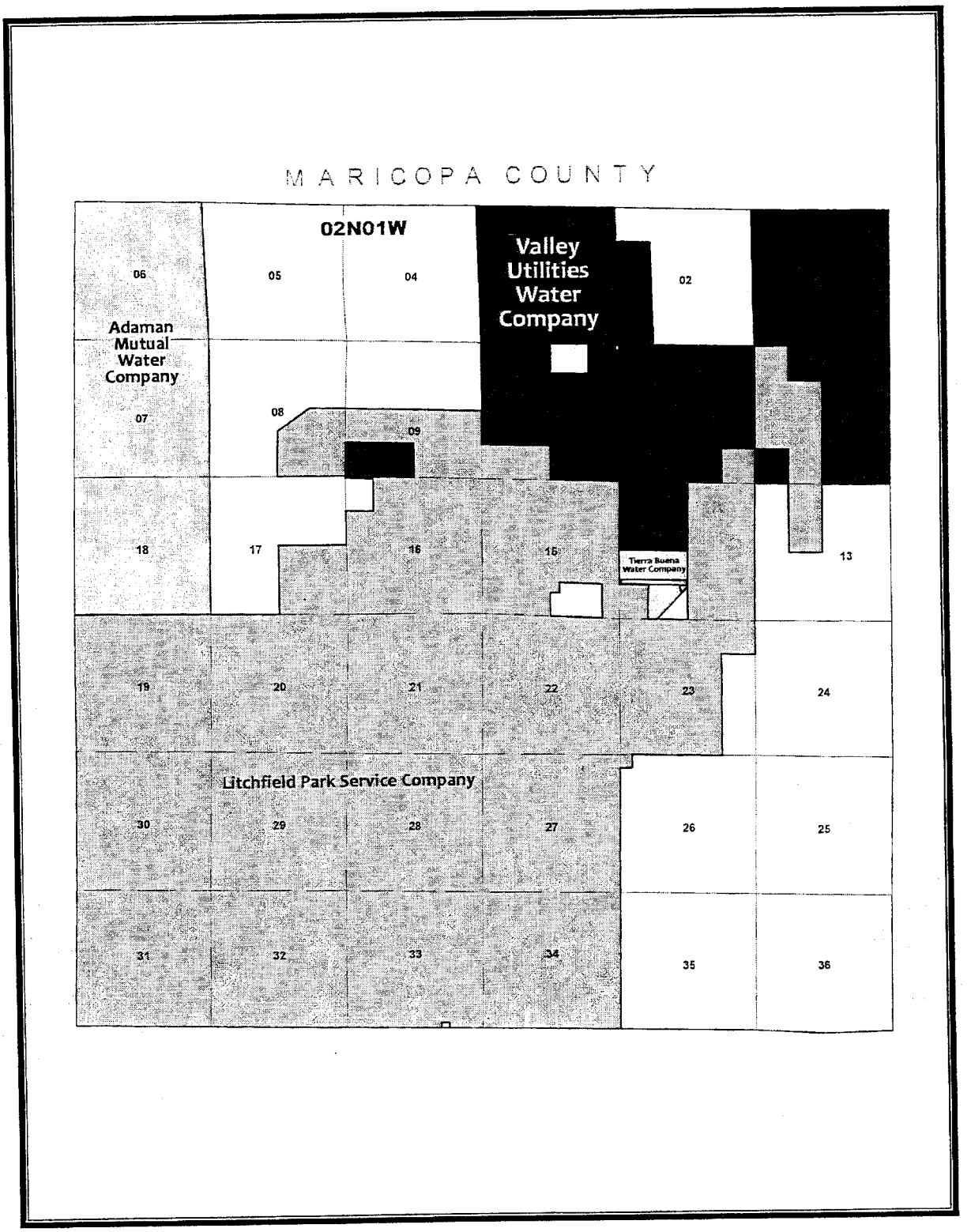

Figure A-2. Certificated Area

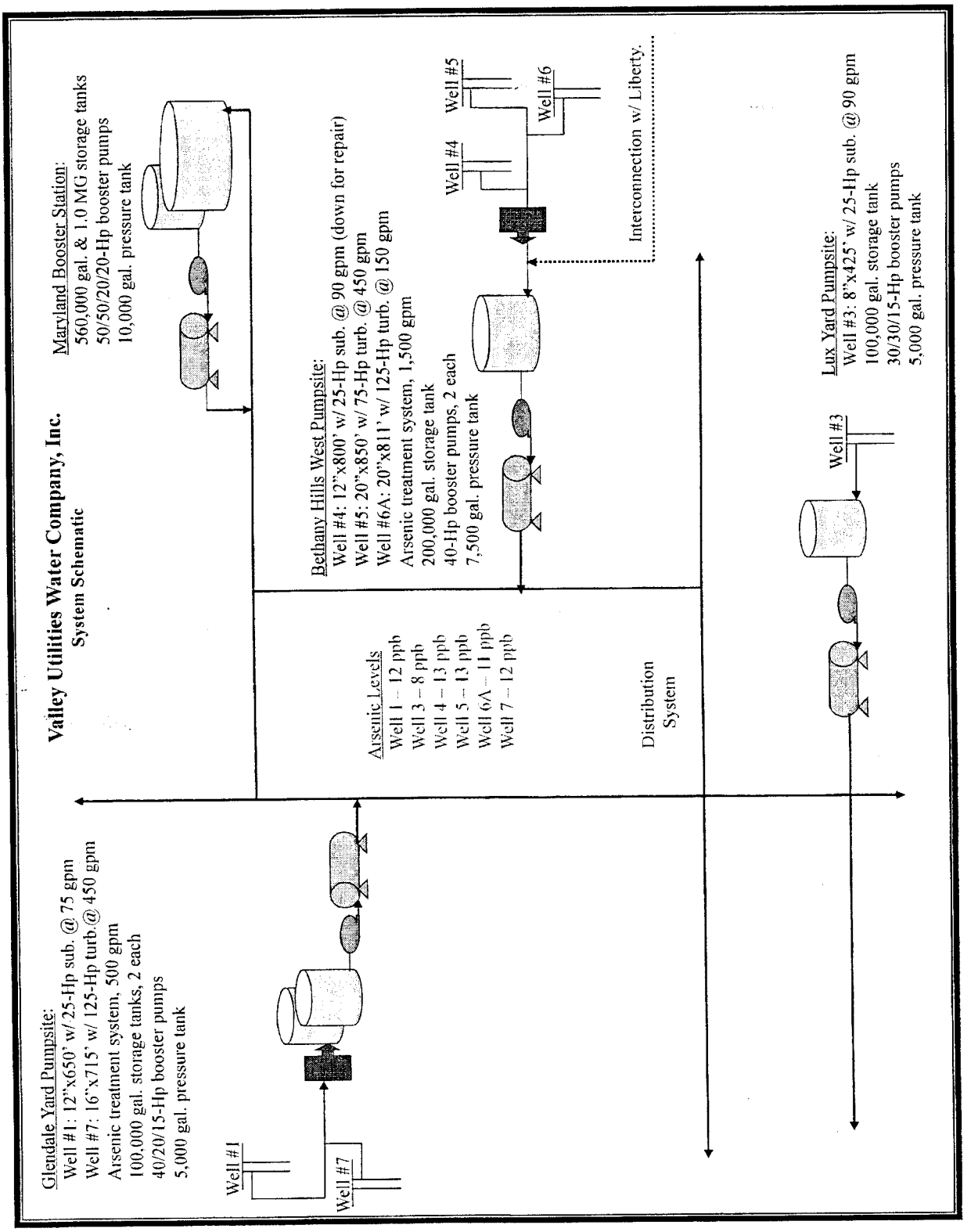

Figure B-1. System Schematic

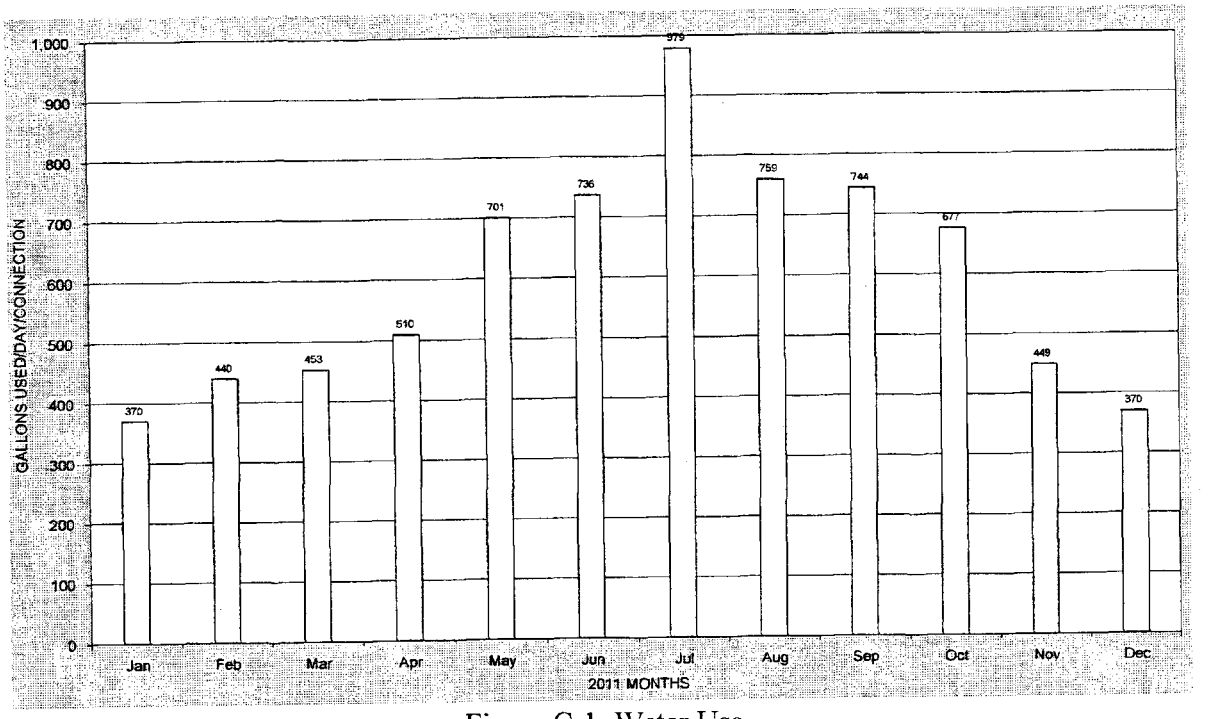

Figure C-1. Water Use

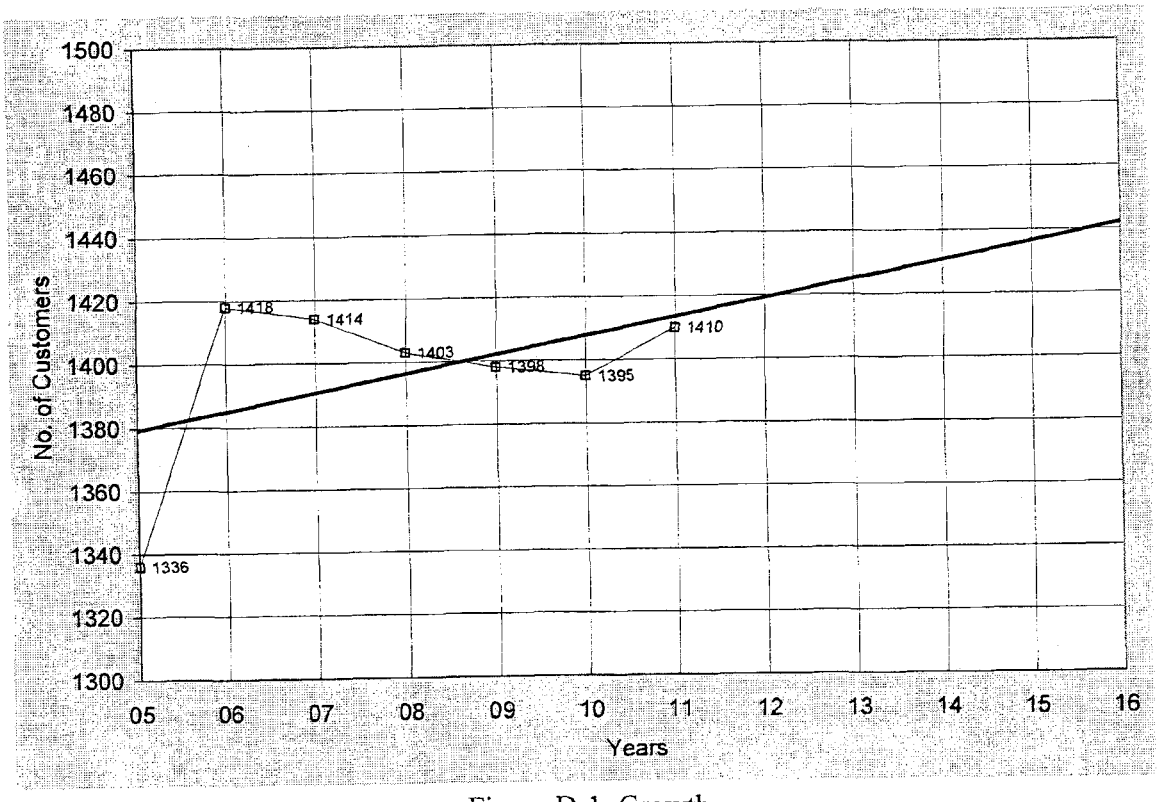

Figure D-1. Growth

Table I-1. Depreciation Rates

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

Table J-1. Service Line and Meter Installation Charges

Meter Size	Present Service Line Charges	Present Meter Charges	**Present Total Charges**	Proposed Service Line Charges **	Proposed Meter Charges	**Proposed Total Charges**
5/8 x3/4"	$445	$155	$600	$445	$155	$600
3/4"	$445	$255	$700	$445	$255	$700
1"	$495	$315	$810	$495	$315	$810
1-1/2"	$550	$525	$1,075	$550	$525	$1,075
2" Turbine	$830	$1,045	$1,875	$830	$1,045	$1,875
2" Compound	$830	$1,890	$2,720	$830	$1,890	$2,720
3" Turbine	$1,045	$1,670	$2,715	$1,045	$1,670	$2,715
3" Compound	$1,165	$2,545	$3,710	$1,165	$2,545	$3,710
4" Turbine	$1,490	$2,670	$4,160	$1,490	$2,670	$4,160
4" Compound	$1,670	$3,645	$5,315	$1,670	$3,645	$5,315
6" Turbine	$2,210	$5,025	$7,235	$2,210	$5,025	$7,235
6" Compound	$2,330	$6,920	$9,250	$2,330	$6,920	$9,250
8" or larger	Cost	Cost	Cost	Cost	Cost	Cost

** Note: To include the actual cost incurred when road crossing is required.

EXHIBIT
S-2
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER-SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO. W-01412A-12-0195

SURREBUTTAL

TESTIMONY

OF

MARLIN SCOTT, JR.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 8, 2013

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SURREBUTTAL TESTIMONY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-08-0586

1. Staff still recommends the Post-Test Year – drainage improvement project not be included in this proceeding because this project was not completed in a timely manner.

2. Staff considers Well #4 not used and useful and recommends that Well #4 be removed from rate base for this case.

I. INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Utilities Engineer.

Q. Are you the same Marlin Scott, Jr. who submitted Direct Testimony on behalf of the Utilities Division?

A. Yes.

Q. What was the purpose of that testimony?

A. My Direct Testimony provided the Utilities Division Staff's ("Staff") engineering evaluation of Valley Utilities Water Company, Inc. ("Company") for this proceeding.

Q. What is the purpose of your Surrebuttal Testimony?

A. To provide Staff's response to the Company's Rebuttal Testimony on the issue of Plant-in-Service Adjustments for one post-test year ("PTY") plant item and one not used & useful plant item.

II. POST-TEST YEAR PLANT

Q. Have you reviewed the rebuttal testimony of Ray Jones regarding PTY plant?

A. Yes.

Q. What were Mr. Jones' comments regarding PTY plant?

A. The Company submitted two PTY plant projects: 1) pump replacement on Well #6A and 2) drainage improvement at the Bethany Hills Site. In its Direct Testimony, Staff

recommended a PTY plant adjustment for Well #6A and did not recommend a PTY plant adjustment for the drainage improvement. Mr. Jones stated that the Company did not agree with Staff's recommendation for the drainage improvement because the drainage project was completed in December 2012 at a cost of $82,118 and therefore should be included in this proceeding.

Q. What is Staff's response?

A. During Staff's field inspection on September 7, 2012, Staff noted that the construction of the drainage project had not commenced and therefore was not completed. On this same inspection date, Staff also informed the Company that if and when this drainage project is completed, the Company should contact Staff for a follow-up inspection of this drainage project. The Company never contacted Staff about the completion of this project.

Q. Based on the Company's rebuttal Testimony regarding the PTY plant, does Staff make any changes to its recommendation?

A. No, Staff still recommends that this PTY – drainage improvement project not be included in this proceeding because this project was not completed and reported in a timely manner to make any PTY adjustment.

III. NOT USED AND USEFUL PLANT

Q. Have you reviewed the rebuttal testimony of Mr. Jones regarding not used and useful plant that needs to be retired?

A. Yes.

Q. What were Mr. Jones' comments regarding plant retirements?

A. Staff made retirement adjustment amounts for Wells #2 and #4. For issues regarding Well #2, I will defer to Staff Witness Brendan Aladi. As for Well #4, Mr. Jones stated that the Company did not believe Well #4 should be retired because the well will be placed back into service during 2013.

Q. What is Staff's response?

A. As stated in Staff's Direct Testimony, Well #4 was taken out-of-service in 2007 and was still out-of-service during Staff's field inspection on September 7, 2012, for a continuing duration reaching over five years. In addition, Staff also noted that in the prior rate case under Docket No. 08-0586, with a test year ending June 2008, this Well #4 was noted as being out-of-service for maintenance. For this reason, Staff recommended that this Well #4 be retired.

Q. Based on the Company's rebuttal Testimony regarding the retirement of Well #4, does Staff make any changes to its recommendation?

A. Staff considers Well #4 not used and useful and recommends that Well #4 be removed from rate base for this case.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

EXHIBIT
S-3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER-SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	)	DOCKET NO. W-01412A-12-0195

DIRECT

TESTIMONY

OF

JOHN A. CASSIDY

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 7, 2013

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EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-12-0195

The direct testimony of Staff witness John A. Cassidy addresses the following issues:

Capital Structure – Staff recommends that the Commission adopt a capital structure for Valley Utilities Company ("Company") for this proceeding consisting of 87.1 percent debt and 12.9 percent equity.

Cost of Equity – Staff recommends that the Commission adopt a 9.4 percent return on equity ("ROE") for the Company. Staff's estimated ROE for the Company is based on the average of its discounted cash flow method ("DCF") and capital asset pricing model ("CAPM") cost of equity methodology estimates for the sample companies of 8.8 percent for the CAPM and 8.8 percent for DCF. Staff's recommended ROE includes an upward economic assessment adjustment of 60 basis points.

Cost of Debt – Staff recommends that the Commission adopt a 5.8 percent cost of debt for the Company.

Overall Rate of Return – Staff recommends that the Commission adopt a 6.2 percent overall rate of return.

Mr. Jones' Testimony – The Commission should reject the Company's proposed 11.0 percent ROE for the following reasons:

> Mr. Jones' proposed cost of equity is not supported by any formal market based cost of equity estimation analysis, and inappropriately includes a significant risk premium intended to compensate the Company for a deteriorating financial condition, negative cash flow and a highly leveraged capital structure.

I. INTRODUCTION

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

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

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

A. I am responsible for the examination of financial and statistical information included in utility rate applications and other financial matters, including studies to estimate the cost of capital component in rate filings used to determine the overall revenue requirement, and for preparing written reports, testimonies and schedules to present Staff's recommendations to the Commission on these matters.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Arts degree in History from Arizona State University, a Master of Library Science degree from the University of Arizona, and an MBA degree with an emphasis in Finance from Arizona State University. While pursuing my MBA degree, I was inducted into Beta Gamma Sigma, the National Business Honor Society. I have passed the CPA exam, but opted not to pursue certification. I have worked professionally as a librarian, financial consultant, tax auditor, and, as a former Commission employee, served as Staff's cost of capital witness in rate case evidentiary proceedings.

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

A. My testimony provides Staff's recommended capital structure, return on equity ("ROE") and overall rate of return ("ROR") for establishing the revenue requirements for Valley

Utilities Water Company's ("Valley Utilities" or "Company") pending rate case application.

Summary of Testimony and Recommendations

Q. Briefly summarize how Staff's cost of capital testimony is organized.

A. Staff's cost of capital testimony is presented in eleven sections. Section I is this introduction. Section II discusses the concept of weighted average cost of capital ("WACC"). Section III presents the concept of capital structure and presents Staff's recommended capital structure for Valley Utilities in this proceeding. Section IV presents Staff's cost of debt for Valley Utilities. Section V discusses the concepts of ROE and risk. Section VI presents the methods employed by Staff to estimate Valley Utilities' ROE. Section VII presents the findings of Staff's ROE analysis. Section VIII presents Staff's final cost of equity estimates for Valley Utilities. Section IX presents Staff's ROR recommendation. Section X presents Staff's comments on the direct testimony of the Company's witness, Mr. Ray L. Jones. Finally, section XI presents the conclusions.

Q. Have you prepared any exhibits to accompany your testimony?

A. Yes. I prepared ten schedules (JAC-1 to JAC-9) that support Staff's cost of capital analysis.

Q. What is Staff's recommended rate of return ("ROR") for Valley Utilities?

A. Staff recommends a 6.2 percent overall ROR, as shown in Schedule JAC-1. Staff's ROR recommendation is based on cost of equity estimates for the sample companies of 8.8 percent for both the capital asset pricing method ("CAPM") and the discounted cash flow method ("DCF"). Staff recommends adoption of a 60 basis point upward Economic Assessment Adjustment, resulting in a 9.4 percent return on equity.

Valley Utilities' Proposed Overall Rate of Return

Q. Briefly summarize Valley Utilities' proposed capital structure, cost of debt, ROE and overall ROR for this proceeding.

A. Table 1 summarizes the Company's proposed capital structure, cost of debt, ROE and overall ROR in this proceeding:

Table 1

	Weight	Cost	Weighted Cost
Long-term Debt	87.11%	5.778%	5.034%
Common Equity	12.89%	11.0%	1.418%
Cost of Capital/ROR			**6.451%**

Valley Utilities is proposing an overall rate of return of 6.451 percent.

II. THE WEIGHTED AVERAGE COST OF CAPITAL

Q. Briefly explain the cost of capital concept.

A. The cost of capital is the opportunity cost of choosing one investment over others with equivalent risk. In other words, the cost of capital is the return that stakeholders expect for investing their financial resources in a determined business venture over another business venture.

Q. What is the overall cost of capital?

A. The cost of capital to a company issuing a variety of securities (i.e., stock and indebtedness) is an average of the cost rates on all issued securities adjusted to reflect the relative amounts for each security in the company's entire capital structure. Thus, the overall cost of capital is the WACC.

Q. How is the WACC calculated?

A. The WACC is calculated by adding the weighted expected returns of a firm's securities. The WACC formula is:

Equation 1.

$$WACC = \sum_{i=1}^{n} W_i * r_i$$

In this equation, W_i is the weight given to the ith security (the proportion of the ith security relative to the portfolio) and r_i is the expected return on the ith security.

Q. Can you provide an example demonstrating application of Equation 1?

A. Yes. For this example, assume that an entity has a capital structure composed of 60 percent debt and 40 percent equity. Also, assume that the embedded cost of debt is 6.0 percent and the expected return on equity, i.e., the cost of equity, is 10.5 percent. Calculation of the WACC is as follows:

$$WACC = (60\% * 6.0\%) + (40\% * 10.5\%)$$

$$WACC = 3.60\% + 4.20\%$$

$$WACC = 7.80\%$$

The weighted average cost of capital in this example is 7.80 percent. The entity in this example would need to earn an overall rate of return of 7.80 percent to cover its cost of capital.

III. CAPITAL STRUCTURE

Background

Q. Please explain the capital structure concept.

A. The capital structure of a firm is the relative proportions of each type of security:--short-term debt, long-term debt (including capital leases), preferred stock and common stock--that are used to finance the firm's assets.

Q. How is the capital structure expressed?

A. The capital structure of a company is expressed as the percentage of each component of the capital structure (capital leases, short-term debt, long-term debt, preferred stock and common stock) relative to the entire capital structure.

As an example, the capital structure for an entity that is financed by $20,000 of short-term debt, $85,000 of long-term debt (including capital leases), $15,000 of preferred stock and $80,000 of common stock is shown in Table 2.

Table 2

Component			%
Short-Term Debt	$20,000	($20,000/$200,000)	10.0%
Long-Term Debt	$85,000	($85,000/$200,000)	42.5%
Preferred Stock	$15,000	($15,000/$200,000)	7.5%
Common Stock	$80,000	($80,000/$200,000)	40.0%
Total	$200,000		100%

The capital structure in this example is composed of 10.0 percent short-term debt, 42.5 percent long-term debt, 7.5 percent preferred stock and 40.0 percent common stock.

Valley Utilities' Capital Structure

Q. What capital structure does Valley Utilities propose?

A. The Company proposes a capital structure composed of 87.11 percent debt and 12.89 percent common equity. Valley Utilities' proposed capital structure reflects the Company's actual capital structure as of the December 31, 2011 test-year end date.

Q. How does Valley Utilities' capital structure compare to capital structures of publicly-traded water utilities?

A. Schedule JAC-4 shows the capital structures of six publicly-traded water companies ("sample water companies" or "sample water utilities") as of December 2011. The average capital structure for the sample water utilities is comprised of approximately 51.6 percent debt and 48.4 percent equity.

Staff's Capital Structure

Q. What is Staff's recommended capital structure for Valley Utilities?

A. Staff recommends a capital structure composed of 87.1 percent debt and 12.9 percent equity, and reflects the Company's actual capital structure as of the December 31, 2011, test year end.. Staff's recommended capital structure is identical to that proposed by the Company, the only difference being that Staff rounds to one digit (i.e., tenths) while the Company rounds to two digits (i.e., hundredths).

IV. COST OF DEBT

Q. What is the basis for the Company's proposed 5.778 percent cost of debt?

A. The proposed 5.778 percent cost of debt represents the Company's embedded cost of long-term debt. At present, Valley Utilities has two WIFA loans outstanding, one having

a principal balance of $1,540,318 at an interest rate of 5.775 percent, and the other having a principal balance of $229,773 at an interest rate of 5.80 percent.

V. RETURN ON EQUITY

Background

Q. Please define the term "cost of equity capital."

A. The cost of equity is the rate of return that investors expect to earn on their investment in a business entity given its risk. In other words, the cost of equity to the entity is the investors' expected rate of return on other investments of similar risk. As investors have a wide selection of stocks to choose from, they will choose stocks with similar risks but higher returns. Therefore, the market determines the entity's cost of equity.

Q. Is there a correlation between interest rates and the cost of equity?

A. Yes, there is a positive correlation between interest rates and the cost of equity, as the two tend to move in the same direction. This relationship is reflected in the CAPM formula. The CAPM is a market-based model employed by Staff for estimating the cost of equity. The CAPM is further discussed in Section VI of this testimony.

Q. What has been the general trend of interest rates in recent years?

A. A chronological chart of interest rates is a good tool to show interest rate history and identify trends. Chart 1 graphs intermediate U.S. treasury rates from January 18, 2002, to January 27, 2012.

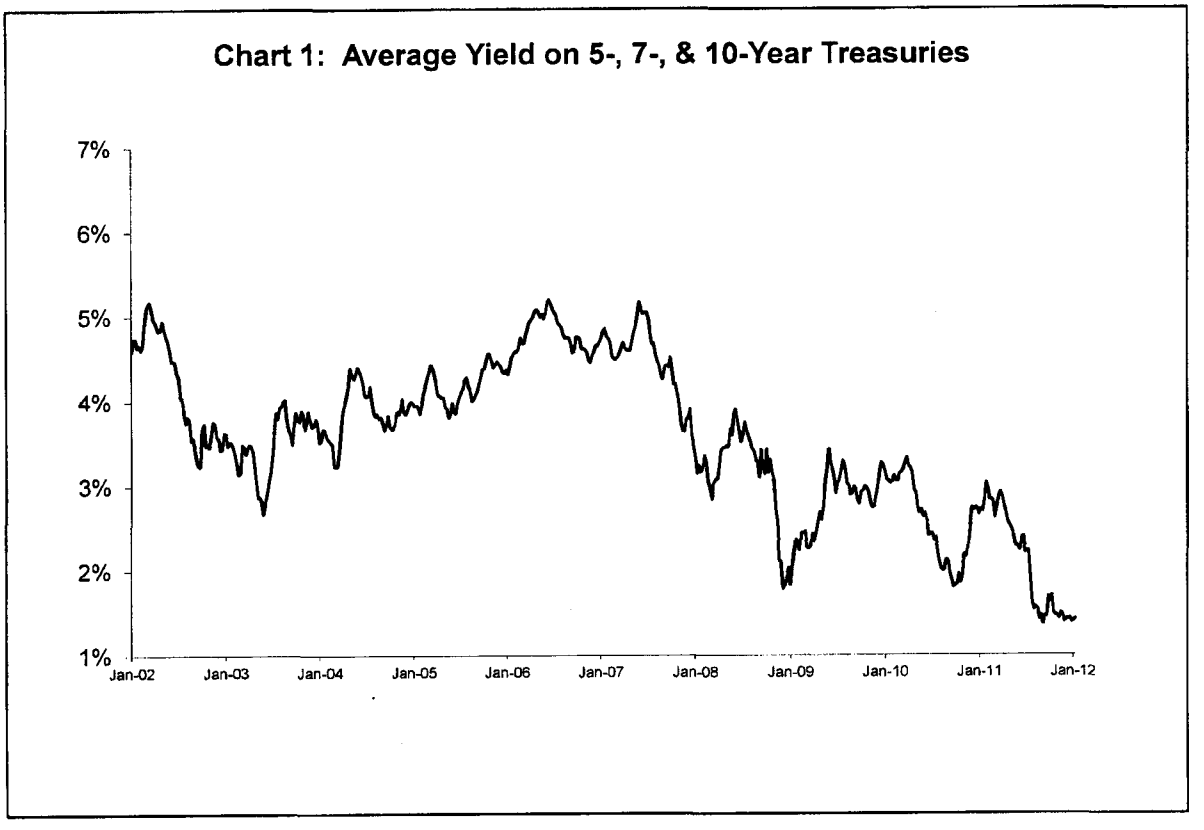
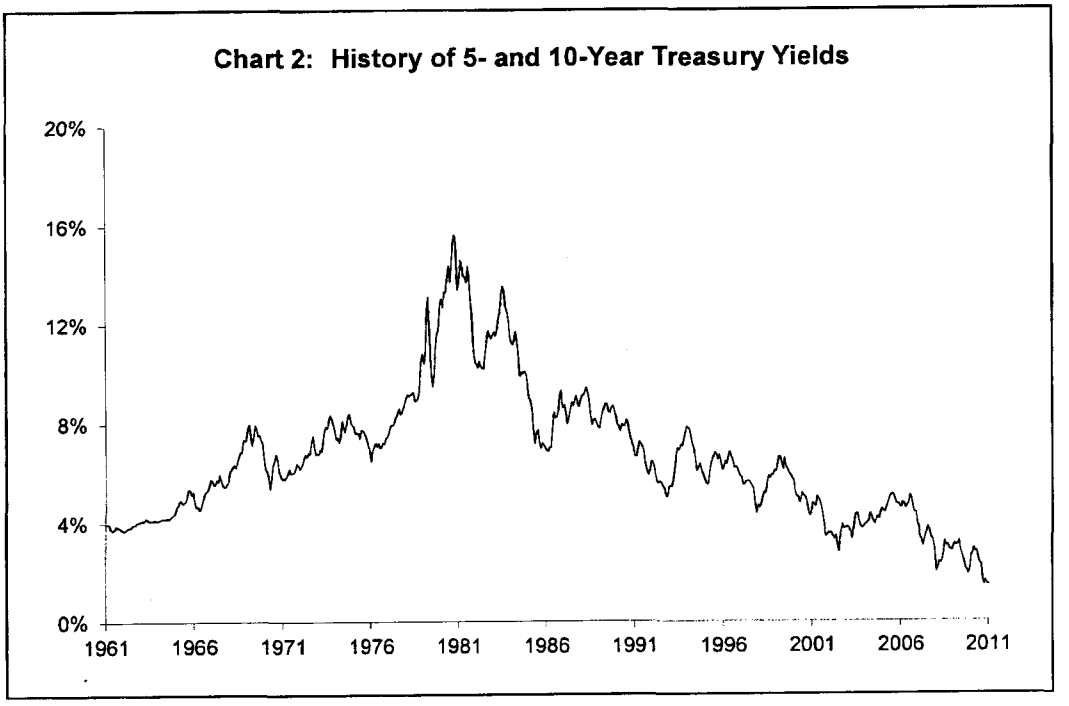


Chart 1 shows that intermediate-term interest rates trended downward from 2002 to mid-2003, trended upward through early-2008, trended downward through early-2009, trended upward through mid-2010, trended downward through late 2010, trended upward to mid-2011, and are currently trending down from the existing, relatively low rates.

Q. What has been the general trend in interest rates longer term?

A. U.S. Treasury rates from December 1961 - December 2011 are shown in Chart 2. The chart shows that interest rates trended upward through the mid-1980s and have trended downward over the last 25 years.



Source: Federal Reserve

Q. Do these trends suggest anything in terms of cost of equity?

A. Yes. As previously noted, interest rates and cost of equity tend to move in the same direction; therefore, the cost of equity has declined in the past 25 years.

Q. Do actual returns represent the cost of equity?

A. No. The cost of equity represents investors' *expected* returns and not realized returns.

Q. Is there any information available that leads to an understanding of the relationship between the equity returns required for a regulated water utility and those required in the market as a whole?

A. Yes. A comparison of betas, a component of the CAPM discussed in Section VI, for the water utility industry and the market provide insight into this relationship. In theory, the market has a beta value of 1.0, with stocks bearing greater risk (less risk) than the market having beta values higher than (lower than) 1.0, respectively. Furthermore, in accordance with the CAPM, the cost of equity capital moves in the same direction as beta. Therefore, because the average beta value (0.71)[1] for a water utility is less than 1.0, the required return on equity for a regulated water utility is below that of the market as a whole.

Risk

Q. Please define risk in relation to cost of capital.

A. Risk, as it relates to an investment, is the variability or uncertainty of the returns on a particular security. Investors are risk averse and require a greater potential return to invest in relatively greater risk opportunities, i.e., investors require compensation for taking on additional risk. Risk is generally separated into two components. Those components are market risk (systematic risk) and non-market risk (diversifiable risk or firm-specific risk).

Q. What is market risk?

A. Market risk or systematic risk is the risk of an investment that cannot be reduced through diversification. Market risk stems from factors that affect all securities, such as recessions, war, inflation and high interest rates. Since these factors affect the entire market they cannot be eliminated through diversification. Market risk does not impact

[1] See Schedule JAC-7.

each security to the same degree. The degree to which a given security's return is affected by market fluctuations can be measured using Beta. Beta reflects the business risk and the financial risk of a security.

Q. Please define business risk.

A. Business risk is the fluctuation of earnings inherent in a firm's operations and environment, such as competition and adverse economic conditions that may impair its ability to provide returns on investment. Companies in the same or similar line of business tend to experience the same fluctuations in business cycles.

Q. Please define financial risk.

A. Financial risk is the fluctuation of earnings, inherent in the use of debt financing, that may impair a firm's ability to provide adequate return; the higher the percentage of debt in a company's capital structure, the greater its exposure to financial risk.

Q. Do business risk and financial risk affect the cost of equity?

A. Yes.

Q. Is a firm subject to any other risk?

A. Yes. Firms are also subject to unsystematic or firm-specific risk. Examples of unsystematic risk include losses caused by labor problems, nationalization of assets, loss of a big client or weather conditions. Investors can eliminate firm-specific risk by holding a diverse portfolio; thus, it is not of concern to diversified investors.

Q. How does Valley Utilities' financial risk exposure compare to that of Staff's sample group of water companies?

A. JAC-4 shows the capital structures of the six sample water companies as of December 31, 2011, and Valley Utilities' adjusted capital structure as of the end of the test year, December 31, 2011. As shown, the sample water utilities were capitalized with approximately 51.6 percent debt and 48.4 percent equity, while Valley Utilities' capital structure consists of 87.1 percent debt and 12.9 percent equity. Thus, because Valley Utilities' capital structure is more highly leveraged than the capital structures of Staff's sample companies, Valley Utilities has greater exposure to financial risk.

Q. Is firm-specific risk measured by beta?

A. No. Firm-specific risk is not measured by beta.

Q. Is the cost of equity affected by firm-specific risk?

A. No. Since firm-specific risk can be eliminated through diversification, it does not affect the cost of equity.

Q. Can investors expect additional returns for firm-specific risk?

A. No. Investors who hold diversified portfolios can eliminate firm-specific risk and, consequently, do not require any additional return. Since investors who choose to be less than fully-diversified must compete in the market with fully-diversified investors, the former cannot expect to be compensated for unique risk.

VI. ESTIMATING THE COST OF EQUITY

Introduction

Q. Did Staff directly estimate the cost of equity for Valley Utilities?

A. No. Since Valley Utilities is not a publicly-traded company, Staff is unable to directly estimate its cost of equity due to the lack of firm-specific market data. Instead, Staff estimated the Company's cost of equity indirectly, using a representative sample group of publicly traded water utilities as a proxy, taking the average of the sample group to reduce the sample error resulting from random fluctuations in the market at the time the information is gathered.

Q. What companies did Staff select as proxies or comparables for Valley Utilities?

A. Staff's sample consists of the following six publicly-traded water utilities: American States Water, California Water, Connecticut Water Services, Middlesex Water, Aqua America and SJW Corp. Staff chose these companies because they are publicly-traded and receive the majority of their earnings from regulated operations.

Q. What models did Staff implement to estimate Valley Utilities' cost of equity?

A. Staff used two market-based models to estimate the cost of equity for Valley Utilities: the DCF model and the CAPM.

Q. Please explain why Staff chose the DCF and CAPM models.

A. Staff chose to use the DCF and CAPM models because they are widely-recognized market-based models and have been used extensively to estimate the cost of equity. An explanation of the DCF and CAPM models follows.

Discounted Cash Flow Model Analysis

Q. Please provide a brief summary of the theory upon which the DCF method of estimating the cost of equity is based.

A. The DCF method of stock valuation is based on the theory that the value of an investment is equal to the sum of the future cash flows generated from the aforementioned investment discounted to the present time. This method uses expected dividends, market price and dividend growth rate to calculate the cost of capital. Professor Myron Gordon pioneered the DCF method in the 1960s. The DCF method has become widely used to estimate the cost of equity for public utilities due to its theoretical merit and its simplicity. Staff used the financial information for the relevant six sample companies in the DCF model and averaged the results to determine an estimated cost of equity for the sample companies.

Q. Does Staff use more than one version of the DCF?

A. Yes. Staff uses two versions of the DCF model: the constant-growth DCF and the multi-stage or non-constant growth DCF. The constant-growth DCF assumes that an entity's dividends will grow indefinitely at the same rate. The multi-stage growth DCF model assumes the dividend growth rate will change at some point in the future.

The Constant-Growth DCF

Q. What is the mathematical formula used in Staff's constant-growth DCF analysis?

A. The constant-growth DCF formula used in Staff's analysis is:

Equation 2:

$$K = \frac{D_1}{P_0} + g$$

where:

K	=	the cost of equity
D_1	=	the expected annual dividend
P_0	=	the current stock price
g	=	the expected infinite annual growth rate of dividends

Equation 2 assumes that the entity has a constant earnings retention rate and that its earnings are expected to grow at a constant rate. According to Equation 2, a stock with a current market price of $10 per share, an expected annual dividend of $0.45 per share and an expected dividend growth rate of 3.0 percent per year has a cost of equity to the entity of 7.5 percent reflected by the sum of the dividend yield ($0.45/ $10 = 4.5 percent) and the 3.0 percent annual dividend growth rate.

Q. How did Staff calculate the expected dividend yield (D_1/P_0) component of the constant-growth DCF formula?

A. Staff calculated the expected yield component of the DCF formula by dividing the expected annual dividend (D_1) by the spot stock price (P_0) after the close of market on December 5, 2012, as reported by *MSN Money*.

Q. Why did Staff use the December 5, 2012, spot price rather than a historical average stock price to calculate the dividend yield component of the DCF formula?

A. The current, rather than historic, market price is used in order to be consistent with financial theory. In accordance with the Efficient Market Hypothesis, the current stock price is reflective of all available information on a stock, and as such reveals investors' expectations of future returns. Use of historical average stock prices illogically discounts the most recent information in favor of less recent information. The latter is stale and is representative of underlying conditions that may have changed.

Q. How did Staff estimate the dividend growth (g) component of the constant-growth DCF model represented by Equation 2?

A. The dividend growth component used by Staff is determined by the average of six different estimation methods, as shown in Schedule JAC-8. Staff calculated historical and projected growth estimates on dividend-per-share ("DPS"),[2] earnings-per-share ("EPS")[3] and sustainable growth bases.

Q. Why did Staff examine EPS growth to estimate the dividend growth component of the constant-growth DCF model?

A. Historic and projected EPS growth are used because dividends are related to earnings. Dividend distributions may exceed earnings in the short run, but cannot continue indefinitely. In the long term, dividend distributions are dependent on earnings.

[2] Derived from information provided by *Value Line.*
[3] Derived from information provided by *Value Line.*

Q. How did Staff estimate historical DPS growth?

A. Staff estimated historical DPS growth by calculating a compound annual DPS growth rate for each of its sample companies over the 10-year period, 2002-2011. As shown in Schedule JAC-5, the average historical DPS growth rate for the sample was 3.2 percent.

Q. How did Staff estimate projected DPS growth?

A. Staff calculated an average of the projected DPS growth rates for the sample water utilities from *Value Line* through the period, 2015-2017. The average projected DPS growth rate is 4.1 percent, as shown in Schedule JAC-5.

Q. How did Staff estimate historical EPS growth rate?

Staff estimated historical EPS growth by calculating a compound annual EPS growth rate for each of its sample companies over the 10-year period, 2002-2011. As shown in Schedule JAC-5, the average historical EPS growth rate for the sample was 4.2 percent.

Q. How did Staff estimate projected EPS growth?

A. Staff calculated an average of the projected EPS growth rates for the sample water utilities from *Value Line* through the period, 2015-2017. The average projected EPS growth rate is 6.2 percent, as shown in Schedule JAC-5.

Q. How does Staff calculate its historical and projected sustainable growth rates?

A. Historical and projected sustainable growth rates are calculated by adding their respective retention growth rate terms (br) to their respective stock financing growth rate terms (vs), as shown in Schedule JAC-6.

Q. What is retention growth?

A. Retention growth is the growth in dividends due to the retention of earnings. The retention growth concept is based on the theory that dividend growth cannot be achieved unless the company retains and reinvests some of its earnings. The retention growth is used in Staff's calculation of sustainable growth shown in Schedule JAC-6.

Q. What is the formula for the retention growth rate?

A. The retention growth rate is the product of the retention ratio and the book/accounting return on equity. The retention growth rate formula is:

Equation 3:

$$\text{Retention Growth Rate} = br$$

where: b = the retention ratio (1 – dividend payout ratio)
r = the accounting/book return on common equity

Q. How did Staff calculate the average historical retention growth rate (br) for the sample water utilities?

A. Staff calculated the mean of the 10-year average historical retention rate for each sample company over the period, 2002-2011. As shown in Schedule JAC-6, the historical average retention (br) growth rate for the sample is 2.9 percent.

Q. How did Staff estimate its projected retention growth rate (br) for the sample water utilities?

A. Staff used the retention growth projections for the sample water utilities for the period, 2015-2017, from *Value Line*. As shown in Schedule JAC-6, the projected average retention growth rate for the sample companies is 4.3 percent.

Q. When can retention growth provide a reasonable estimate of future dividend growth?

A. The retention growth rate is a reasonable estimate of future dividend growth when the retention ratio is reasonably constant and the entity's market price to book value ("market-to-book ratio") is expected to be 1.0. The average retention ratio has been reasonably constant in recent years. However, the market-to-book ratio for the sample water utilities is 2.0, notably higher than 1.0, as shown in Schedule JAC-7.

Q. Is there any financial implication of a market-to-book ratio greater than 1.0?

A. Yes. A market-to-book ratio greater than 1.0 implies that investors expect an entity to earn an accounting/book return on its equity that exceeds its cost of equity. The relationship between required returns and expected cash flows is readily observed in the fixed securities market. For example, assume an entity contemplating issuance of bonds with a face value of $10 million at either 6 percent or 8 percent and, thus, paying annual interest of $600,000 or $800,000, respectively. Regardless of investors' required return on similar bonds, investors will be willing to pay more for the bonds if issued at 8 percent than if the bonds are issued at 6 percent. For example, if the current interest rate required by investors is 6 percent, then they would bid $10 million for the 6 percent bonds and more than $10 million for the 8 percent bonds. Similarly, if equity investors require a 9 percent return and expect an entity to earn accounting/book returns of 13 percent, the market will bid up the price of the entity's stock to provide the required return of 9 percent.

Q. How has Staff generally recognized a market-to-book ratio exceeding 1.0 in its cost of equity analyses in recent years?

A. Staff has assumed that investors expect the market-to-book ratio to remain greater than 1.0. Given that assumption, Staff has added a stock financing growth rate (vs) term to the retention ratio (br) term to calculate its historical and projected sustainable growth rates.

Q. Do the historical and projected sustainable growth rates Staff uses to develop its DCF cost of equity in this case continue to include a stock financing growth rate term?

A. Yes.

Q. What is stock financing growth?

A. Stock financing growth is the growth in an entity's dividends due to the sale of stock by that entity. Stock financing growth is a concept derived by Myron Gordon and discussed in his book *The Cost of Capital to a Public Utility.*[4] Stock financing growth is the product of the fraction of the funds raised from the sale of stock that accrues to existing shareholders (v) and the fraction resulting from dividing the funds raised from the sale of stock by the existing common equity (s).

[4] Gordon, Myron J. *The Cost of Capital to a Public Utility.* MSU Public Utilities Studies, Michigan, 1974. pp 31-35.

Q. What is the mathematical formula for the stock financing growth rate?

A. The mathematical formula for stock financing growth is:

Equation 4:

$$\text{Stock Financing Growth} = vs$$

where: v = Fraction of the funds raised from the sale of stock that accrues to existing shareholders

s = Funds raised from the sale of stock as a fraction of the existing common equity

Q. How is the variable *v* presented above calculated?

A. Variable v is calculated as follows:

Equation 5:

$$v = 1 - \left(\frac{book\ value}{market\ value} \right)$$

For example, assume that a share of stock has a $30 book value and is selling for $45. Then, to find the value of v, the formula is applied:

$$v = 1 - \left(\frac{30}{45} \right)$$

In this example, v is equal to 0.33.

Q. How is the variable *s* presented above calculated?

A. Variable s is calculated as follows:

Equation 6:

$$s = \frac{\text{Funds raised from the issuance of stock}}{\text{Total existing common equity before the issuance}}$$

For example, assume that an entity has $150 in existing equity, and it sells $30 of stock. Then, to find the value of *s*, the formula is applied:

$$s = \left(\frac{30}{150}\right)$$

In this example, *s* is equal to 20.0 percent.

Q. What is the *vs* term when the market-to-book ratio is equal to 1.0?

A. A market-to-book ratio of 1.0 reflects that investors expect an entity to earn a book/accounting return on their equity investment equal to the cost of equity. When the market-to-book ratio is equal to 1.0, none of the funds raised from the sale of stock by the entity accrues to the benefit of existing shareholders, i.e., the term *v* is equal to zero (0.0). Consequently, the *vs* term is also equal to zero (0.0). When stock financing growth is zero, dividend growth depends solely on the *br* term.

Q. What is the effect of the *vs* term when the market-to-book ratio is greater than 1.0?

A. A market-to-book ratio greater than 1.0 reflects that investors expect an entity to earn a book/accounting return on their equity investment greater than the cost of equity. Equation 5 shows that, when the market-to-book ratio is greater than 1.0, the *v* term is also greater than zero. The excess by which new shares are issued and sold over book value per share of outstanding stock is a contribution that accrues to existing stockholders in the form of a higher book value. The resulting higher book value leads to higher expected earnings and dividends. Continued growth from the *vs* term is dependent upon the continued issuance and sale of additional shares at a price that exceeds book value per share.

Q. What *vs* estimate did Staff calculate from its analysis of the sample water utilities?

A. Staff estimated an average stock financing growth of 1.9 percent for the sample water utilities, as shown in Schedule JAC-6.

Q. What would occur if an entity had a market-to-book ratio greater than 1.0 as a result of investors expecting earnings to exceed its cost of equity, and subsequently experienced newly-authorized rates equal only to its cost of equity?

A. *Ceteris paribus*, holding all other factors constant, one would expect market forces to move the company's stock price lower, closer to a market-to-book ratio of 1.0, to reflect investor expectations of reduced expected future cash flows.

Q. If the average market-to-book ratio of Staff's sample water utilities were to fall to 1.0 due to authorized ROEs equaling their cost of equity, would inclusion of the vs term be necessary to Staff's constant-growth DCF analysis?

A. No. As discussed above, when the market-to-book ratio is equal to 1.0, none of the funds raised from the sale of stock by the entity accrues to the benefit of existing shareholders because the *v* term equals to zero and, consequently, the *vs* term also equals zero. When the market-to-book ratio equals 1.0, dividend growth depends solely on the *br* term. Staff's inclusion of the *vs* term assumes that the market-to-book ratio continues to exceed 1.0 and that the water utilities will continue to issue and sell stock at prices above book value with the effect of benefitting existing shareholders.

Q. What are Staff's historical and projected sustainable growth rates?

A. Staff's estimated historical sustainable growth rate is 4.8 percent based on an analysis of earnings retention for the sample water companies. Staff's projected sustainable growth

rate is 6.3 percent based on retention growth projected by *Value Line.* Schedule JAC-6 presents Staff's estimates of the sustainable growth rate.

Q. What is Staff's expected infinite annual growth rate in dividends?

A. Staff's expected dividend growth rate (g) is 4.8 percent, which is the average of historical and projected DPS, EPS, and sustainable growth estimates. Staff's calculation of the expected infinite annual growth rate in dividends is shown in Schedule JAC-8.

Q. What is Staff's constant-growth DCF estimate for the sample utilities?

A. Staff's constant-growth DCF estimate is 8.0 percent, as shown in Schedule JAC-3.

The Multi-Stage DCF

Q. Why did Staff implement the multi-stage DCF model to estimate Valley Utilities's cost of equity?

A. Staff generally uses the multi-stage DCF model to consider the assumption that dividends may not grow at a constant rate. The multi-stage DCF uses two stages of growth, the first stage (near-term) having a four-year duration, followed by the second stage (long-term) of constant growth.

Q. What is the mathematical formula for the multi-stage DCF?

A. The multi-stage DCF formula is shown in the following equation:

Equation 7 :

$$P_0 = \sum_{t=1}^{n} \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n}\left[\frac{1}{(1+K)}\right]^n$$

Where : P_0 = current stock price
D_t = dividends expected during stage 1
K = cost of equity
n = years of non – constant growth
D_n = dividend expected in year n
g_n = constant rate of growth expected after year n

Q. What steps did Staff take to implement its multi-stage DCF cost of equity model?

A. First, Staff projected future dividends for each of the sample water utilities using near-term and long-term growth rates. Second, Staff calculated the rate (cost of equity) which equates the present value of the forecasted dividends to the current stock price for each of the sample water utilities. Lastly, Staff calculated an overall sample average cost of equity estimate.

Q. How did Staff calculate near-term (stage-1) growth?

A. The stage-1 growth rate is based on *Value Lines*'s projected dividends for the next twelve months, when available, and on the average dividend growth (g) rate of 4.8 percent, calculated in Staff's constant DCF analysis for the remainder of the stage.

Q. How did Staff estimate long-term (stage-2) growth?

A. Staff calculated the stage-2 growth rate using the arithmetic mean rate of growth in Gross Domestic Product ("GDP") from 1929 to 2011.[5] Using the GDP growth rate assumes that the water utility industry is expected to grow at the same rate as the overall economy.

Q. What is the historical GDP growth rate that Staff used to estimate stage-2 growth?

A. Staff used 6.5 percent to estimate the stage-2 growth rate.

Q. What is Staff's multi-stage DCF estimate for the sample utilities?

A. Staff's multi-stage DCF estimate is 9.6 percent, as shown in Schedule JAC-3.

Q. What is Staff's overall DCF estimate for the sample utilities?

A. Staff's overall DCF estimate is 8.8 percent. Staff calculated the overall DCF estimate by averaging the constant growth DCF (8.0%) and multi-stage DCF (9.6%) estimates, as shown in Schedule JAC-3.

Capital Asset Pricing Model

Q. Please describe the CAPM.

A. The CAPM is used to determine the prices of securities in a competitive market. The CAPM model describes the relationship between a security's investment risk and its market rate of return. Under the CAPM, an investor requires the expected return of a security to equal the rate on a risk-free security plus a risk premium. If the investor's expected return does not meet or beat the required return, the investment is not economically justified. The model also assumes that investors will sufficiently diversify

[5] www.bea.doc.gov.

their investments to eliminate any non-systematic or unique risk.[6] In 1990, Professors Harry Markowitz, William Sharpe, and Merton Miller earned the Nobel Prize in Economic Sciences for their contribution to the development of the CAPM.

Q. Did Staff use the same sample water utilities in its CAPM and DCF cost of equity estimation analyses?

A. Yes. Staff's CAPM cost of equity estimation analysis uses the same sample water companies as its DCF cost of equity estimation analysis.

Q. What is the mathematical formula for the CAPM?

A. The mathematical formula for the CAPM is:

Equation 8:

$$K = R_f + \beta (R_m - R_f)$$

where:

R_f	=	risk free rate
R_m	=	return on market
β	=	beta
$R_m - R_f$	=	market risk premium
K	=	expected return

The equation shows that the expected return (K) on a risky asset is equal to the risk-free interest rate (R_f) plus the product of the market risk premium ($R_m - R_f$) multiplied by beta (β) where beta represents the riskiness of the investment relative to the market.

[6] The CAPM makes the following assumptions: 1) single holding period; 2) perfect and competitive securities market; 3) no transaction costs; 4) no restrictions on short selling or borrowing; 5) the existence of a risk-free rate; and 6) homogeneous expectations.

Q. What is the risk-free rate?

A. The risk-free rate is the rate of return of an investment free of default risk.

Q. What does Staff use as surrogates to represent estimations of the risk-free rates of interest in its historical and current market risk premium CAPM methods?

A. Staff uses separate parameters as surrogates for the estimations of the risk-free rates of interest for the historical market risk premium CAPM cost of equity estimation and the current market risk premium CAPM cost of equity estimation. Staff uses the average of three (5-, 7-, and 10-year) intermediate-term U.S. Treasury securities' spot rates in its historical market risk premium CAPM cost of equity estimation, and the 30-year U.S. Treasury bond spot rate in its current market risk premium CAPM cost of equity estimation. Rates on U.S. Treasuries are largely verifiable and readily available.

Q. What does beta measure?

A. Beta is a measure of a security's price volatility, or systematic risk, relative to the market as a whole. Since systematic risk cannot be diversified away, it is the only risk that is relevant when estimating a security's required return. Using a baseline market beta coefficient of 1.0, a security having a beta value less than 1.0 will be less volatile (i.e., less risky) than the market. A security with a beta value greater than 1.0 will be more volatile (i.e., more risky) than the market.

Q. How did Staff estimate Valley Utilities' beta?

A. Staff used the average of the *Value Line* betas for the sample water utilities as a proxy for the Company's beta. Schedule JAC-7 shows the *Value Line* betas for each of the sample water utilities. The 0.71 average beta coefficient for the sample water utilities is Staff's

estimated beta value for Valley Utilities. A security with a beta value of 0.71 has less volatility than the market.

Q. What is the market risk premium ($R_m - R_f$)?

A. The market risk premium is the expected return on the market, minus the risk-free rate. Simplified, it is the return an investor expects as compensation for market risk.

Q. What did Staff use for the market risk premium?

A. Staff uses separate calculations for the market risk premium in its historical and current market risk premium CAPM methods.

Q. How did Staff calculate an estimate for the market risk premium in its historical market risk premium CAPM method?

A. Staff uses the intermediate-term government bond income returns published in the Ibbotson Associates' *Stocks, Bonds, Bills, and Inflation 2011 Yearbook* to calculate the historical market risk premium. Ibbotson Associates calculates the historical risk premium by averaging the historical arithmetic differences between the S&P 500 and the intermediate-term government bond income returns for the period 1926-2011. Staff's historical market risk premium estimate is 7.2 percent, as shown in Schedule JAC-3.

Q. How did Staff calculate an estimate for the market risk premium in its current market risk premium CAPM method?

A. Staff solves equation 8 above to arrive at a market risk premium using a DCF-derived expected return (K) of 14.77 (2.3 + 12.47[7]) percent using the expected dividend yield (2.3 percent over the next twelve months) and the annual per share growth rate (12.47 percent)

[7] The three to five year price appreciation is 60%. $1.60^{0.25} - 1 = 12.47\%$.

that *Value Line* projects for all dividend-paying stocks under its review[8] along with the current long-term risk-free rate (30-year Treasury note at 2.78 percent) and the market's average beta of 1.0. Staff calculated the current market risk premium as 12.00 percent,[9] as shown in Schedule JAC-3.

Q. What is the result of Staff's historical market risk premium CAPM and current market risk premium CAPM cost of equity estimations for the sample utilities?

A. Staff's cost of equity estimates are 6.2 percent using the historical market risk premium CAPM and 11.3 percent using the current market risk premium CAPM.

Q. What is Staff's overall CAPM estimate for the sample utilities?

A. Staff's overall CAPM cost of equity estimate is 8.8 percent which is the average of the historical market risk premium CAPM (6.2 percent) and the current market risk premium CAPM (11.3 percent) estimates, as shown in Schedule JAC-3.

VII. SUMMARY OF STAFF'S COST OF EQUITY ANALYSIS

Q. What is the result of Staff's constant-growth DCF analysis to estimate the cost of equity for the sample water utilities?

A. Schedule JAC-3 shows the result of Staff's constant-growth DCF analysis. The result of Staff's constant-growth DCF analysis is as follows:

$$k = 3.2\% + 4.8\%$$

$$k = \mathbf{8.0\%}$$

[8] December 7, 2012 issue date.
[9] 14.77% = 2.78% + (1) (11.99%).

Staff's constant-growth DCF estimate of the cost of equity for the sample water utilities is 8.0 percent.

Q. What is the result of Staff's multi-stage DCF analysis to estimate of the cost of equity for the sample utilities?

A. Schedule JAC-9 shows the result of Staff's multi-stage DCF analysis. The result of Staff's multi-stage DCF analysis is:

Company	**Equity Cost Estimate (k)**
American States Water	9.3%
California Water	10.0%
Aqua America	9.1%
Connecticut Water	9.5%
Middlesex Water	10.4%
SJW Corp	9.5%
Average	**9.6%**

Staff's multi-stage DCF estimate of the cost of equity for the sample water utilities is 9.6 percent.

Q. What is Staff's overall DCF estimate of the cost of equity for the sample utilities?

A. Staff's overall DCF estimate of the cost of equity for the sample utilities is 8.8 percent. Staff calculated an overall DCF cost of equity estimate by averaging Staff's constant growth DCF (8.0 percent) and Staff's multi-stage DCF (9.6 percent) estimates, as shown in Schedule JAC-3.

Q. What is the result of Staff's historical market risk premium CAPM analysis to estimate of the cost of equity for the sample utilities?

A. Schedule JAC-3 shows the result of Staff's CAPM analysis using the historical risk premium estimate. The result is as follows:

$$k = 1.1\% + 0.71 * 7.2\%$$

$$k = 6.2\%$$

Staff's CAPM estimate (using the historical market risk premium) of the cost of equity to the sample water utilities is 6.2 percent.

Q. What is the result of Staff's current market risk premium CAPM analysis to estimate the cost of equity for the sample utilities?

A. Schedule JAC-3 shows the result of Staff's CAPM analysis using the current market risk premium estimate. The result is:

$$k = 2.8\% + 0.71 * 12.0\%$$

$$k = 11.3\%$$

Staff's CAPM estimate (using the current market risk premium) of the cost of equity to the sample water utilities is 11.3 percent.

Q. What is Staff's overall CAPM estimate of the cost of equity for the sample utilities?

A. Staff's overall CAPM estimate for the sample utilities is 8.8 percent. Staff's overall CAPM estimate is the average of the historical market risk premium CAPM (6.2 percent) and the current market risk premium CAPM (11.3 percent) estimates, as shown in Schedule JAC-3.

Q. Please summarize the results of Staff's cost of equity analysis for the sample utilities.

A. The following table shows the results of Staff's cost of equity analysis:

Table 2

Method	Estimate
Average DCF Estimate	8.8%
Average CAPM Estimate	8.8%
Overall Average	**8.8%**

Staff's average estimate of the cost of equity to the sample water utilities is 8.8 percent.

VIII. FINAL COST OF EQUITY ESTIMATES FOR VALLEY UTILITIES

Q. Please compare Valley Utilities' capital structure to that of the six sample water companies.

A. The average capital structure for the sample water utilities is composed of 48.4 percent equity and 51.6 percent debt, as shown in Schedule JAC-4. Valley Utilities' capital structure is composed of 12.9 percent equity and 87.1 percent debt. In this case, since Valley Utilities' capital structure is more leveraged than that of the average sample water utilities' capital structure, its stockholders bear more financial risk than the sample water utilities.

Q. Does Valley Utilities' reduced financial risk affect its cost of equity?

A. Yes. As previously discussed, financial risk is a component of market risk and investors require compensation for market risk. Since Valley Utilities' financial risk exposure is greater than that of the average sample water companies, its cost of equity is higher than that of the sample water companies. However, Staff is not recommending an upward financial risk adjustment in this proceeding. In Decision No. 71482, [10] the Commission directed Valley Utilities to continue improving its equity position. Although the

[10] Page 35, Finding of Fact No. 93.

Company's equity has improved, it remains inappropriately low. Since the Commission has already directed the Company to increase its equity position, it would be inconsistent for Staff to recommend an upward ROE adjustment in this Docket, because that recommendation would effectively provide the Company with an incentive to keep its percent of equity capital lower instead of higher, which was the Commission's directive in its Decision No. 71482.

Q. Did Staff consider factors other than the results of its technical models in its cost of equity analysis?

A. Yes. In consideration of the relatively uncertain status of the economy and the market that currently exists, Staff is proposing an Economic Assessment Adjustment to the cost of equity. In this case, Staff recommends a 60 basis point (0.6 percent) upward Economic Assessment Adjustment, as shown in Schedule JAC-3.

Q. What is Staff's ROE estimate for Valley Utilities?

A. Staff determined an ROE estimate of 9.4 percent for Valley Utilities based on cost of equity estimates for the sample companies of 8.8 percent for both the CAPM and the DCF. Staff recommends adoption of a 60 basis point upward Economic Assessment Adjustment, resulting in a 9.4 percent Staff-recommended cost of equity, as shown in Schedule JAC-3.

IX. RATE OF RETURN RECOMMENDATION

Q. What overall rate of return did Staff determine for Valley Utilities?

A. Staff determined a 6.2 percent ROR for the Company, as shown in Schedule JAC-1 and the following table:

Table 3

	Weight	Cost	Weighted Cost
Long-term Debt	87.1%	5.8%	5.0%
Common Equity	12.9%	9.4%	1.2%
Overall ROR			**6.2%**

X. STAFF RESPONSE TO COMPANY'S COST OF CAPITAL WITNESS MR. RAY L. JONES

Q. Please summarize Mr. Jones' analyses and recommendations.

A. Mr. Jones recommends an 11.0 percent COE for Valley Utilities. In doing so, however, he presents no market based estimates for the cost of equity from either the DCF or CAPM models. Instead, as justification for his proposed COE, he cites the Company's "deteriorating financial condition, negative cash flow and highly leveraged capital structure," stating that his recommended 11.0 percent COE includes a "significant risk premium" to compensate Valley Utilities (See Jones Direct, p. 18). His overall recommended rate of return for the Company is 6.451 percent.

Q. What comment did the Commission have associated with Valley Utilities' capital structure in the prior rate case?

A. In Decision No. 71482 (dated February 3, 2010), while acknowledging that Valley Utilities had significantly improved its equity position since its last rate case, the Commission nevertheless found that the Company needed to improve its equity position so that its rates might be set using a rate of return on its FVRB as opposed to an operating margin determination.[11]

[11] Decision No. 71482, Finding of Fact No. 93, p. 35.

Q. What is the relationship between capital structure and a financial risk premium?

A. As discussed above, financial risk increases along with increasing debt in the capital structure. However, it is not effective regulatory practice to continue rewarding a utility via a risk premium/upward financial risk adjustment to its authorized COE.

XI. CONCLUSION

Q. Please summarize Staff's recommendations.

A. Staff recommends that the Commission adopt a 9.4 percent overall rate of return for the Company based on a capital structure composed of 87.1 percent debt and 12.9 percent equity, Staff's 8.8 percent cost of equity estimate, and Staff's 60 basis point (0.6 percent) upward economic assessment adjustment.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Valley Utilities Cost of Capital Calculation
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A]	[B]	[C]	[D]
Description	Weight (%)	Cost	Weighted Cost
Staff Recommended Structure			
Debt	87.1%	5.8%	5.0%
Common Equity	12.9%	9.4%	1.2%
Weighted Average Cost of Capital			**6.2%**
Company Proposed Structure			
Debt	87.1%	5.8%	5.0%
Common Equity	12.9%	11.0%	1.4%
Weighted Average Cost of Capital			**6.5%**

[D] : [B] x [C]

Supporting Schedules: JAC-3 and JAC-4.

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Valley Utilities Cost of Capital Calculation
Final Cost of Equity Estimates
Sample Water Utilities

[A]	[B]		[C]		[D]		[E]
DCF Method			D_1/P_0 [1]	+	g [2]	=	k
Constant Growth DCF Estimate			3.2%	+	4.8%	=	8.0%
Multi-Stage DCF Estimate						=	9.6%
Average DCF Estimate							**8.8%**
CAPM Method	Rf	+	β [5]	x	(Rp)	=	k
Historical Market Risk Premium[3]	1.1%	+	0.71	x	7.2% [6]	=	6.2%
Current Market Risk Premium[4]	2.8%	+	0.71	x	12.0% [7]	=	11.3%
Average CAPM Estimate							**8.8%**
					Average of Overall Estimates		**8.8%**
					Economic Assessment Adjustment		0.6%
					Sub-Total		9.4%
					Financial risk adjustment		0.0%
					Total		**9.4%**

1 MSN Money and Value Line

2 Schedule JAC-8

3 Risk-free rate (Rf) for 5, 7, and 10 year Treasury rates from the U.S. Treasury Department at www.ustreas.gov

4 Risk-free rate (Rf) for 30 Year Treasury bond rate from the U.S. Treasury Department at www.ustreas.gov

5 Value Line

6 Historical Market Risk Premium (Rp) calculated from Ibbotson Associates SBBI 2011 Yearbook data

7 Testimony

Valley Utilities Cost of Capital Calculation
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
Company	Debt	Common Equity	Total
American States Water	46.0%	54.0%	100.0%
California Water	53.3%	46.7%	100.0%
Aqua America	53.9%	46.1%	100.0%
Connecticut Water	57.1%	42.9%	100.0%
Middlesex Water	43.3%	56.7%	100.0%
SJW Corp	55.7%	44.3%	100.0%
Average Sample Water Utilities	**51.6%**	**48.4%**	**100.0%**
Valley - Actual Capital Structure	**87.1%**	**12.9%**	**100.0%**

Source:
Sample Water Companies from Value Line

Valley Utilities Cost of Capital Calculation
Growth in Earnings and Dividends
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
Company	Dividends Per Share 2002 to 2011 DPS[1]	Dividends Per Share Projected DPS[1]	Earnings Per Share 2002 to 2011 EPS[1]	Earnings Per Share Projected EPS[1]
American States Water	2.4%	7.8%	5.1%	4.7%
California Water	1.0%	3.0%	6.2%	8.6%
Aqua America	7.7%	4.9%	7.3%	5.6%
Connecticut Water	1.6%	No Projection	0.4%	No Projection
Middlesex Water	1.6%	1.8%	2.4%	8.3%
SJW Corp	4.8%	3.0%	3.7%	4.0%
Average Sample Water Utilities	**3.2%**	**4.1%**	**4.2%**	**6.2%**

1 Value Line

Valley Utilities Cost of Capital Calculation
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
Company	Retention Growth **2002 to 2011** br	Retention Growth Projected br	Stock Financing Growth vs	Sustainable Growth **2002 to 2011** br + vs	Sustainable Growth Projected br + vs
American States Water	3.6%	5.3%	2.3%	5.9%	7.6%
California Water	2.2%	4.8%	2.0%	4.2%	6.8%
Aqua America	4.4%	5.2%	2.2%	6.7%	7.5%
Connecticut Water	2.2%	No Projection	1.0%	3.2%	No Projection
Middlesex Water	1.3%	3.3%	3.5%	4.8%	6.7%
SJW Corp	3.7%	2.9%	0.1%	3.8%	3.0%
Average Sample Water Utilities	**2.9%**	**4.3%**	**1.9%**	**4.8%**	**6.3%**

[B]: Value Line
[C]: Value Line
[D]: Value Line and MSN Money
[E]: [B]+[D]
[F]: [C]+[D]

Valley Utilities Cost of Capital Calculation
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Company	Symbol	Spot Price 12/5/2012	Book Value	Mkt To Book	*Value Line* Beta β	Raw Beta βraw
American States Water	AWR	**45.54**	22.14	2.1	**0.70**	0.52
California Water	CWT	**17.96**	11.34	1.6	**0.65**	0.45
Aqua America	WTR	**25.01**	9.44	2.7	**0.60**	0.37
Connecticut Water	CTWS	**31.27**	13.62	2.3	**0.75**	0.60
Middlesex Water	MSEX	**18.66**	11.91	1.6	**0.70**	0.52
SJW Corp	SJW	**24.00**	15.28	1.6	**0.85**	0.75
Average				**2.0**	**0.71**	**0.53**

[C]: Msn Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: (-0.35 + [F]) / 0.67

Valley Utilities Cost of Capital Calculation
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
Description	g
DPS Growth - Historical[1]	3.2%
DPS Growth - Projected[1]	4.1%
EPS Growth - Historical[1]	4.2%
EPS Growth - Projected[1]	6.2%
Sustainable Growth - Historical[2]	4.8%
Sustainable Growth - Projected[2]	6.3%
Average	**4.8%**

1 Schedule JAC-5

2 Schedule JAC-6

Valley Utilities Cost of Capital Calculation
Multi-Stage DCF Estimates
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[H]	[I]
Company	Current Mkt. Price (P_o)[1] 12/5/2012	Projected Dividends[2] (Stage 1 growth) (D_t) d_1	d_2	d_3	d_4	Stage 2 growth[3] (g_n)	Equity Cost Estimate (K)[4]
American States Water	45.5	1.30	1.37	1.43	1.50	6.5%	9.3%
California Water	18.0	0.66	0.69	0.73	0.76	6.5%	10.0%
Aqua America	25.0	0.67	0.70	0.73	0.77	6.5%	9.1%
Connecticut Water	31.3	0.98	1.03	1.08	1.13	6.5%	9.5%
Middlesex Water	18.7	0.75	0.78	0.82	0.86	6.5%	10.4%
SJW Corp	24.0	0.74	0.78	0.82	0.86	6.5%	9.5%
						Average	**9.6%**

$$P_0 = \sum_{t=1}^{n} \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n}\left[\frac{1}{(1+K)}\right]^n$$

Where : P_0 = current stock price
D_t = dividends expected during stage 1
K = cost of equity
n = years of non – constant growth
D_n = dividend expected in year n
g_n = constant rate of growth expected after year n

1 [B] see Schedule JAC-7

2 Derived from Value Line Information

3 Average annual growth in GDP 1929 - 2011 in current dollars.

4 Internal Rate of Return of Projected Dividends

EXHIBIT
S-4
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	)	DOCKET NO. W-01412A-12-0195

SURREBUTTAL

TESTIMONY

OF

JOHN A. CASSIDY

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 8, 2013

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SURREBUTTAL SCHEDULES

Capital Structure and Weighted Cost of Capital JAC-1

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Final Cost of Equity Estimates for Sample Water Utilities ..... JAC -3

Average Capital Structure of Sample Water Utilities ..... JAC -4

Growth in Earnings & Dividends of Sample Water Utilities ..... JAC -5

Sustainable Growth for Sample Water Utilities ..... JAC -6

Selected Financial Data of Sample Water Utilities ..... JAC -7

Calculation of Expected Infinite Annual Growth in Dividends ..... JAC -8

Multi-Stage DCF Estimates ..... JAC -9

EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-12-0195

The Surrebuttal Testimony of Staff witness John A. Cassidy addresses the following issues:

Capital Structure – Staff recommends that the Commission adopt a capital structure for Valley Utilities Company ("Company") for this proceeding consisting of 87.1 percent debt and 12.9 percent equity.

Cost of Equity – Staff recommends that the Commission adopt a 9.1 percent return on equity ("ROE") for the Company. Staff's estimated ROE for the Company is based on the average of its discounted cash flow method ("DCF") and capital asset pricing model ("CAPM") cost of equity methodology estimates for the sample companies of 8.2 percent for the CAPM and 8.8 percent for DCF. Staff's recommended ROE includes an upward economic assessment adjustment of 60 basis points.

Cost of Debt – Staff recommends that the Commission adopt a 5.8 percent cost of debt for the Company.

Overall Rate of Return – Staff recommends that the Commission adopt a 6.5 percent overall rate of return. Staff's recommended overall rate of return includes a 30 basis point upward rate of return adjustment.

Mr. Jones' Rebuttal Testimony – The Staff-recommended 6.5 percent overall rate of return is equal to the 6.5 percent (rounded to a single decimal point) rate of return proposed by the Company; however, the Commission should reject the Company's proposed 11.0 percent ROE for the following reasons:

> Mr. Jones' proposed cost of equity continues to be unsupported by any formal market based cost of equity estimation analysis, and inappropriately includes a significant risk premium intended to compensate the Company for a deteriorating financial condition, negative cash flow and a highly leveraged capital structure.

I. INTRODUCTION

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

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

Q. Are you the same John A. Cassidy who filed direct testimony in this case?

A. Yes, I am.

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

A. The purpose of my Surrebuttal testimony is to report on Staff's updated cost of capital analysis with its recommendations regarding Valley Utilities Water Company's ("VUWC" or "Company") cost of capital, and to respond to the cost of capital rebuttal testimony of Company witness, Ray L. Jones ("Mr. Jones' Rebuttal").

Q. Please explain how Staff's surrebuttal testimony is organized.

A. Staff's Surrebuttal testimony is presented in four sections. Section I is this introduction. Section II discusses Staff's updated cost of capital analysis. Section III presents Staff's comments on the rebuttal testimony of the Company's cost of capital witness, Mr. Jones. Lastly, Section IV presents Staff's recommendations.

II. COST OF EQUITY AND OVERALL RATE OF RETURN

Q. Is Staff recommending a different capital structure for VUWC in its surrebuttal testimony than it did in direct testimony?

A. No. Staff continues to recommend a capital structure consisting of 87.1 percent debt and 12.9 percent common equity.

Q. Has Staff updated its analysis concerning the Company's cost of equity ("COE") since filing direct testimony in this proceeding?

A. Yes. Staff updated its analysis to include more recent market data.

Q. What is Staff's updated estimate for the COE?

A. Staff's updated estimate for the COE is 8.5 percent. This figure is derived from cost of equity estimates which range from 8.8 percent for the discounted cash flow ("DCF") method to 8.2 percent for the capital asset pricing model ("CAPM") estimation methodologies, as shown in Surrebuttal Schedule JAC-3. In direct testimony, Staff's preliminary COE estimate was 8.8 percent.

Q. In its surrebuttal testimony, does Staff continue to recommend the 60 basis point (0.6 percent) upward economic assessment adjustment to VUWC's cost of equity that it recommended in its direct testimony?

A. Yes.

Q. Did Staff give consideration to allowing the Company an upward financial risk adjustment as part of its cost of equity recommendation?

A. Yes. However, for the reasons stated in Staff's direct testimony, Staff does not consider such an adjustment to COE to be warranted. Instead, Staff elects to make an upward adjustment to the Company's overall rate of return, as explained below.

Q. What COE is Staff recommending for VUWC?

A. Staff recommends a 9.1 percent COE. This figure represents Staff's updated 8.5 percent COE, derived from updated cost of equity estimates ranging from 8.8 percent for the discounted cash flow ("DCF") method to 8.2 percent for the capital asset pricing model

("CAPM") estimation methodologies, and includes Staff's 60 basis point economic assessment adjustment.

Q. Did Staff update its analysis concerning the Company's overall rate of return?

A. Yes, the updated analysis is supported by Surrebuttal Schedules JAC-1 to JAC-9.

Q. Does Staff's updated cost of equity analysis result in a change to Staff's weighted average cost of capital?

A. No. Based upon its updated cost of equity analysis, Staff's weighted average cost of capital remains at 6.2 percent, the same overall rate of return recommended by Staff in Direct testimony. However, as noted above, Staff elects to make an upward adjustment to the Company's overall rate of return.

Q. What upward adjustment is Staff recommending for VUWC's overall rate of return?

A. Staff recommends a 30 basis point upward adjustment to the weighted average cost of capital resulting in a 6.5 percent overall rate of return.

Q. What is Staff's updated overall rate of return?

A. Staff's updated overall rate of return is 6.5 percent. As shown in Surrebuttal Schedule JAC-1, Staff made a 30 basis point upward adjustment to the 6.2 percent weighted average cost of capital resulting from its model resulting in an updated overall rate of return of 6.5 percent. Staff's updated overall rate of return is equal to the 6.5 percent[1] overall rate of return requested by the Company.

[1] The Company's rebuttal actually proposes a 6.45 percent overall rate of return. Staff normally rounds the rate of return to one decimal point.

Q. What overall rate of return is Staff recommending for VUWC?

A. Staff recommends a 6.5 percent overall rate of return. Staff's recommendation is based on a COE of 9.1 percent, a cost of debt of 5.8 percent, a 30 basis point upward rate of return adjustment, and a capital structure consisting of 87.1 percent debt and 12.9 percent common equity, as shown in Surrebuttal Schedule JAC-1.

III. STAFF RESPONSE TO COMPANY'S COST OF CAPITAL WITNESS MR. RAY L. JONES

Q. What is Staff's response to the Company's cost of capital witness?

A. Although VUWC needs to continue improving its equity position, Staff agrees with Mr. Jones' overall assessment that the Company's gain in equity since the prior rate case is significant and shows a commitment to comply with the Commission's directive in Decision No. 71482[2] to continue improving its equity position. Accordingly, Staff recommends a 30 basis point upward adjustment to the weighted average cost of capital. Adding 30 basis points to Staff's 6.2 percent weighted average cost of capital results in a 6.5 percent overall rate of return which is the same overall rate of return requested by the Company. Mathematically, the same overall rate of return resulting from a 30 basis point upward adjustment to the weighted average cost of equity could be achieved by increasing the COE by an even greater amount. However, Staff recommends the former in order to avoid adoption of a specific COE that could be viewed as being unpalatable to ratepayers and to the general public if taken out of the context of a full understanding of financial concepts and the actual facts and circumstances in this case.

[2] Page 35, Finding of Fact No. 93.

IV. STAFF RECOMMENDATIONS

Q. What are Staff's recommendations for VUWC's cost of capital?

A. Staff recommends the following for VUWC's cost of capital:

1. A capital structure of 87.1 percent debt and 12.9 percent equity.
2. A 5.8 percent cost of debt.
3. A 9.1 percent cost of equity.
4. A 6.2 percent weighted average cost of capital.
5. A 30 basis point upward adjustment to the weighted average cost of capital resulting in a 6.5 percent overall rate of return.

Q. Does this conclude your Surrebuttal testimony?

A. Yes, it does.

Valley Utilities Cost of Capital Calculation
Capital Structure
And Weighted Average Cost of Capital
Staff Recommended and Company Proposed

[A]	[B]	[C]	[D]
Description	Weight (%)	Cost	Weighted Cost
Staff Recommended Structure			
Debt	87.1%	5.8%	5.0%
Common Equity	12.9%	9.1%	1.2%
Weighted Average Cost of Capital			6.2%
Rate or Return Adjustment			0.3%
Recommend Overall Rate of Return			**6.5%**
Company Proposed Structure			
Debt	87.1%	5.8%	5.0%
Common Equity	12.9%	11.0%	1.4%
Weighted Average Cost of Capital			**6.5%**

[D] : [B] x [C]

Supporting Schedules: JAC-3 and JAC-4.

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Valley Utilities Cost of Capital Calculation
Final Cost of Equity Estimates
Sample Water Utilities

[A]	[B]		[C]		[D]		[E]
DCF Method			D_1/P_0 [1]	+	g [2]	=	k
Constant Growth DCF Estimate			3.1%	+	5.0%	=	8.1%
Multi-Stage DCF Estimate						=	9.5%
Average DCF Estimate							**8.8%**
CAPM Method	Rf	+	β [5]	x	(Rp)	=	k
Historical Market Risk Premium[3]	1.3%	+	0.71	x	7.2% [6]	=	6.4%
Current Market Risk Premium[4]	3.0%	+	0.71	x	9.8% [7]	=	10.0%
Average CAPM Estimate							**8.2%**
					Average of Overall Estimates		**8.5%**
					Economic Assessment Adjustment		0.6%
					Sub-Total		9.1%
					Financial risk adjustment		0.0%
					Total		**9.1%**

1 MSN Money and Value Line

2 Schedule JAC-8

3 Risk-free rate (Rf) for 5, 7, and 10 year Treasury rates from the U.S. Treasury Department at www.ustreas.gov

4 Risk-free rate (Rf) for 30 Year Treasury bond rate from the U.S. Treasury Department at www.ustreas.gov

5 Value Line

6 Historical Market Risk Premium (Rp) calculated from Ibbotson Associates SBBI 2012 Yearbook data

7 Testimony

Valley Utilities Cost of Capital Calculation
Average Capital Structure of Sample Water Utilities

[A]	[B]	[C]	[D]
Company	Debt	Common Equity	Total
American States Water	46.0%	54.0%	100.0%
California Water	53.3%	46.7%	100.0%
Aqua America	53.9%	46.1%	100.0%
Connecticut Water	57.1%	42.9%	100.0%
Middlesex Water	43.3%	56.7%	100.0%
SJW Corp	55.7%	44.3%	100.0%
Average Sample Water Utilities	**51.6%**	**48.4%**	**100.0%**
Valley - Actual Capital Structure	**87.1%**	**12.9%**	**100.0%**

Source:
Sample Water Companies from Value Line

Valley Utilities Cost of Capital Calculation
Growth in Earnings and Dividends
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]
Company	Dividends Per Share 2003 to 2012 DPS[1,2]	Dividends Per Share Projected DPS[1,3]	Earnings Per Share 2002 to 2011 EPS[1]	Earnings Per Share Projected EPS[1]
American States Water	3.9%	5.9%	5.1%	4.7%
California Water	1.2%	3.4%	6.2%	8.6%
Aqua America	7.7%	4.5%	7.3%	5.6%
Connecticut Water	1.7%	3.5%	0.4%	9.1%
Middlesex Water	1.7%	1.9%	2.4%	8.3%
SJW Corp	4.4%	3.0%	3.7%	5.5%
Average Sample Water Utilities	**3.4%**	**3.7%**	**4.2%**	**7.0%**

1 Value Line

2 Value Line -- Ten-year historical dividend growth updated from 2003-2012 as it is known and measureable.

3 Value Line -- Projected DPS growth covers the four-year period, 2012-2016.

Valley Utilities Cost of Capital Calculation
Sustainable Growth
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]
Company	Retention Growth **2002 to 2011** br	Retention Growth Projected br	Stock Financing Growth vs	Sustainable Growth **2002 to 2011** br + vs	Sustainable Growth Projected br + vs
American States Water	3.6%	5.3%	2.5%	6.1%	7.8%
California Water	2.2%	4.8%	2.2%	4.4%	7.0%
Aqua America	4.4%	5.2%	2.3%	6.7%	7.6%
Connecticut Water	2.2%	No Projection	1.0%	3.2%	No Projection
Middlesex Water	1.3%	3.3%	3.7%	5.0%	7.0%
SJW Corp	3.7%	3.2%	0.1%	3.8%	3.3%
Average Sample Water Utilities	**2.9%**	**4.4%**	**2.0%**	**4.9%**	**6.5%**

[B]: Value Line
[C]: Value Line
[D]: Value Line and MSN Money
[E]: [B]+[D]
[F]: [C]+[D]

Valley Utilities Cost of Capital Calculation
Selected Financial Data of Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Company	Symbol	Spot Price 1/23/2013	Book Value	Mkt To Book	*Value Line* Beta β	Raw Beta βraw
American States Water	AWR	**51.03**	22.26	2.3	**0.70**	0.52
California Water	CWT	**19.35**	11.40	1.7	**0.65**	0.45
Aqua America	WTR	**26.99**	9.49	2.8	**0.60**	0.37
Connecticut Water	CTWS	**29.76**	13.67	2.2	**0.75**	0.60
Middlesex Water	MSEX	**19.52**	11.97	1.6	**0.70**	0.52
SJW Corp	SJW	**26.77**	15.36	1.7	**0.85**	0.75
Average				**2.1**	**0.71**	**0.53**

[C]: Msn Money

[D]: Value Line

[E]: [C] / [D]

[F]: Value Line

[G]: (-0.35 + [F]) / 0.67

Valley Utilities Cost of Capital Calculation
Calculation of Expected Infinite Annual Growth in Dividends
Sample Water Utilities

[A]	[B]
Description	g
DPS Growth - Historical[1]	3.4%
DPS Growth - Projected[1]	3.7%
EPS Growth - Historical[1]	4.2%
EPS Growth - Projected[1]	7.0%
Sustainable Growth - Historical[2]	4.9%
Sustainable Growth - Projected[2]	6.5%
Average	**5.0%**

1 Schedule JAC-5

2 Schedule JAC-6

Valley Utilities Cost of Capital Calculation
Multi-Stage DCF Estimates
Sample Water Utilities

[A]	[B]	[C]	[D]	[E]	[F]	[H]	[I]
Company	Current Mkt. Price (P_o)[1] 1/23/2013	Projected Dividends[2] (Stage 1 growth) (D_t) d_1	d_2	d_3	d_4	Stage 2 growth[3] (g_n)	Equity Cost Estimate (K)[4]
American States Water	51.0	1.31	1.37	1.44	1.51	6.5%	9.0%
California Water	19.4	0.66	0.69	0.73	0.76	6.5%	9.8%
Aqua America	27.0	0.67	0.70	0.74	0.77	6.5%	8.9%
Connecticut Water	29.8	0.98	1.03	1.08	1.14	6.5%	9.7%
Middlesex Water	19.5	0.75	0.79	0.83	0.87	6.5%	10.2%
SJW Corp	26.8	0.75	0.78	0.82	0.86	6.5%	9.2%

$$P_0 = \sum_{t=1}^{n} \frac{D_t}{(1+K)^t} + \frac{D_n(1+g_n)}{K-g_n}\left[\frac{1}{(1+K)}\right]^n$$

Average **9.5%**

Where : P_0 = current stock price
D_t = dividends expected during stage 1
K = cost of equity
n = years of non – constant growth
D_n = dividend expected in year n
g_n = constant rate of growth expected after year n

1 [B] see Schedule JAC-7
2 Derived from Value Line Information
3 Average annual growth in GDP 1929 - 2011 in current dollars.
4 Internal Rate of Return of Projected Dividends

EXHIBIT
S-5
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	)	DOCKET NO. W-01412A-12-0195

DIRECT

TESTIMONY

OF

BRENDAN C. ALADI

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JANUARY 9, 2013

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EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-12-0195

Valley Utilities Water Company, Inc. ("VUWC" or "Company") is an Arizona public service corporation engaged in providing water utility services to over 1,400 customers. The Company serves a community located in Maricopa County, just east of Luke Air Force Base in the Phoenix West Valley. VUWC's current rates were approved in Decision No. 71482, dated February 3, 2010.

The Company proposes a $156,961, or 10.79 percent revenue increase over test year revenue of $1,454,522 to $1,611,483. The Company proposes to continue the Arsenic surcharge that produced $185,655 in the test year. However, Staff recommends the discontinuation of this as a separate surcharge instead has rolled this revenue requirement into base rates. For comparative purposes, the recoveries from this surcharge of $185,655 must be added to the Company's requested increase of $156,961 which results in an actual total base rate increase request of $342,616 or 23.56 percent over the Staff adjusted test year revenue. The proposed revenue increase would produce an operating income of $142,003 for a 6.45 percent rate of return on an original cost rate base ("OCRB") of $2,201,185. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $30.10, for an increase of $4.59 or 17.99 percent, these typical residential bill comparisons include the arsenic surcharge.

Staff recommends a $318,082 or 25.07 percent revenue increase over Staff adjusted test year revenue of $1,268,867 to $1,586,949. Staff's recommended revenue increase would produce an operating income of $123,869 for a 6.20 percent rate of return on a Staff adjusted OCRB of $1,997,883 as shown on Schedule BCA-1. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $27.35, for an increase of $1.84 or 7.21 percent.

INTRODUCTION

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

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

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

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications. I develop recommendations related to rate base, revenue requirement, and rate design on behalf of Staff. Also, I prepare written reports, testimonies, and schedules that include Staff recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science Degree in Accounting from Central State University, in Wilberforce, Ohio and a Masters of Arts Degree in Accounting from the University of Illinois, at Springfield.

My prior work experience includes approximately 20 years of auditing (both internal and external). Prior to joining the Commission, I was employed by the Office of Audit and Analysis for the Arizona Department of Transportation as an external auditor.

In 2007, I began employment at the Commission as a Public Utilities Analyst III in the Financial and Regulatory Analysis Section. Since coming to the Commission, I have participated in a number of rate cases and other regulatory proceedings involving water utilities. I have also attended various seminars and classes on general regulatory and

business issues, including the National Association of Regulatory Utility Commissioners ("NARUC") Utility Rate School.

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

A. I am presenting Staff's analysis and recommendations in the areas of rate base, operating revenues, expenses, and rate design regarding the Valley Utilities Water Company, Inc.'s ("VUWC" or "Company") application for a permanent rate increase. Staff witness, Marlin Scott, Jr. is presenting Staff's engineering analysis and recommendations. Staff witness, John Cassidy is presenting cost of capital recommendations.

Q. What is the basis of your recommendations?

A. I performed a regulatory audit of the Company's application to determine whether sufficient, relevant, and reliable evidence exists to support the Company's requested rate increase. The regulatory audit consisted of examining and testing the financial information, accounting records, and other supporting documentation and verifying that the accounting principles applied were in accordance with the Commission-adopted NARUC Uniform System of Accounts ("USOA").

BACKGROUND

Q. Please provide a brief description of VUWC and the service it provides.

A. VUWC is an Arizona public service corporation, serving approximately 1,400 customers in Maricopa County, Arizona. VUWC's current rates were approved in Decision No. 71482, dated February 3, 2010.

Q. What are the primary reasons for VUWC's requested permanent rate increase?

A. According to VUWC, the primary reason is to recover its operating expenses and to earn a just and reasonable rate of return.

CONSUMER SERVICES

Q. Please provide a brief history of customer complaints received by the Commission regarding VUWC.

A. Staff reviewed the Commission's records and found that, for the year 2010, there were four complaints regarding two billings and two deposits complaints; for the year 2011, zero complaints and for the year 2012, there was one billing complaint and one rate case item. All complaints have been resolved and closed. No opinions have been filed opposing the rate case.

COMPLIANCE

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

A. A check of the Compliance database indicates that there are currently no delinquencies for VUWC.

SUMMARY OF PROPOSED REVENUES

Q. Please summarize the Company's filing.

A. The Company proposes a $156,961, or 10.79 percent, revenue increase over test year base revenue of $1,454,522 to $1,611,483. The Company proposes to continue the WIFA surcharge that produced $185,655 in additional revenues in the test year. Staff recommends the surcharge be discontinued and instead be rolled into base rates and has adjusted actual test year revenue accordingly – zeroing out the surcharge revenues but increasing base revenue. Therefore, in order to make a true comparison between the

Company's filing and Staff's recommendations, this $185,655 must be added to the Company's requested base increase of $156,961 for an actual total base rate increase request of $342,616, or 23.56 percent over the Staff adjusted test year results. The proposed revenue increase would produce an operating income of $142,003 for a 6.45 percent rate of return on an original cost rate base ("OCRB") of $2,201,185. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $30.10, for an increase of $4.59 or 17.99 percent, these typical residential bill comparisons include the arsenic surcharge.

Q. Please summarize Staff's recommendations.

A. Staff recommends a $318,082 or 25.07 percent, revenue increase over a Staff adjusted test year revenue of $1,268,867 to $1,586,949. Staff's recommended revenue increase would produce an operating income of $123,869 for a 6.20 percent rate of return on a Staff adjusted OCRB of $1,997,883 as shown on Schedule BCA-1. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $27.35, for an increase of $1.84 or 7.21 percent.

Q. What test year did VUWC utilize in this filing?

A. VUWC's test year is based on the twelve months ended December 31, 2011.

Rate Base Adjustments

Q. Please summarize Staff's rate base and operating income adjustments for VUWC.

A. My testimony discusses the following adjustments:

Not Used and Useful Plant – Rate Base Adjustment No. 1 decreases plant in service by $60,000 to remove plant that Staff has identified as being not used and useful. This adjustment is supported by Staff witness Mr. Marlin Scott, Jr.

Retirement of Wells Nos. 2 and 4 – Rate Base Adjustment No. 2 decreases plant in service by $14,610 to remove plant that Staff has identified as being retired.

Post Test Year Plant – Rate Base Adjustment No. 3 increases plant in service by $31,231 to add plant that Staff has identified as post-test year plant, and deemed used and useful.

Retirement of an Old Pump – Rate Base Adjustment No. 4 decreases plant in service by $6,670 to remove plant Staff identified as being retired.

Retirement of an Old Pump – Rate Base Adjustment No. 5 decreases plant in service by $3,910 to remove plant Staff identified as being retired.

Accumulated Depreciation – Rate Base Adjustment No. 6 decreases accumulated depreciation by $25,190 and reflects Staff's calculation of accumulated depreciation based on Staff's adjustments to plant.

Cash Working Capital, Prepayments – Rate Base Adjustment No. 7 decreases rate base by $174,533 to eliminate the Company's inclusion of certain items in its cash working capital allowance calculation that Staff has determined should not have been included in this calculation.

Operating Income Adjustments

Discontinuation of Surcharge Revenue – Operating Income Adjustment No. 1 decreases metered water revenue by $185,655 to reflect discontinuation of surcharge revenue the Company included in metered water revenue. Recognition of this surcharge elimination increases the level of base rate revenue currently being booked by the Company, but this

adjustment does not represent additional new revenue that needs to be provided by customers.

Property Tax Expense – Operating Income Adjustment No. 2 decreases property tax expense by $6,832 to reflect Staff's calculation of the Company's prospective property tax expense.

Income Tax Expense – Operating Income Adjustment No. 3 decreases income tax expenses by $90,142 to reflect the income tax obligation on Staff's adjusted test year taxable income.

RATE BASE

Fair Value Rate Base

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

A. No, the Company did not. The Company's filing treats the OCRB as the fair value rate base.

Rate Base Adjustment Details

Q. Please summarize Staff's adjustments to VUWC's rate base shown on Schedules BCA-3.

A. Staff's adjustments to VUWC's rate base resulted in a net decrease of $203,302, from $2,201,185 to $1,997,883. This decrease was primarily due to Staff's removal of the retired plant, not used and useful plant, and adjustment to VUWC's level of requested cash working capital.

Rate Base Adjustment No. 1 – Not Used and Useful Plant

Q. Did the Company include in rate base, plant that was not used and useful?

A. Yes, Staff identified $60,000 in structures and improvements, plant account number 304, that were not used and useful as shown on Schedules BCA-4 and BCA-5.

Q. What was the basis of Staff's determination?

A. Marlin Scott, Jr., Staff Engineer, inspected the entire system and identified structures and improvements booked in account number 304, that were not serving customers during the test year.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $60,000 to remove these structures and improvements from rate base since they were not used and useful. This adjustment is shown on Schedules BCA-4 and BCA-5.

Rate Base Adjustment No. 2 – Retirement of Wells Nos. 2 and 4

Q. Did Staff identify any plant that was retired and not booked?

A. Yes, Staff identified Wells Nos. 2 and 4 costing $14,610 that were retired but not removed from wells and springs, account number 307.

Q. What was the basis of Staff's determination?

A. Staff Engineer inspected the entire system and identified Wells Nos. 2 and 4, account number 307 that were retired but not removed from rate base by the Company.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $14,610 to remove these wells from rate base. This adjustment is shown on Schedules BCA-4 and BCA-6.

Rate Base Adjustment No. 3 – Post-Test Year Plant

Q. Did Staff identify any post-test year plant that was not included in rate base by the Company?

A. Yes, Staff identified electrical pumping equipment, account number 311, costing $31,231 that was placed in service after the test year and deemed to be used and useful.

Q. What was the basis of Staff's determination?

A. Staff Engineer inspected the entire system and identified electrical pumping equipment, account number 311, that was placed in service after the test year and deemed to be used and useful.

Q. What is Staff's recommendation?

A. Staff recommends increasing plant in service by $31,231 to add electrical pumping equipment to rate base, as shown on Schedules BCA-4 and BCA-7.

Rate Base Adjustment No. 4 – Retirement of electrical pumping equipment

Q. Did Staff identify any retired electrical pumping equipment that is included in rate base?

A. Yes, Staff identified electrical pumping equipment, account number 311, costing $6,670 that was retired and not removed from rate base by the Company.

Q. What was the basis of Staff's determination?

A. Staff Engineer inspected the entire system and identified electrical pumping equipment, account number 311 that was retired but still included in rate base by the Company.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $6,670 to remove the retired electrical pumping equipment from rate base as shown on Schedules BCA-4 and BCA-8.

Rate Base Adjustment No. 5 – Retirement of electrical pumping equipment

Q. Did Staff identify any retired electrical pumping equipment that is included in rate base?

A. Yes, Staff identified electrical pumping equipment, account number 311, costing $3,910 that was retired and not removed from rate base as shown on Schedules BCA-4 and BCA-8.

Q. What was the basis of Staff's determination?

A. Staff Engineer inspected the entire system and identified the electrical pumping equipment that was retired but included in rate base by the Company.

Q. What is Staff's recommendation?

A. Staff recommends decreasing plant in service by $3,910 to remove the retired electrical pumping equipment from rate base as shown on Schedules BCA-4 and BCA-7.

Rate Base Adjustment No. 6 – Accumulated Depreciation

Q. What did VUWC propose for Accumulated Depreciation?

A. VUWC proposed capturing $3,034,247 in Accumulated Depreciation.

Q. Did Staff recalculate the Accumulated Depreciation balance using Staff's recommended plant balances?

A. Yes. Staff recalculated the accumulated depreciation balance using original plant in service balances that were adjusted by removing retired plant costs.

Q. What is Staff's recommendation?

A. Staff recommends decreasing accumulated depreciation by $25,190 as shown on Schedules BCA-4 and BCA-10.

Rate Base Adjustment No. 7 – Working Capital

Q. What are the components of working capital?

A. The components of working capital as prescribed by the Arizona Administrative Code are cash working capital, materials and supplies, and prepaid expenses.

Q. Did the Company's cash working capital allowance calculation include depreciation, amortization, and debt service reserve?

A. Yes. The Company conducted a lead-lag study, but included depreciation and amortization expense and debt service reserve in calculating its cash working capital allowance. The Commission has traditionally excluded these three items when calculating a utility's cash working capital allowance.

Q. What is Staff's recommendation?

A. Staff recommends removing $174,534 from the Company's cash working capital allowance calculation, as shown on Schedules BCA-4 and BCA-11.

Operating Income

Operating Income Summary

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

A. As shown on Schedules BCA-12 and BCA-13, Staff's analysis resulted in test year revenues of $1,268,867, expenses of $1,346,444 and operating loss of $77,577.

Operating Income Adjustment No. 1 – Discontinued surcharge revenue

Q. During the course of the audit did Staff identify revenue that should be addressed through a pro forma adjustment?

A. Yes.

Q. What was the source of the revenue?

A. During the test year, the Company recorded $185,655 in Arsenic Surcharge revenue. These recoveries were authorized in Decision No. 71287. Staff notes that Commission Decision No. 71287 Orders: "the charges authorized here to cease upon the earlier date of the rates authorized in a rate proceeding subsequent to VUWCs pending rate case (W-01412A-08-0586) or on August 31, 2013." However, the Company failed to reflect this Commission directive in its filed case, choosing instead to request that this surcharge be allowed to continue to be billed to customers as a separate line item.

Q. What is Staff's recommendation?

A. Staff recommends decreasing metered water revenue by $185,655 to reflect discontinuation of surcharge revenue the Company included in metered water revenue as shown on Schedules BCA-13 and BCA-14. Effectively, Staff's recommendation will increase base rate recoveries by the Company but decrease surcharge revenues by the

same $185,655. Staff further recommends that the Company be ordered to cease collection of arsenic surcharges upon the effective date of the new rates in this proceeding or by August 31, 2013, whichever is earlier, as per Decision No. 71287.

Operating Income Adjustment No. 2 – Property Taxes

Q. What is VUWC proposing as the recovery level for property taxes?

A. VUWC is proposing that $53,525 for property taxes be recovered through the Company's base rates.

Q. Did Staff make any adjustment to the property taxes?

A. Yes. Staff's adjustment reflects Staff's calculation of the property tax expense using the modified Arizona Department of Revenue Methodology applied to Staff's recommended revenues, as shown on Schedule BCA-18.

Q. What is Staff's recommendation?

A. Staff recommends decreasing property tax expense by $6,832 as shown on Schedules BCA-13 and BCA-15.

Operating Income Adjustment No. 3 – Income Taxes

Q. What is VUWC proposing for test year income tax expense?

A. VUWC is proposing a negative $24,122 for income taxes.

Q. Did Staff make any adjustments to test year income tax expense?

A. Yes. Staff's adjustment reflects Staff's calculation of the income tax expense based upon Staff's adjusted test year taxable income.

Q. What is Staff's recommendation?

A. Staff recommends decreasing income tax expense by $81,618 as shown on Schedules BCA-13 and BCA-16.

Q. Mr. Aladi, is the 6.20% rate of return shown on line 4, column B of your Schedule BCA-1, supported by Staff witness Mr. Cassidy?

A. Yes. Mr. Cassidy is sponsoring Staff's return on equity and overall rate of return recommendations.

Q. What does VUWC recommend for revenue requirement?

A. VUWC's proposed revenue increase would produce an operating income of $141,976 for 6.45 percent rate of return on an OCRB of $2.201,185 as shown on Schedule BCA-1.

Q. What does Staff recommend for revenue requirement?

A. Staff's recommended revenue increase would produce an operating income of $123,869 for a 6.20 percent rate of return on a staff adjusted OCRB of $1,997,883 as shown on Schedule BCA-1.

RATE DESIGN

Q. Has Staff prepared a schedule summarizing the present, Company proposed, and Staff recommended rates and service charges?

A. Yes. Schedule BCA-17 provides a summary of the Company's present, Company's proposed, and Staff's recommended rates.

Q. Please summarize the present rate design.

A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter size and include no gallons. One commodity rate applies to all usage.

Q. Please summarize the Company's proposed rate design.

A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter size and include no gallons. The commodity rates are based on an inverted three-tier rate design. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $30.10, for an increase of $4.59 or 17.99 percent, as shown on Schedule BCA-18.

Q. Please summarize Staff's recommended rate design.

A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter size and include no gallons. The commodity rates are based on an inverted three - tier rate design. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,000 gallons from $25.51 to $27.35, for an increase of $1.84 or 7.21 percent, as shown on Schedule BCA-19.

Q. Did the Company propose any changes to its Meter and Service Line Charges?

A. Yes, and Staff recommends approval. Both the Company-proposed and the Staff-recommended changes are shown on Schedule BCA-17 and are discussed in greater detail in the testimony of Staff witness, Marlin Scott, Jr.

Service Charges

Q. What is the Company proposing regarding changes to the service charges?

A. The Company proposes to increase the Non-Sufficient Funds ("NSF") Check charge from $25 to $30; and increase the Meter Re-Read charge from $10 to $30. Further, the Company is proposing to continue the Establishment (After Hours) Charge and Reconnection (delinquent after hours) charge ($60.00) and the Company is proposing to continue the Late Payment Fee (Per Month) of $10.00 per month.

Q. Does Staff agree with these proposals?

A. Staff agrees with the Company's proposals regarding the NSF check charge of $30.00 and the increase to the Meter Re-Read charge of $30.00. However, Staff recommends a $40.00 after hour charge and discontinuing the $37.50 Establishment (After Hours) Charge and Reconnection (delinquent after hours) charge ($60.00) and instead add a $40 After Hours Charge. Finally, Staff recommends the Company be authorized a $5.00 Late Payment Fee per month.

Q. Does this conclude Staff's direct testimony?

A. Yes, it does.

Valley Utilities Water Company
Docket No. W-01412A-12-0195
Test Year Ended December 31, 2011

Schedule BCA-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST	
1	Adjusted Rate Base		$ 2,201,185	$ 1,997,883	
2	Adjusted Operating Income (Loss)		$ 19,628	$ (77,577)	
3	Current Rate of Return (L2 / L1)		0.89%	-3.88%	
4	Required Rate of Return		6.45%	6.20%	
5	Required Operating Income (L4 * L1)		$ 141,976	$ 123,869	
6	Operating Income Deficiency (L5 - L2)		$ 122,348	$ 201,446	
7	Gross Revenue Conversion Factor		1.28290	1.57900	
8	Increase (Decrease) In Gross Revenue (L7 * L6)	*	$ 156,961	$ 318,082	*
9	Adjusted Test Year Revenue		$ 1,454,522	$ 1,268,867	
10	Proposed Annual Revenue (L8 + L9)		$ 1,611,483	$ 1,586,949	
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	**	10.79%	25.07%	**
12	Debt Service Coverage Ratio		Not Provided	3.35	

References:
Column [A]: Company Schedules A-1
Column [B]: Staff Schedules BCA-2, & BCA-3

* Note that Staff' recommended increase is larger than the Company's due to Staff's reduction of test year revenue by $185,655.

** Also note that the Company proposes to continue the arsenic faciility surcharge that produced $185,655 in the test year. For comparative purposes, this amount should be added to the requested $156,961 increase for an actual total increase of $342,616, or 27.00 percent over the Staff adjusted test year revenue.

Valley Utilities Water Company
Docket No. W-01412A-12-0195
Test Year Ended December 31, 2011

Schedule BCA-2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor (Line 11)	0.1315%			
3	Revenues (L1 - L2)	99.8685%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	36.5371%			
5	Subtotal (L3 - L4)	63.3314%			
6	**Revenue Conversion Factor (L1 / L5)**	1.578996			
	Calculation of Uncollecttible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	35.7490%			
9	One Minus Combined Income Tax Rate (L7 - L8)	64.2510%			
10	Uncollectible Rate	0.2046%			
11	Uncollectible Factor (L9 * L10)	0.1315%			
	Calculation of Effective Tax Rate:				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	30.9367%			
16	Effective Federal Income Tax Rate (L14 x L15)	28.781015%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		35.7490%		
	Calculation of Effective Property Tax Factor				
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	35.7490%			
20	One Minus Combined Income Tax Rate (L18-L19)	64.2510%			
21	Property Tax Factor	1.2266%			
22	Effective Property Tax Factor (L20*L21)		0.7881%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			36.5371%	
24	Required Operating Income	$ 123,869			
25	AdjustedTest Year Operating Income (Loss)	(77,577)			
26	Required Increase in Operating Income (L24 - L25)		$ 201,446		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 6,343			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	(105,740)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		112,084		
30	Recommended Revenue Requirement	$ 1,586,949			
31	Uncollectible Rate (Line 10)	0.2046%			
32	Uncollectible Expense on Recommended Revenue (L30*L31)	$ 3,247			
33	Adjusted Test Year Uncollectible Expense	$ 2,596			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		651		
35	Property Tax with Recommended Revenue	$ 50,595			
36	Property Tax on Test Year Revenue	46,693			
37	Increase in Property Tax Due to increase in Revenue (L35-L36)		3,902		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ 318,082	$ -	

		Test Year		Staff Recommended	
	Calculation of Income Tax:				
39	Revenue	$ 1,268,867	$ 318,082	$ 1,586,949	$ 130,212
40	Operating Expenses Excluding Income Taxes	$ 1,452,184	$ 4,553	$ 1,456,737	$ 99,894
41	Synchronized Interest (L56)	$ 99,894		$ 99,894	$ 30,318
42	Arizona Taxable Income (L39 - L40 - L41)	$ (283,211)		$ 30,318	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	$ (19,734)		$ 2,113	
45	Federal Taxable Income (L42 - L44)	$ (263,477)		$ 28,205	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (7,500)		$ 4,231	
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ (6,250)		$ -	
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ (8,500)		$ -	
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ (63,756)		$ -	
50	Federal Tax on Fifth Income Bracket ($335,001 - $10,000,000) @ 34%	$ -		$ -	
51	Total Federal Income Tax	$ (86,006)		$ 4,231	
52	Combined Federal and State Income Tax (L44 + L51)	$ (105,740)		$ 6,343	
53	Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45]			30.9367%	
	Calculation of Interest Synchronization:				
54	Rate Base	$ 1,997,883			
55	Weighted Average Cost of Debt	5.00%			
56	Synchronized Interest (L45 X L46)	$ 99,894			

Valley Utilities Water Company
Docket No. W-01412A-12-0195
Test Year Ended December 31, 2011

Schedule BCA-3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	ADJ NO.	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 10,331,861	$ (53,959)	1, 2, 3, 4, 5	$ 10,277,902
2	Less: Accumulated Depreciation	3,034,427	(25,190)	6	3,009,237
3	Net Plant in Service	$ 7,297,434	$ (28,769)		$ 7,268,665
	LESS:				
4	Advances in Aid of Construction (AIAC)	$ 3,933,272			$ 3,933,272
5	Service Line and Meter Advances	$ -	$ -		$ -
6	Contributions in Aid of Construction (CIAC)	$ 1,561,727	$ -		$ 1,561,727
7	Less: Accumulated Amortization	438,464	-		438,464
8	Net CIAC	$ 1,123,263	-		$ 1,123,263
9	Total Advances and Contributions	$ 5,056,535	$ -		$ 5,056,535
10	Customer Deposits	$ 78,425	$ -		$ 78,425
11	Accumulated Deferred Income Taxes	$ 195,362	$ -		$ 195,362
	ADD: Working Capital				
12	Working Capital	$ 234,073	$ (174,533)	7	$ 59,540
13	Inventory	$ -	$ -		$ -
14	**Total Rate Base**	$ 2,201,185	$ (203,302)		$ 1,997,883

References:
Column [A], Company Schedule B-1, Page 1
Column [B]: Schedule BCA-4
Column [C]: Column [A] + Column [B]

Valley Utilities Water Company
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Schedule BCA-4

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE Acct. No. - Plant Description	[A] COMPANY AS FILED	[B] Adj No.1 Not Used and Useful Plant Ref: Sch BCA-5	[C] ADJ No. 2 Retire Wells #s 2 & 4 Ref: Sch BCA-6	[D] ADJ No. 3 Add Post Test Year Plant Ref: Sch BCA-7	[E] ADJ No. 4 Retire Old Pump Ref: Sch BCA-8	[F] ADJ No. 5 Retire Old Pump Ref: Sch BCA-9	[G] ADJ No. 6 Accumulated Depreciation Ref: Sch BCA-10	[H] ADJ No. 7 Working Capital Ref: Sch BCA-11	STAFF AS ADJUSTED
2	302 Franchises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	303 Land and Land Rights	543,196	-	-	-	-	-	-	-	543,196
4	304 Structures and Improvements	252,106	(60,000)	-	-	-	-	-	-	192,106
5	307 Wells and Springs	1,425,122	-	(14,610)	-	-	-	-	-	1,410,512
6	309 Supply Mains	-	-	-	-	-	-	-	-	-
7	310 Power Generation Equipment	-	-	-	-	-	-	-	-	-
8	311 Pumping Equipment	801,549	-	-	31,231	(6,670)	(3,910)	-	-	822,200
9	320 Water Treatment Equipment	2,074,391	-	-	-	-	-	-	-	2,074,391
	320.1 Water Treatment Plant	18,428		-	-	-	-	-	-	18,428
10	330 Distribution Reservoirs and Standpipes	874,959	-	-	-	-	-	-	-	874,959
11	330.2 Pressure Tanks	-	-	-	-	-	-	-	-	-
12	331 Transmission and Distribution Mains	3,221,036	-	-	-	-	-	-	-	3,221,036
13	333 Services	143,593	-	-	-	-	-	-	-	143,593
14	334 Meters and Meter Installations	452,803	-	-	-	-	-	-	-	452,803
15	335 Hydrants	289,011	-	-	-	-	-	-	-	289,011
16	336 Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
17	339 Other Plant and Miscellaneous Equipment	1,237	-	-	-	-	-	-	-	1,237
18	340 Office Furniture and Equipment	68,321	-	-	-	-	-	-	-	68,321
19	340.1 Computers and Software	-	-	-	-	-	-	-	-	-
20	341 Transportation Equipment	88,026	-	-	-	-	-	-	-	88,026
21	343 Tools, Shop, and Garage Equipment	46,009	-	-	-	-	-	-	-	46,009
22	344 Laboratory Equipment	-	-	-	-	-	-	-	-	-
23	345 Power Operated Equipment	5,930	-	-	-	-	-	-	-	5,930
24	346 Communication Equipment	-	-	-	-	-	-	-	-	-
25	347 Miscellaneous Equipment	20,000	-	-	-	-	-	-	-	20,000
26	348 Other Tangible Equipment	6,090	-	-	-	-	-	-	-	6,090
27	Rounding	54	-	-	-	-	-	-	-	54
28	Total Plant in Service	$ 10,331,861	$ (60,000)	$ (14,610)	$ 31,231	$ (6,670)	$ (3,910)		$ -	$ 10,277,902
29	Less: Accumulated Depreciation	$ 3,034,427	$ -	$ -	$ -	$ -	$ -	$ (25,190)	$ -	3,009,237
30	Net Plant in Service	$ 7,297,434	$ (60,000)	$ (14,610)	$ 31,231	$ (6,670)	$ (3,910)	$ 25,190	$ -	$ 7,268,665
32	*LESS:*									
33	Advances in Aid of Construction (AIAC)	$ 3,933,272	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,933,272
34	Meter Deposits - Service Line & Meter Advances	$ -	-	-	-	-	-	-	-	-
36	Contributions in Aid of Construction (CIAC)	$ 1,561,727	-	-	-	-	-	-	-	1,561,727
37	Less: Accumulated Amortization of CIAC	$ 438,464	-	-	-	-	-	-	-	438,464
38	Net CIAC	$ 1,123,263	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,123,263
40	Total Advances and Net Contributions	$ 5,056,535	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,056,535
42	Customer Deposits	$ 78,425	-	-	-	-	-	-	-	$ 78,425
43	Accumulated Deferred Taxes	$ 195,362	-	-	-	-	-	-	-	$ 195,362
45	*ADD: Working Capital*	-								-
46	Working Capital	$ 234,073	-	-	-	-	-	-	(174,533)	$ 59,540
47		$ -	-	-	-	-	-	-	-	$ -
48	**Total Rate Base**	$ 2,201,185	$ (60,000)	$ (14,610)	$ 31,231	$ (6,670)	$ (3,910)	$ 25,190	$ (174,533)	$ 1,997,883

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Schedule BCA-5

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT COSTS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct. No. 304 - Structures and Improvements	$ 252,106	$ (60,000)	$ 192,106

References:

Column [A]: Company Schedule B-2
Column [B]: Testimony, BCA
Column [C]: Column [A] + Column [B]

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Schedule BCA-6

RATE BASE ADJUSTMENT NO. 2 - RETIRE WELLS # 2 AND 4

		[A]	[B]	[C]
LINE NO.	**DESCRIPTION**	**COMPANY AS FILED**	**STAFF ADJUSTMENTS**	**STAFF AS ADJUSTED**
1	Acct No. 307 - Wells and Springs	$ 1,425,122	$ (14,610)	$ 1,410,512

References:

Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Schedule BCA-7

RATE BASE ADJUSTMENT NO. 3 - ADD POST TEST YEAR PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 801,549	31,231	832,780

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Schedule BCA-8

RATE BASE ADJUSTMENT NO. 4 - RETIRE AN OLD PUMP - WELL #6A

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 832,780	(6,670)	826,110
2				
3				
4				
5	Pumping Equipment		$ 832,780	
6	Unbooked Retirement - Well #6A		(6,670)	
7	Net		$ 826,110	

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Schedule BCA-9

RATE BASE ADJUSTMENT NO. 5 - RETIRE OLD PUMP - WELL #6A

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 826,110	(3,910)	822,200
2				
3				
4				
5	Pumping Equipment		$ 826,110	
6	Unbooked Retirement - Well #6A		(3,910)	
7	Net		$ 822,200	

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Schedule BCA-10

RATE BASE ADJUSTMENT NO. 6 - REMOVE UNBOOKED PLANT RETIREMENT FROM THE ACCUMULATED DEPRECIATION ACCOUNT

LINE NO.	DESCRIPTION	[A] PER COMPANY	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Depreciation	$ 3,034,427	$ (25,190)	$ 3,009,237
2				
3				
4				
5	Computation:			
	Retire old Pump - Well #6A	$ -		$ 6,670
	Retire old Pump - Well #2	-		3,150
	Retire old Pump - Well #4	-		760
	Retire old Pump - Well #s 2 and 4	-		14,610
		$ 3,034,427	$ (25,190)	$ 25,190

References:

Column A: Company Schedule B-1
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Schedule BCA-11

RATE BASE ADJUSTMENT NO. 7 -WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS		[C] STAFF AS ADJUSTED
1	Working Capital	$ 234,073	$ (174,533)		$ 59,540
	Computation of Cash Working Capital:	$ 46,235	$ (28,429)	1	$ 17,806
	Material and Supplies Inventories	$ 32,699	$ -		$ 32,699
	Working Funds and Special Deposits	$ 146,105	$ (146,105)	2	$ -
	Prepayments	$ 9,035	$ -		$ 9,035
	Total Working Capital	$ 234,074	$ (174,534)		$ 59,540

References:

Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

1. Removed depreciation and amortization.
2. Removed as not included in working capital.

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Schedule BCA-12

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:						
1	Metered Water Revenue	$ 1,395,426	$ (185,655)	1	$ 1,209,771	$ 318,082	$ 1,527,853
2	Water Sales - Unmetered	682	-		682		682
3	Other Operating Revenues	58,414	-		58,414	-	58,414
4	**Total Revenues**	$ 1,454,522	$ (185,655)		$ 1,268,867	$ 318,082	$ 1,586,949
5							
6	*EXPENSES:*						
7	Salaries and Wages	$ 452,645	-		$ 452,645	$ -	$ 452,645
8	Employee Pensions & Benefits	73,738	-		73,738	-	73,738
9	Purchased Water	4,045	-		4,045	-	4,045
10	Purchased Power	143,759	-		143,759	-	143,759
10	Repairs and Maintenance	128,499	-		128,499	-	128,499
11	Chemicals	7,567	-		7,567	-	7,567
12	Materials & Supplies	-	-		-	-	-
13	Office Supplies & Expense	8,119	-		8,119	-	8,119
14	Contractual Services - Engineering	2,020	-		2,020	-	2,020
14	Contractual Services - Accounting	2,879	-		2,879	-	2,879
15	Contractual Services - Legal	4,259	-		4,259	-	4,259
	Contractual Management Fees	-	-		-	-	-
16	Contractual Services - Testing	10,732	-		10,732	-	10,732
17	Contractual Services - Other	14,069	-		14,069	-	14,069
18	Equipment Rental	2,215	-		2,215	-	2,215
19	Rents	35,553	-		35,553	-	35,553
20	Transportation Expenses	29,087	-		29,087	-	29,087
21	Insurance - General Liability	20,878	-		20,878	-	20,878
22	Insurance - Workman's Compensation	2,528	-		2,528	-	2,528
23	Reg. Comm. Exp.	14,169	-		14,169	-	14,169
24	Reg. Comm. Exp. - Rate Case	40,000	-		40,000	-	40,000
25	Miscellaneous Expense	49,017	-		49,017	-	49,017
26	Bad Debt Expense	2,975	-		2,975	651	3,626
27	Depreciation Expense	322,982	-		322,982	-	322,982
28	Taxes Other Than Income	33,756	-		33,756	-	33,756
29	Property Taxes	53,525	$ (6,832)	2	46,693	3,902	50,595
30	Income Taxes	(24,122)	$ (81,618)	3	(105,740)	112,084	6,343
31	Interest Expense - Customer Deposits	-	$ -		-		-
32	**Total Operating Expenses**	$ 1,434,894	$ (88,450)		$ 1,346,444	$ 116,636	$ 1,463,080
33							
34	**Operating Income (Loss)**	$ 19,628	$ (97,205)		$ (77,577)	$ 201,446	$ 123,869

References:
Column (A): Company Schedule C-1
Column (B): Schedule BCA-15
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

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Schedule BCA-13

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Metered Water Revenues	[C] ADJ #2 Property Taxes	[D] ADJ #3 Income Taxes	[H] Staff Adjusted
	REVENUES:		Ref: Sch BCA-17	Ref: Sch BCA-18	Ref: Sch BCA-19	
1	Metered Water Revenues	$ 1,395,426	$ (185,655)	$ -	$ -	$ 1,209,771
2	Water Sales - Unmetered	682	-	-	-	682
3	Other Operating Revenues	58,414	-	-	-	58,414
4	**Total Revenues**	$ 1,454,522	$ (185,655)	$ -	$ -	$ 1,268,867
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$ 452,645	-	-	-	$ 452,645
8	Employee Pensions & Benefits	73,738	-	-	-	73,738
	Purchased Water	4,045				4,045
9	Purchased Power	143,759	-	-	-	143,759
10	Repairs and Maintenance	128,499	-	-	-	128,499
11	Chemicals	7,567	-	-	-	7,567
12	Materials & Supplies	-	-	-	-	-
13	Office Supplies & Expense	8,119	-	-	-	8,119
	Contractual Services - Engineering	2,020				2,020
14	Contractual Services - Accounting	2,879	-	-	-	2,879
15	Contractual Services - Legal	4,259	-	-	-	4,259
16	Contractual Services - Management Fees	-	-	-	-	-
16	Contractual Services - Testing	10,732	-	-	-	10,732
17	Contractual Services - Other	14,069	-	-	-	14,069
18	Equipment Rental	2,215	-	-	-	2,215
19	Rents	35,553	-	-	-	35,553
20	Transportation Expenses	29,087	-	-	-	29,087
21	Insurance - General Liability	20,878	-	-	-	20,878
22	Insurance - Workmans Compensation	2,528	-	-	-	2,528
23	Reg. Comm. Exp.	14,169	-	-	-	14,169
24	Reg. Comm. Exp. - Rate Case	40,000	-	-	-	40,000
25	Miscellaneous Expense	49,017	-	-	-	49,017
26	Bad Debt Expense	2,975	-	-	-	2,975
27	Depreciation Expense	322,982	-	-	-	322,982
28	Taxes Other Than Income	33,756	-	-	-	33,756
29	Property Taxes	53,525	-	(6,832)	-	46,693
30	Income Taxes	(24,122)	-	-	(81,618)	(105,740)
31	Interest Expense - Customer Deposits	-	-	-	-	-
32	**Total Operating Expenses**	$ 1,434,894	$ -	$ (6,832)	$ (81,618)	$ 1,346,444
33						
34	**Operating Income (Loss)**	$ 19,628	$ (185,655)	$ 6,832	$ 81,618	$ (77,577)

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Schedule BCA-14

OPERATING INCOME ADJUSTMENT NO. 1 - DISCONTINUATION OF SURCHARGE REVENUE

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Metered Water Revenue	$ 1,395,426	$ (185,655)	$ 1,209,771

References:

Column A: Company Testimony

Column B: Testimony, BCA

Column C: Column [A] - Column [B]

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Schedule BCA-15

OPERATING INCOME ADJUSTMENT NO. 2 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 1,268,867	$ 1,268,867
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,537,734	$ 2,537,734
4	Staff Recommended Revenue, Per Schedule CSB-1	1,268,867	$ 1,586,949
5	Subtotal (Line 4 + Line 5)	3,806,601	4,124,683
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,268,867	$ 1,374,894
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,537,734	$ 2,749,789
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,537,734	$ 2,749,789
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	507,547	$ 549,958
15	Composite Property Tax Rate	9.1998%	9.1998%
			$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 46,693	
17	Company Proposed Property Tax	53,525	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ (6,832)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 50,595
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 46,693
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 3,902
22	Increase to Property Tax Expense		$ 3,902
23	Increase in Revenue Requirement		318,082
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.226640%

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Schedule BCA-16

OPERATING INCOME ADJUSTMENT NO. 3 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Income Tax	($24,122)	($81,618)	($105,740)

References:

Column A: Company Schedule C-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	$ 12.40	$ 14.00	$ 18.00
3/4 Inch	18.60	21.00	27.00
1 Inch	31.00	35.00	45.00
1 1/2 Inch	62.00	70.00	90.00
2 Inch	99.00	112.00	144.00
3 Inch	198.00	224.00	288.00
4 Inch	310.00	350.00	450.00
6 Inch	620.00	700.00	900.00
8 Inch	N/A	N/A	N/A
10 Inch	N/A	N/A	N/A
12 Inch	N/A	N/A	N/A
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.5000	1.6900	N/A
3,001 to 10,000 gallons	2.4400	2.7600	N/A
Over 10,000 gallons	3.1500	3.5600	N/A
First 3,000 gallons	N/A	N/A	$ 1.4500
3,001 to 10,000 gallons	N/A	N/A	2.4995
Over 10,000 gallons	N/A	N/A	4.0000
3/4" Meter (Residential)			
First 3,000 gallons	2.4400	N/A	N/A
3,001 to 10, 000 gallons	3.1500	N/A	N/A
First 3,000 gallons	N/A	2.7600	2.4995
3,001 to 10,000 gallons	N/A	3.5600	4.0000
First 3,000 gallons	N/A	N/A	1.4500
3,001 to 10,000 gallons	N/A	N/A	2.4995
Over 10,000 gallons	N/A	N/A	4.0000
1" Meter (All Meters)			
First 23,000 gallons	2.4400	N/A	N/A
Over 23,000 gallons	3.1500	N/A	N/A
First 23,000 gallons	N/A	2.7600	N/A
Over 23,000 gallons	N/A	3.5600	N/A
First 14,000 gallons	N/A	N/A	2.4995
Over 14,000 gallons	N/A	N/A	4.0000
1 1/2" Meter (All Meters)			
First 58,000 gallons	2.4400	N/A	N/A
Over 58,000 gallons	3.1500	N/A	N/A
First 58,000 gallons	N/A	2.7600	N/A
Over 58,000 gallons	N/A	3.5600	N/A
First 40,000 gallons	N/A	N/A	2.4995
Over 40,000 gallons	N/A	N/A	4.0000
2" Meter (All Meters)			
First 95,000 gallons	2.4400	N/A	N/A
Over 95,000 gallons	3.1500	N/A	N/A
First 95,000 gallons	N/A	2.7600	N/A
Over 95,000 gallons	N/A	3.5600	N/A
First 75,000 gallons	N/A	N/A	2.4995
Over 75,000 gallons	N/A	N/A	4.0000
3" Meter (All Meters)			
First 207,000 gallons	2.4400	N/A	N/A
Over 207,000 gallons	3.1500	N/A	N/A
First 207,000 gallons	N/A	2.7600	N/A
Over 207,000 gallons	N/A	3.5600	N/A
First 150,000 gallons	N/A	N/A	2.4995
Over 150,000 gallons	N/A	N/A	4.0000
4" Meter (All Meters)			
First 335,000 gallons	2.4400	N/A	N/A
Over 335,000 gallons	3.1500	N/A	N/A
First 335,000 gallons	N/A	2.7600	N/A
Over 335,000 gallons	N/A	3.5600	N/A
First 225,000 gallons	N/A	N/A	2.4995
Over 225,000 gallons	N/A	N/A	4.0000
6" Meter (All Meters)			
First 690,000 gallons	2.4400	N/A	N/A
Over 690,000 gallons	3.1500	N/A	N/A
First 450,000 gallons	N/A	2.7600	N/A
Over 450,000 gallons	N/A	3.5600	N/A
First 450,000 gallons	N/A	N/A	2.4995
Over 450,000 gallons	N/A	N/A	4.0000
Construction Water	$ 3.15	$ 3.56	$ 4.00

Monthly Service Charge for Fire Sprinkler	****	****	****

**** Greater of $10.00 or 2 percent of the general service rate for a similar size meter.

Arsenic Surcharge (Decision No. 71287)

Meter Sizes	Present Rates	Proposed Rates	Staff Recommended Rates
5/8 x 3/4 Inch	5.5100	5.5100	0
3/4 Inch	8.2600	8.2600	0
1 Inch	13.7700	13.7700	0
1 1/2 Inch	27.5400	27.5400	0
2 Inch	44.0600	44.0600	0
3 Inch	88.1200	88.1200	0
4 Inch	N/T	137.7500	0
6 Inch	N/T	275.5000	0

Other Service Charges	Present Rates	Company Proposed Rates	Staff Recommended Rates
Establishment	$ 40.00	$ 40.00	$ 40.00
Establishment (After Hours)	$ 60.00	$ 60.00	$ 60.00
Reconnection (Delinquent)	$ 40.00	$ 40.00	$ 40.00
Reconnection (Delinquent) - After Hours	$ 60.00	$ 60.00	$ 60.00
Meter Test (If Correct)	$ 30.00	$ 30.00	$ 30.00
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	$ 25.00	$ 30.00	$ 30.00
Late Payment Penalty	$ 10.00	$ 10.00	$ 5.00
Deferred Payment	1.5% per month	1.5% per month	1.5% per month
Meter Re-Read	$ 10.00	$ 10.00	$ 10.00
Moving Meter at Customer Request	At Cost	At Cost	At Cost
Service Calls - Per Hour/After Hours(a)	$ 40.00	N/A	$ -

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

(a) No charge for service calls during normal working hours.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
5/8 x 3/4"	$ 600	$ 445	$ 155	$ 600	$ 445	$ 155	$ 600
3/4"	$ 700	$ 445	$ 255	$ 700	$ 445	$ 255	$ 700
1"	$ 810	$ 495	$ 315	$ 810	$ 495	$ 315	$ 810
1-1/2"	$ 1,075	$ 550	$ 525	$ 1,075	$ 550	$ 525	$ 1,075
2" Turbine	$ 1,875	$ 830	$ 1,045	$ 1,875	$ 830	$ 1,045	$ 1,875
2" Compound	$ 2,720	$ 830	$ 1,890	$ 2,720	$ 830	$ 1,890	$ 2,720
3" Turbine	$ 2,715	$ 1,045	$ 1,670	$ 2,715	$ 1,045	$ 1,670	$ 2,715
3" Compound	$ 3,710	$ 1,165	$ 2,545	$ 3,710	$ 1,165	$ 2,545	$ 3,710
4" Turbine	$ 4,160	$ 1,490	$ 2,670	$ 4,160	$ 1,490	$ 2,670	$ 4,160
4" Compound	$ 5,315	$ 1,670	$ 3,645	$ 5,315	$ 1,670	$ 3,645	$ 5,315
6" Turbine	$ 7,235	$ 2,210	$ 5,025	$ 7,235	$ 2,210	$ 5,025	$ 7,235
6" Compound	$ 9,250	$ 2,330	$ 6,920	$ 9,250	$ 2,330	$ 6,920	$ 9,250
8" Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Valley Utilities Water Company
Docket No. WS-01412A-12-0195
Test Year Ended: December 31, 2011

Schedule BCA-18

Typical Bill Analysis (Without Surcharge)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,061	$ 26.29	$ 35.80	$ 9.50	36.14%
Median Usage	5,000	20.00	24.59	$ 4.59	22.95%
Staff Recommended					
Average Usage	9,061	$ 26.29	$ 37.59	$ 11.30	42.96%
Median Usage	5,000	20.00	27.35	$ 7.35	36.75%

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

Gallons	Present		Company Proposed		%	Staff Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 12.40	Minimum Charge	$ 14.000		Minimum Charge	$ 18.00	
	1st Tier Rate	1.5000	1st Tier Rate	1.6900		1st Tier Rate	1.4500	
	1st Tier Breakover	3,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1.5500	2nd Tier Rate	2.7600		2nd Tier Rate	2.4995	
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000		2nd Tier Breakover	9,000	
	3rd Tier Rate	3.1500	3rd Tier Rate	3.5600		3rd Tier Rate	4.0000	
Consumption	Rates		Rates		Increase	Rates		Increase
-	$ 12.40		$ 14.00		12.90%	$ 18.00		45.16%
1,000	13.90		15.69		12.88%	19.45		39.93%
2,000	15.40		17.38		12.86%	20.90		35.71%
3,000	16.90		19.07		12.84%	22.35		32.25%
4,000	18.45		21.83		18.32%	24.85		34.69%
5,000	20.00		24.59		22.95%	27.35		36.75%
6,000	21.55		27.35		26.91%	29.85		38.51%
7,000	23.10		30.11		30.35%	32.35		40.03%
8,000	24.65		32.87		33.35%	34.85		41.37%
9,000	26.20		35.63		35.99%	37.35		42.55%
10,000	27.75		38.39		38.34%	41.35		49.00%
11,000	30.90		41.95		35.76%	45.35		46.75%
12,000	34.05		45.51		33.66%	49.35		44.93%
13,000	37.20		49.07		31.91%	53.35		43.41%
14,000	40.35		52.63		30.43%	57.35		42.12%
15,000	43.50		56.19		29.17%	61.35		41.03%
16,000	46.65		59.75		28.08%	65.35		40.08%
17,000	49.80		63.31		27.13%	69.35		39.25%
18,000	52.95		66.87		26.29%	73.35		38.52%
19,000	56.10		70.43		25.54%	77.35		37.87%
20,000	59.25		73.99		24.88%	81.35		37.29%
25,000	75.00		91.79		22.39%	101.35		35.13%
30,000	90.75		109.59		20.76%	121.35		33.72%
35,000	106.50		127.39		19.62%	141.35		32.72%
40,000	122.25		145.19		18.76%	161.35		31.98%
45,000	138.00		162.99		18.11%	181.35		31.41%
50,000	153.75		180.79		17.59%	201.35		30.96%
75,000	232.50		269.79		16.04%	301.35		29.61%
100,000	311.25		358.79		15.27%	401.35		28.95%

Valley Utilities Water Company
Docket No. WS-01412A-12-0195
Test Year Ended: December 31, 2011

Schedule BCA-19

Typical Bill Analysis (Including Arsenic Surcharge)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,061	$ 31.80	$ 41.31	$ 9.50	29.88%
Median Usage	5,000	25.51	30.10	$ 4.59	17.99%
Staff Recommended					
Average Usage	9,061	$ 31.80	$ 37.59	$ 5.79	18.19%
Median Usage	5,000	25.51	27.35	$ 1.84	7.21%

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

Gallons	Present		Company Proposed		%	Staff Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 17.91	Minimum Charge	$ 19.51		Minimum Charge	$ 18.00	
	1st Tier Rate	1.5000	1st Tier Rate	1.6900		1st Tier Rate	1.4500	
	1st Tier Breakover	3,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1.5500	2nd Tier Rate	2.7600		2nd Tier Rate	2.4995	
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000		2nd Tier Breakover	9,000	
	3rd Tier Rate	3.1500	3rd Tier Rate	3.5600		3rd Tier Rate	4.0000	
Consumption	Rates		Rates		Increase	Rates		Increase
-	$ 17.91		$ 19.51		8.93%	$ 18.00		0.50%
1,000	19.41		21.20		9.22%	19.45		0.21%
2,000	20.91		22.89		9.47%	20.90		-0.05%
3,000	22.41		24.58		9.68%	22.35		-0.27%
4,000	23.96		27.34		14.11%	24.85		3.71%
5,000	25.51		30.10		17.99%	27.35		7.21%
6,000	27.06		32.86		21.43%	29.85		10.30%
7,000	28.61		35.62		24.50%	32.35		13.07%
8,000	30.16		38.38		27.25%	34.85		15.54%
9,000	31.71		41.14		29.74%	37.35		17.78%
10,000	33.26		43.90		31.99%	41.35		24.31%
11,000	36.41		47.46		30.35%	45.35		24.55%
12,000	39.56		51.02		28.97%	49.35		24.74%
13,000	42.71		54.58		27.79%	53.35		24.91%
14,000	45.86		58.14		26.78%	57.35		25.05%
15,000	49.01		61.70		25.89%	61.35		25.17%
16,000	52.16		65.26		25.12%	65.35		25.28%
17,000	55.31		68.82		24.43%	69.35		25.38%
18,000	58.46		72.38		23.81%	73.35		25.47%
19,000	61.61		75.94		23.26%	77.35		25.54%
20,000	64.76		79.50		22.76%	81.35		25.61%
25,000	80.51		97.30		20.85%	101.35		25.88%
30,000	96.26		115.10		19.57%	121.35		26.06%
35,000	112.01		132.90		18.65%	141.35		26.19%
40,000	127.76		150.70		17.96%	161.35		26.29%
45,000	143.51		168.50		17.41%	181.35		26.37%
50,000	159.26		186.30		16.98%	201.35		26.43%
75,000	238.01		275.30		15.67%	301.35		26.61%
100,000	316.76		364.30		15.01%	401.35		26.70%

EXHIBIT
S-6
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO. W-01412A-12-0195

SURREBUTTAL

TESTIMONY

OF

BRENDAN C. ALADI

PUBLIC UTILITIES ANALYST III

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 11, 2013

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EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-12-0195

The Surrebuttal Testimony of Staff witness Brendan Aladi addresses rate base, operating income, revenue requirement and rate design issues.

Revenue Requirement – Staff recommends a revenue requirement of $1,599,823, a $330,956 or a 26.08 percent increase over Staff's adjusted test year revenues that provides a 6.50 percent rate of return. Staff's adjustments to original cost rate base ("OCRB") resulted in a Staff adjusted OCRB of $1,963,591. Staff's recommendations reflect seven rate base adjustments and three operating income Adjustments.

Staff addresses Company witness Robert Prince on:

Late Payment Fee

Staff addresses Company witness Ray Jones on:

Plant not used and useful
Well No. 2 retirement
Well No. 6A post-test year plant retirement
Accumulated depreciation
Cash working capital

I. INTRODUCTION

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

A. My name is Brendan C. Aladi. I am a Public Utilities Analyst III. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Brendan Aladi who previously filed Direct Testimony on the rate base, operating income, and revenue requirement, and rate design transactions in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your Surrebuttal Testimony in this case?

A. My Surrebuttal Testimony addresses issues raised in Valley Utilities Water Company, Inc.'s ("VUWC" or "Company") Rebuttal Testimony regarding Staff's recommendations on rate base, operating adjustments, and rate design.

Q. How is your testimony organized?

A. My testimony is presented in four sections. Section I is the introduction. Section II is the description/purpose of my testimony. Section III presents my responses to the Rebuttal Testimony provided by Robert Prince. Section IV presents my response to the Rebuttal Testimony provided by Ray Jones.

Q. Does your Surrebuttal Testimony cover all issues in this case?

A. No. Staff attempts to address rebuttal issues only. For any issue not discussed by Staff in Surrebuttal Testimony, it relies on Staff's Direct Testimony.

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

A. Yes. I prepared Surrebuttal schedules BCA-1 to BCA-20. The Surrebuttal schedules reflect the Company's application as filed, not its rebuttal position.

III. STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF ROBERT PRINCE

Late Payment Penalty

Q. What is the Company proposing regarding late payment penalty?

A. VUWC continues to propose a late payment penalty charge of $10 per month.

Q. What is Staff recommending regarding a late payment penalty charge?

A. Staff is recommending a late payment charge of 1.5 percent of the outstanding balance per month. Staff believes that $10 per month is excessive compared to other Arizona Utilities.

Q. How long has the Company had this $10 late fee?

A. It has been in effect for more than 20 years.

Q. Is it working to encourage the timely payment of customer bills?

A. Apparently not.

Q. Why do you say that?

A. In the Company's prior rate case this issue was discussed and at that time the Company's delinquency rate was running 16 to 18 percent and the Company was collecting $28,000 to $30,000 per year in late fees.

Q. What is the Company's delinquency rate now?

A. The Company's delinquency rate continues to run at 17 percent and the Company continues to collect $28,000 to $30,000 per year in late fees.

Q. What do you believe was the Commission's purpose in authorizing such an extraordinarily high late fee of $10?

A. In Staff's opinion, it would be to try and solve a late payment/delinquency problem.

Q. Has this fee solved or even improved the problem?

A. Apparently not.

Q. What does Staff suggest be done?

A. Staff recommends that the Company develop some other strategies to improve its delinquency rate. High late fees have done nothing to solve the problem. One alternative might be to require deposits from customers who are delinquent on a recurring basis.

Q. What is Staff's specific recommendation?

A. Staff recommends that the late fee be reduced to 1-1/2 percent per month. Also, as just mentioned, the Company should develop new strategies to solve/improve its delinquency rate and present them to the Consumer Services Section of the Utilities Division within 120 days of the effective date of this order. Consumer Services Staff will evaluate and make recommendations to the Company regarding those new strategies.

IV. STAFF'S RESPONSE TO THE REBUTALL TESTIMONY RAY JONES

Post Test Year Plant - Not used and Useful

Q. What is the Company proposing regarding post-test year ("PTY") plant?

A. The Company submitted two PTY plant projects; a pump replacement on Well No. 6A and a drainage improvement project at the Bethany Hills Site. In its Direct Testimony, Staff recommended a PTY plant adjustment for Well No. 6A and recommended denial of the PTY plant for drainage improvement. Mr. Jones stated that the Company did not agree with Staff's recommendation for the drainage improvement because the drainage project was completed in December 2012 at a cost of $82,118 and therefore should be included in this proceeding. Staff continues to support the exclusion of the drainage improvement project from the rate base. (See Testimony of Marlin Scott, Jr.).

Well No. 2

Q. What is the Company proposing regarding retirement of Well No. 2?

A. The Company asserts that the adjustment to retire well No. 2 of $2,408 is not needed because the amount is already included in the $103,497 unbooked plant retirements shown on Schedule B-2, Page 2 of the schedules provided with the Company's Direct Testimony.

Q. Is Staff's surrebuttal position the same as its direct position (i.e. to recommend retirement of Well No. 2 from rate base)?

A. No. Staff now agrees that the retirement of Well No. 2 is already addressed in the Company's direct filing. Staff has removed this adjustment in its surrebuttal schedule.

Post-Year Plant – Well No. 6A

Q. What is the Company's proposal regarding retirement of the pump at Well No. 6A?

A. The Company states that adjustment to add post-test year plant (the pump at well No. 6A) of $31,231 is not needed because the amount is already included in rate base in the direct filing. However, the estimated plant cost included in the direct filing was $34,500, which leaves an excess amount of $3,269.

Q. What is Staff's recommendation regarding the pump at well No. 6A?

A. Staff agrees that the actual pump cost of $31,231is already included in rate base and the excess pump cost of $3,269 should be removed from rate base. Staff recommends an adjustment to reduce the pumping equipment account by $3,269.

Accumulated Depreciation

Q. What is Staff recommending regarding accumulated depreciation?

A. Staff recommends an adjustment of $22,782 to accumulated depreciation. The adjustments include the removal of accumulated depreciation for the retirement of pumps at well 6A, well 2, and 2 pumps at well 4. See Surrebuttal Schedule BCA-10.

Q. What is Staff's recommendation?

A. Staff recommends an adjustment to reduce accumulated depreciation by $22,782.

Working Capital

Q. Did the Company accept Staff's Direct Testimony position on the treatment of depreciation and amortization when calculating cash working capital allowance?

A. Yes. The Company agrees to exclude depreciation and amortization expense from the cash working capital allowance calculation.

Q. Did the Company continue to propose that the working capital calculation include a WIFA debt service reserve?

A. Yes. However, Staff believes that debt service reserve should not be a component of working capital.

Q. And why is that?

A. The Company reported $146,105 in a WIFA debt service reserve. However, there is no reflection of this amount in the Company's balance sheet.

Q. If this WIFA debt service reserve does not show up on the Company's balance sheet, what does this suggest?

A. It is not clear. However, it could mean that the Company has incorrectly accounted for this reserve. What is clear is that the WIFA reserve does not show up as an asset on the Company's books. Absent the proper accounting for the reserve, Staff cannot support recognizing this as a component of working capital.

Q. What is Staff's recommendation?

A. Staff recommends including interest expense in the Company's cash working capital calculation and removing debt service reserve from the working capital calculation.

Rate design

Q. What Criticism does the Company have of Staff's rate Design?

A. The Company contends that Staff recommended rate design places 130 percent of the increase into the high usage third tier and this will result in more revenue volatility than the Company's.

Q. Please comment on Company's criticism.

A. Staff's rate design was done on the entire revenue requirement not just the increase. The revenue requirement was appropriately distributed among the minimum and commodity charges.

Q. How much of the current revenue requirement does the Company recover from its monthly minimum charge?

A. The Company recovers 34.67 percent of its total revenue requirement from the monthly minimum charge.

Q. How much of Staff's recommended revenue requirement will the Company recover from Staff's recommended monthly minimum charge?

A. The Company will recover 40.00 percent of Staff's recommended revenue requirement from the monthly minimum charge.

Q. So Staff has increased the percentage of revenue coming from the monthly minimum charge?

A. Yes.

Q. What is the difference between the current 34.67 percent and Staff's recommended 40.00 percent coming from the monthly minimum charge?

A. The difference is 5.33 percent.

Q. And what percentage and dollar amount of the Staff recommended increase will come from the rate design Staff recommends?

A. The Company will recover $85,271, or 25.77 percent of the recommended increase from the monthly minimum charge.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

Valley Utilities Water Company
Docket No. W-01412A-12-0195
Test Year Ended December 31, 2011

Surrebuttal Schedule BCA-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST	
1	Adjusted Rate Base		$ 2,201,185	$ 1,963,591	
2	Adjusted Operating Income (Loss)		$ 19,628	$ (82,221)	
3	Current Rate of Return (L2 / L1)		0.89%	-4.19%	
4	Required Rate of Return		6.45%	6.50%	
5	Required Operating Income (L4 * L1)		$ 141,976	$ 127,633	
6	Operating Income Deficiency (L5 - L2)		$ 122,348	$ 209,855	
7	Gross Revenue Conversion Factor		1.28290	1.57707	
8	Increase (Decrease) In Gross Revenue (L7 * L6)	*	$ 156,961	$ 330,956	*
9	Adjusted Test Year Revenue		$ 1,454,522	$ 1,268,867	
10	Proposed Annual Revenue (L8 + L9)		$ 1,611,483	$ 1,599,823	
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	**	10.79%	26.08%	**
12	Debt Service Coverage Ratio		Not Provided	3.35	

References:
Column [A]: Company Schedules A-1
Column [B]: Staff Schedules BCA-2, & BCA-3

* Note that Staff's recommended increase is larger than the Company's due to Staff's reduction of test year revenue by $185,655.

** Also note that the Company proposes to continue the arsenic facility surcharge that produced $185,655 in the test year. For comparative purposes, this amount should be added to the requested $156,961 increase for an actual total increase of $342,616, or 27.00 percent over the Staff adjusted test year revenue.

Valley Utilities Water Company
Docket No. W-01412A-12-0195
Test Year Ended December 31, 2011

Surrebuttal Schedule BCA-2

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	Calculation of Gross Revenue Conversion Factor:				
1	Revenue	100.0000%			
2	Uncollecible Factor (Line 11)	0.1319%			
3	Revenues (L1 - L2)	99.8681%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	36.4594%			
5	Subtotal (L3 - L4)	63.4087%			
6	**Revenue Conversion Factor (L1 / L5)**	1.577070			
	Calculation of Uncollecttible Factor:				
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	35.5525%			
9	One Minus Combined Income Tax Rate (L7 - L8)	64.4475%			
10	Uncollectible Rate	0.2046%			
11	Uncollectible Factor (L9 * L10)	0.1319%			
	Calculation of Effective Tax Rate:				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	30.7254%			
16	Effective Federal Income Tax Rate (L14 x L15)	28.584457%			
17	Combined Federal and State Income Tax Rate (L13 +L16)		35.5525%		
	Calculation of Effective Property Tax Factor				
18	Unity	100.0000%			
19	Combined Federal and State Income Tax Rate (L17)	35.5525%			
20	One Minus Combined Income Tax Rate (L18-L19)	64.4475%			
21	Property Tax Factor	1.4073%			
22	Effective Property Tax Factor (L20*L21)		0.9070%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			36.4594%	
24	Required Operating Income	$ 127,633			
25	AdjustedTest Year Operating Income (Loss)	(82,221)			
26	Required Increase in Operating Income (L24 - L25)		$ 209,855		
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 7,793			
28	Income Taxes on Test Year Revenue (Col. [A], L52)	(107,973)			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		115,766		
30	Recommended Revenue Requirement	$ 1,599,823			
31	Uncollectible Rate (Line 10)	0.2046%			
32	Uncollectible Expense on Recommended Revenue (L30*L31)	$ 3,273			
33	Adjusted Test Year Uncollectible Expense	$ 2,596			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)		677		
35	Property Tax with Recommended Revenue	$ 58,228			
36	Property Tax on Test Year Revenue	53,571			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		4,658		
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		$ 330,956	$ -	

		Test Year		Staff Recommended	
	Calculation of Income Tax:				
39	Revenue	$ 1,268,867	$ 330,956	$ 1,599,823	$ 135,427
40	Operating Expenses Excluding Income Taxes	$ 1,459,062	$ 5,335	$ 1,464,396	$ 98,180
41	Synchronized Interest (L56)	$ 98,180		$ 98,180	$ 37,247
42	Arizona Taxable Income (L39 - L40 - L41)	$ (288,374)		$ 37,247	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	$ (20,094)		$ 2,595	
45	Federal Taxable Income (L42 - L44)	$ (268,280)		$ 34,652	
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (7,500)		$ 5,198	
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ (6,250)		$ -	
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ (8,500)		$ -	
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ (65,629)		$ -	
50	Federal Tax on Fifth Income Bracket ($335,001 - $10,000,000) @ 34%	$ -		$ -	
51	Total Federal Income Tax	$ (87,879)		$ 5,198	
52	Combined Federal and State Income Tax (L44 + L51)	$ (107,973)		$ 7,793	
53	Applicable Federal Income Tax Rate [Col. [C], L51 - Col. [A], L51] / [Col. [C], L45 - Col. [A], L45]			30.7254%	
	Calculation of Interest Synchronization:				
54	Rate Base	$ 1,963,591			
55	Weighted Average Cost of Debt	5.00%			
56	Synchronized Interest (L45 X L46)	$ 98,180			

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Surrebuttal Schedule BCA-3

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	ADJ NO.	(C) STAFF AS ADJUSTED
1	Plant in Service	$ 10,331,861	$ (86,051)	1, 2, 3, 4, 5	$ 10,245,810
2	Less: Accumulated Depreciation	3,034,427	(22,782)	6	3,011,645
3	Net Plant in Service	$ 7,297,434	$ (63,269)		$ 7,234,165
	LESS:				
4	Advances in Aid of Construction (AIAC)	$ 3,933,272			$ 3,933,272
5	Service Line and Meter Advances	$ -	$ -		$ -
6	Contributions in Aid of Construction (CIAC)	$ 1,561,727	$ -		$ 1,561,727
7	Less: Accumulated Amortization	438,464	-		438,464
8	Net CIAC	$ 1,123,263	-		$ 1,123,263
9	Total Advances and Contributions	$ 5,056,535	$ -		$ 5,056,535
10	Customer Deposits	$ 78,425	$ -		$ 78,425
11	Accumulated Deferred Income Taxes	$ 195,362	$ -		$ 195,362
	ADD: Working Capital				
12	Working Capital	$ 234,073	$ (174,325)	7	$ 59,748
13	Inventory	$ -	$ -		$ -
14	**Total Rate Base**	$ 2,201,185	$ (237,594)		$ 1,963,591

References:
Column [A], Company Schedule B-1, Page 1
Column [B]: Schedule BCA-4
Column [C]: Column [A] + Column [B]

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Surrebuttal Schedule BCA-4

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE Acct. No. - I Plant Description	[A] COMPANY AS FILED	[B] Adj No.1 Add Post Test Year Plant Ref: Sch BCA-5	[C] ADJ No. 2 Retire Well # 4 Ref: Sch BCA-6	[D] ADJ No. 3 Remove Overbooked Post.Test Year Plant Ref: Sch BCA-7	[E] ADJ No. 4 Retire Old Pump Ref: Sch BCA-8	[F] ADJ No. 5 Retire Old Pump Ref: Sch BCA-9	[G] ADJ No. 6 Accumulated Depreciation Ref: Sch BCA-10	[H] ADJ No. 7 Working Capital Ref: Sch BCA-11	STAFF AS ADJUSTED
1										
2	302 Franchises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	303 Land and Land Rights	543,196	-	-	-	-	-	-	-	543,196
4	304 Structures and Improvements	252,106	(60,000)	-	-	-	-	-	-	192,106
5	307 Wells and Springs	1,425,122	-	(12,202)	-	-	-	-	-	1,412,920
6	309 Supply Mains	-	-	-	-	-	-	-	-	-
7	310 Power Generation Equipment	-	-	-	-	-	-	-	-	-
8	311 Pumping Equipment	801,549	-	-	(3,269)	(6,670)	(3,910)	-	-	787,700
9	320 Water Treatment Equipment	2,074,391	-	-	-	-	-	-	-	2,074,391
	320.1 Water Treatment Plant	18,428		-	-	-	-	-	-	18,428
10	330 Distribution Reservoirs and Standpipes	874,959	-	-	-	-	-	-	-	874,959
11	330.2 Pressure Tanks	-	-	-	-	-	-	-	-	-
12	331 Transmission and Distribution Mains	3,221,036	-	-	-	-	-	-	-	3,221,036
13	333 Services	143,593	-	-	-	-	-	-	-	143,593
14	334 Meters and Meter Installations	452,803	-	-	-	-	-	-	-	452,803
15	335 Hydrants	289,011	-	-	-	-	-	-	-	289,011
16	336 Backflow Prevention Devices	-	-	-	-	-	-	-	-	-
17	339 Other Plant and Miscellaneous Equipment	1,237	-	-	-	-	-	-	-	1,237
18	340 Office Furniture and Equipment	68,321	-	-	-	-	-	-	-	68,321
19	340.1 Computers and Software	-	-	-	-	-	-	-	-	-
20	341 Transportation Equipment	88,026	-	-	-	-	-	-	-	88,026
21	343 Tools, Shop, and Garage Equipment	46,009	-	-	-	-	-	-	-	46,009
22	344 Laboratory Equipment	-	-	-	-	-	-	-	-	-
23	345 Power Operated Equipment	5,930	-	-	-	-	-	-	-	5,930
24	346 Communication Equipment	-	-	-	-	-	-	-	-	-
25	347 Miscellaneous Equipment	20,000	-	-	-	-	-	-	-	20,000
26	348 Other Tangible Equipment	6,090	-	-	-	-	-	-	-	6,090
27	Rounding	54	-	-	-	-	-	-	-	54
28	Total Plant in Service	$ 10,331,861	$ (60,000)	$ (12,202)	$ (3,269)	$ (6,670)	$ (3,910)		$ -	$ 10,245,810
29	Less: Accumulated Depreciation	$ 3,034,427	$ -	$ -	$ -	$ -	$ -	$ (22,782)	$ -	3,011,645
30	Net Plant in Service	$ 7,297,434	$ (60,000)	$ (12,202)	$ (3,269)	$ (6,670)	$ (3,910)	$ 22,782	$ -	$ 7,234,165
31										
32	*LESS:*									
33	Advances in Aid of Construction (AIAC)	$ 3,933,272	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,933,272
34	Meter Deposits - Service Line & Meter Advances	$ -	-	-	-	-	-	-	-	-
35										
36	Contributions in Aid of Construction (CIAC)	$ 1,561,727	-	-	-	-	-	-	-	1,561,727
37	Less: Accumulated Amortization of CIAC	$ 438,464	-	-	-	-	-	-	-	438,464
38	Net CIAC	$ 1,123,263	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,123,263
39										
40	Total Advances and Net Contributions	$ 5,056,535	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,056,535
41										
42	Customer Deposits	$ 78,425	-	-	-	-	-	-	-	$ 78,425
43	Accumulated Deferred Taxes	$ 195,362	-	-	-	-	-	-	-	$ 195,362
44										
45	*ADD: Working Capital*	-								-
46	Working Capital	$ 234,073	-	-	-	-	-	-	(174,325)	$ 59,748
47		$ -	-	-	-	-	-	-	-	$ -
48	**Total Rate Base**	$ 2,201,185	$ (60,000)	$ (12,202)	$ (3,269)	$ (6,670)	$ (3,910)	$ 22,782	$ (174,325)	$ 1,963,591

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Schedule Surrebuttal BCA-5

RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT COSTS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct. No. 304 - Structures and Improvements	$ 252,106	$ (60,000)	$ 192,106

References:

Column [A]: Company Schedule B-2
Column [B]: Testimony, BCA
Column [C]: Column [A] + Column [B]

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Surrebuttal Schedule BCA-6

RATE BASE ADJUSTMENT NO. 2 - RETIRE WELLS # 2 AND 4

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 307 - Wells and Springs	$ 1,425,122	$ (14,610)	$ 1,410,512

References:

Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Surrebuttal Schedule BCA-7

RATE BASE ADJUSTMENT NO. 3 - ADD POST TEST YEAR PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 801,549	(3,269)	798,280

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Surrebuttal Schedule BCA-8

RATE BASE ADJUSTMENT NO. 4 - RETIRE AN OLD PUMP - WELL #6A

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 798,280	(6,670)	791,610
2				
3				
4				
5	Pumping Equipment		$ 832,780	
6	Unbooked Retirement - Well #6A		(6,670)	
7	Net		$ 826,110	

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Surrebuttal Schedule BCA-9

RATE BASE ADJUSTMENT NO. 5 - RETIRE OLD PUMP - WELL #6A

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 320 - Pumping Equipment	$ 791,610	(3,910)	787,700
2				
3				
4				
5	Pumping Equipment		$ 791,610	
6	Unbooked Retirement - Well #6A		(3,910)	
7	Net		$ 787,700	

References:
Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Surrebuttal Schedule BCA-10

RATE BASE ADJUSTMENT NO. 6 - REMOVE UNBOOKED PLANT RETIREMENT FROM THE ACCUMULATED DEPRECIATION ACCOUNT

LINE NO.	DESCRIPTION	[A] PER COMPANY	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Depreciation	$ 3,034,427	$ (22,782)	$ 3,011,645
2				
3				
4				
5	Computation:			
	Retire old Pump - Well #6A	$ -	$ (6,670)	$ -
	Retire old Pump - Well #2	-	$ (3,150)	-
	Retire old Pump - Well #4	-	$ (760)	-
	Retire old Pump - Well #4	-	$ (12,202)	-
		$ 3,034,427	$ (22,782)	$ 3,011,645

References:

Column A: Company Schedule B-1
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

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Surrebuttal Schedule BCA-11

RATE BASE ADJUSTMENT NO. 7 -WORKING CAPITAL

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS		[C] STAFF AS ADJUSTED
1	Working Capital	$ 234,073	$ (174,325)		$ 59,749
	Computation of Cash Working Capital:	$ 46,235	$ (28,220)	1	$ 18,015
	Material and Supplies Inventories	$ 32,699	$ -		$ 32,699
	Working Funds and Special Deposits	$ 146,105	$ (146,105)	2	$ -
	Prepayments	$ 9,035	$ -		$ 9,035
	Total Working Capital	$ 234,073	$ (174,325)		$ 59,749

References:

Column A: Company Schedule B-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

1. Removed depreciation and amortization.
2. Removed as not included in working capital.

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Surrebuttal Schedule BCA-12

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:						
1	Metered Water Revenue	$ 1,395,426	$ (185,655)	1	$ 1,209,771	$ 330,956	$ 1,540,727
2	Water Sales - Unmetered	682	-		682		682
3	Other Operating Revenues	58,414	-		58,414	-	58,414
4	**Total Revenues**	$ 1,454,522	$ (185,655)		$ 1,268,867	$ 330,956	$ 1,599,823
5							
6	*EXPENSES:*						
7	Salaries and Wages	$ 452,645	-		$ 452,645	$ -	$ 452,645
8	Employee Pensions & Benefits	73,738	-		73,738	-	73,738
9	Purchased Water	4,045	-		4,045	-	4,045
10	Purchased Power	143,759	-		143,759	-	143,759
10	Repairs and Maintenance	128,499	-		128,499	-	128,499
11	Chemicals	7,567	-		7,567	-	7,567
12	Materials & Supplies	-	-		-	-	-
13	Office Supplies & Expense	8,119	-		8,119	-	8,119
14	Contractual Services - Engineering	2,020	-		2,020	-	2,020
14	Contractual Services - Accounting	2,879	-		2,879	-	2,879
15	Contractual Services - Legal	4,259	-		4,259	-	4,259
	Contractual Management Fees	-	-		-	-	-
16	Contractual Services - Testing	10,732	-		10,732	-	10,732
17	Contractual Services - Other	14,069	-		14,069	-	14,069
18	Equipment Rental	2,215	-		2,215	-	2,215
19	Rents	35,553	-		35,553	-	35,553
20	Transportation Expenses	29,087	-		29,087	-	29,087
21	Insurance - General Liability	20,878	-		20,878	-	20,878
22	Insurance - Workman's Compensation	2,528	-		2,528	-	2,528
23	Reg. Comm. Exp.	14,169	-		14,169	-	14,169
24	Reg. Comm. Exp. - Rate Case	40,000	-		40,000	-	40,000
25	Miscellaneous Expense	49,017	-		49,017	-	49,017
26	Bad Debt Expense	2,975	-		2,975	677	3,652
27	Depreciation Expense	322,982	-		322,982	-	322,982
28	Taxes Other Than Income	33,756	-		33,756	-	33,756
29	Property Taxes	53,525	$ 46	2	53,571	4,658	58,228
30	Income Taxes	(24,122)	$ (83,851)	3	(107,973)	115,766	7,793
31	Interest Expense - Customer Deposits	-	$ -		-		-
32	**Total Operating Expenses**	$ 1,434,894	$ (83,806)		$ 1,351,088	$ 121,101	$ 1,472,189
33							
34	**Operating Income (Loss)**	$ 19,628	$ (101,849)		$ (82,221)	$ 209,855	$ 127,633

References:
Column (A): Company Schedule C-1
Column (B): Schedule BCA-15
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

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Surrebuttal Schedule BCA-13

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1 Metered Water Revenues Ref: Sch BCA-17	[C] ADJ #2 Property Taxes Ref: Sch BCA-18	[D] ADJ #3 Income Taxes Ref: Sch BCA-19	[H] Staff Adjusted
	REVENUES:					
1	Metered Water Revenues	$ 1,395,426	$ (185,655)	$ -	$ -	$ 1,209,771
2	Water Sales - Unmetered (Fire Service)	682	-	-	-	682
3	Other Operating Revenues	58,414	-	-	-	58,414
4	**Total Revenues**	$ 1,454,522	$ (185,655)	$ -	$ -	$ 1,268,867
5						
6	*OPERATING EXPENSES:*					
7	Salaries and Wages	$ 452,645	-	-	-	$ 452,645
8	Employee Pensions & Benefits	73,738	-	-	-	73,738
	Purchased Water	4,045				4,045
9	Purchased Power	143,759	-	-	-	143,759
10	Repairs and Maintenance	128,499	-	-	-	128,499
11	Chemicals	7,567	-	-	-	7,567
12	Materials & Supplies	-	-	-	-	-
13	Office Supplies & Expense	8,119	-	-	-	8,119
	Contractual Services - Engineering	2,020				2,020
14	Contractual Services - Accounting	2,879	-	-	-	2,879
15	Contractual Services - Legal	4,259	-	-	-	4,259
16	Contractual Services - Management Fees	-	-	-	-	-
16	Contractual Services - Testing	10,732	-	-	-	10,732
17	Contractual Services - Other	14,069	-	-	-	14,069
18	Equipment Rental	2,215	-	-	-	2,215
19	Rents	35,553	-	-	-	35,553
20	Transportation Expenses	29,087	-	-	-	29,087
21	Insurance - General Liability	20,878	-	-	-	20,878
22	Insurance - Workmans Compensation	2,528	-	-	-	2,528
23	Reg. Comm. Exp.	14,169	-	-	-	14,169
24	Reg. Comm. Exp. - Rate Case	40,000	-	-	-	40,000
25	Miscellaneous Expense	49,017	-	-	-	49,017
26	Bad Debt Expense	2,975	-	-	-	2,975
27	Depreciation Expense	322,982	-	-	-	322,982
28	Taxes Other Than Income	33,756	-	-	-	33,756
29	Property Taxes	53,525	-	46	-	53,571
30	Income Taxes	(24,122)	-	-	(83,851)	(107,973)
31	Interest Expense - Customer Deposits	-	-	-	-	-
32	**Total Operating Expenses**	$ 1,434,894	$ -	$ 46	$ (83,851)	$ 1,351,088
33						
34	**Operating Income (Loss)**	$ 19,628	$ (185,655)	$ (46)	$ 83,851	$ (82,221)

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Surrebuttal Schedule BCA-14

OPERATING INCOME ADJUSTMENT NO. 1 - DISCONTINUATION OF SURCHARGE REVENUE

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Metered Water Revenue	$ 1,395,426	$ (185,655)	$ 1,209,771

References:
Column A: Company Testimony
Column B: Testimony, BCA
Column C: Column [A] - Column [B]

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Surrebuttal Schedule BCA-15

OPERATING INCOME ADJUSTMENT NO. 2 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	$ 1,268,867	$ 1,268,867
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	2,537,734	$ 2,537,734
4	Staff Recommended Revenue, Per Schedule CSB-1	1,268,867	$ 1,599,823
5	Subtotal (Line 4 + Line 5)	3,806,601	4,137,557
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,268,867	$ 1,379,186
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,537,734	$ 2,758,371
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,537,734	$ 2,758,371
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	507,547	$ 551,674
15	Composite Property Tax Rate	10.5548%	10.5548%
			$ -
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	$ 53,571	
17	Company Proposed Property Tax	53,525	
18	Staff Test Year Adjustment (Line 16-Line 17)	$ 46	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		$ 58,228
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		$ 53,571
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ 4,658
22	Increase to Property Tax Expense		$ 4,658
23	Increase in Revenue Requirement		330,956
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.407307%

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Surrebuttal Schedule BCA-16

OPERATING INCOME ADJUSTMENT NO. 3 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Income Tax	($24,122)	($83,851)	($107,973)

References:

Column A: Company Schedule C-2
Column B: Testimony, BCA
Column C: Column [A] + Column [B]

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	$ 12.40	$ 14.00	$ 18.00
3/4 Inch	18.60	21.00	27.00
1 Inch	31.00	35.00	45.00
1 1/2 Inch	62.00	70.00	90.00
2 Inch	99.00	112.00	144.00
3 Inch	198.00	224.00	288.00
4 Inch	310.00	350.00	450.00
6 Inch	620.00	700.00	900.00
8 Inch	N/A	N/A	N/A
10 Inch	N/A	N/A	N/A
12 Inch	N/A	N/A	N/A
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	$ 1.5000	1.69	N/A
3,001 to 10,000 gallons	2.4400	2.76	N/A
Over 10,000 gallons	3.1500	3.56	N/A
First 3,000 gallons	N/A	N/A	$ 1.45
3,001 to 10,000 gallons	N/A	N/A	$ 2.50
Over 10,000 gallons	N/A	N/A	$ 4.09
3/4" Meter (Residential)			
First 3,000 gallons	1.5000	N/A	N/A
3,001 to 10, 000 gallons	2.4400	N/A	N/A
Over 10,000 gallons	3.1500	N/A	N/A
First 3,000 gallons	N/A	1.96	N/A
3,001 to 10,000 gallons	N/A	2.76	N/A
Over 10,000 gallons	N/A	3.56	N/A
First 3,000 gallons	N/A	N/A	1.45
3,001 to 10,000 gallons	N/A	N/A	2.50
Over 10,000 gallons	N/A	N/A	4.09
1" Meter (All Meters)			
First 23,000 gallons	2.4400	N/A	N/A
Over 23,000 gallons	3.1500	N/A	N/A
First 23,000 gallons	N/A	2.76	N/A
Over 23,000 gallons	N/A	3.56	N/A
First 14,000 gallons	N/A	N/A	2.50
Over 14,000 gallons	N/A	N/A	4.09
1 1/2" Meter (All Meters)			
First 58,000 gallons	2.4400	N/A	N/A
Over 58,000 gallons	3.1500	N/A	N/A
First 58,000 gallons	N/A	2.76	N/A
Over 58,000 gallons	N/A	3.56	N/A
First 40,000 gallons	N/A	N/A	2.50
Over 40,000 gallons	N/A	N/A	4.09
2" Meter (All Meters)			
First 95,000 gallons	2.4400	N/A	N/A
Over 95,000 gallons	3.1500	N/A	N/A
First 95,000 gallons	N/A	2.76	N/A
Over 95,000 gallons	N/A	3.56	N/A
First 75,000 gallons	N/A	N/A	2.50
Over 75,000 gallons	N/A	N/A	4.09
3" Meter (All Meters)			
First 207,000 gallons	2.4400	N/A	N/A
Over 207,000 gallons	3.1500	N/A	N/A
First 207,000 gallons	N/A	2.76	N/A
Over 207,000 gallons	N/A	3.56	N/A
First 150,000 gallons	N/A	N/A	2.50
Over 150,000 gallons	N/A	N/A	4.09
4" Meter (All Meters)			
First 335,000 gallons	2.4400	N/A	N/A
Over 335,000 gallons	3.1500	N/A	N/A
First 335,000 gallons	N/A	2.76	N/A
Over 335,000 gallons	N/A	3.56	N/A
First 225,000 gallons	N/A	N/A	2.50
Over 225,000 gallons	N/A	N/A	4.09
6" Meter (All Meters)			
First 690,000 gallons	2.4400	N/A	N/A
Over 690,000 gallons	3.1500	N/A	N/A
First 450,000 gallons	N/A	2.76	N/A
Over 450,000 gallons	N/A	3.56	N/A
First 450,000 gallons	N/A	N/A	2.50
Over 450,000 gallons	N/A	N/A	4.09
Construction Water	$ 3.15	$ 3.56	$ 4.09

Monthly Service Charge for Fire Sprinkler	****	****	****

**** Greater of $10.00 or 2 percent of the general service rate for a similar size meter.

Arsenic Surcharge (Decision No. 71287)

Meter Sizes	Present Rates	Proposed Rates	Staff Recommended Rates
5/8 x 3/4 Inch	5.5100	5.5100	0
3/4 Inch	8.2600	8.2600	0
1 Inch	13.7700	13.7700	0
1 1/2 Inch	27.5400	27.5400	0
2 Inch	44.0600	44.0600	0
3 Inch	88.1200	88.1200	0
4 Inch	N/T	137.7500	0
6 Inch	N/T	275.5000	0

Other Service Charges	Present Rates	Company Proposed Rates	Staff Recommended Rates
Establishment	$ 40.00	$ 40.00	$ 40.00
Establishment (After Hours)	$ 60.00	$ 60.00	$ 60.00
Reconnection (Delinquent)	$ 40.00	$ 40.00	$ 40.00
Reconnection (Delinquent) - After Hours	$ 60.00	$ 60.00	$ 60.00
Meter Test (If Correct)	$ 30.00	$ 30.00	$ 30.00
Deposit	*	*	*
Deposit Interest	**	**	**
Reestablishment (within 12 months)	***	***	***
NSF Check	$ 25.00	$ 30.00	$ 30.00
Late Payment Penalty	$ 10.00	$ 10.00	$ 5.00
Deferred Payment	1.5% per month	1.5% per month	1.5% per month
Meter Re-Read	$ 10.00	$ 10.00	$ 10.00
Moving Meter at Customer Request	At Cost	At Cost	At Cost
Service Calls - Per Hour/After Hours(a)	$ 40.00	N/A	$ -

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

(a) No charge for service calls during normal working hours.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
5/8 x 3/4"	$ 600	$ 445	$ 155	$ 600	$ 445	$ 155	$ 600
3/4"	$ 700	$ 445	$ 255	$ 700	$ 445	$ 255	$ 700
1"	$ 810	$ 495	$ 315	$ 810	$ 495	$ 315	$ 810
1-1/2"	$ 1,075	$ 550	$ 525	$ 1,075	$ 550	$ 525	$ 1,075
2" Turbine	$ 1,875	$ 830	$ 1,045	$ 1,875	$ 830	$ 1,045	$ 1,875
2" Compound	$ 2,720	$ 830	$ 1,890	$ 2,720	$ 830	$ 1,890	$ 2,720
3" Turbine	$ 2,715	$ 1,045	$ 1,670	$ 2,715	$ 1,045	$ 1,670	$ 2,715
3" Compound	$ 3,710	$ 1,165	$ 2,545	$ 3,710	$ 1,165	$ 2,545	$ 3,710
4" Turbine	$ 4,160	$ 1,490	$ 2,670	$ 4,160	$ 1,490	$ 2,670	$ 4,160
4" Compound	$ 5,315	$ 1,670	$ 3,645	$ 5,315	$ 1,670	$ 3,645	$ 5,315
6" Turbine	$ 7,235	$ 2,210	$ 5,025	$ 7,235	$ 2,210	$ 5,025	$ 7,235
6" Compound	$ 9,250	$ 2,330	$ 6,920	$ 9,250	$ 2,330	$ 6,920	$ 9,250
8" Compound	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost	At Cost

Valley Utilities Water Company
Docket No. WS-01412A-12-0195
Test Year Ended: December 31, 2011

Surrebuttal Schedule BCA-18

Typical Bill Analysis (Without Surcharge)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,055	$ 23.19	$ 30.26	$ 7.08	30.52%
Median Usage	4,546	19.30	23.34	$ 4.04	20.94%
Staff Recommended					
Average Usage	7,055	$ 23.19	$ 32.49	$ 9.30	40.11%
Median Usage	4,546	19.30	26.21	$ 6.92	35.85%

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

Gallons	Present		Company Proposed		%	Staff Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 12.40	Minimum Charge	$ 14.000		Minimum Charge	$ 18.00	
	1st Tier Rate	1.5000	1st Tier Rate	1.6900		1st Tier Rate	1.4500	
	1st Tier Breakover	3,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1.5500	2nd Tier Rate	2.7600		2nd Tier Rate	2.4995	
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000		2nd Tier Breakover	9,000	
	3rd Tier Rate	3.1500	3rd Tier Rate	3.5600		3rd Tier Rate	4.0900	
Consumption	Rates		Rates		Increase	Rates		Increase
-	$ 12.40		$ 14.00		12.90%	$ 18.00		45.16%
1,000	13.90		15.69		12.88%	19.45		39.93%
2,000	15.40		17.38		12.86%	20.90		35.71%
3,000	16.90		19.07		12.84%	22.35		32.25%
4,000	18.45		21.83		18.32%	24.85		34.69%
5,000	20.00		24.59		22.95%	27.35		36.75%
6,000	21.55		27.35		26.91%	29.85		38.51%
7,000	23.10		30.11		30.35%	32.35		40.03%
8,000	24.65		32.87		33.35%	34.85		41.37%
9,000	26.20		35.63		35.99%	37.35		42.55%
10,000	27.75		38.39		38.34%	41.44		49.32%
11,000	30.90		41.95		35.76%	45.53		47.34%
12,000	34.05		45.51		33.66%	49.62		45.72%
13,000	37.20		49.07		31.91%	53.71		44.37%
14,000	40.35		52.63		30.43%	57.80		43.24%
15,000	43.50		56.19		29.17%	61.89		42.27%
16,000	46.65		59.75		28.08%	65.98		41.43%
17,000	49.80		63.31		27.13%	70.07		40.70%
18,000	52.95		66.87		26.29%	74.16		40.05%
19,000	56.10		70.43		25.54%	78.25		39.48%
20,000	59.25		73.99		24.88%	82.34		38.97%
25,000	75.00		91.79		22.39%	102.79		37.05%
30,000	90.75		109.59		20.76%	123.24		35.80%
35,000	106.50		127.39		19.62%	143.69		34.92%
40,000	122.25		145.19		18.76%	164.14		34.26%
45,000	138.00		162.99		18.11%	184.59		33.76%
50,000	153.75		180.79		17.59%	205.04		33.36%
75,000	232.50		269.79		16.04%	307.29		32.17%
100,000	311.25		358.79		15.27%	409.54		31.58%

Valley Utilities Water Company
Docket No. WS-01412A-12-0195
Test Year Ended: December 31, 2011

Surrebuttal Schedule BCA-19

Typical Bill Analysis (Including Surcharge)
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,055	$ 28.70	$ 35.77	$ 7.08	24.66%
Median Usage	4,546	24.81	28.85	$ 4.04	16.29%
Staff Recommended					
Average Usage	7,055	$ 28.70	$ 32.49	$ 3.79	13.21%
Median Usage	4,546	24.81	26.21	$ 1.41	5.68%

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

Gallons	Present		Company Proposed		%	Staff Recommended		%
	5/8 x 3/4"		5/8 x 3/4"			5/8 x 3/4"		
	Minimum Charge	$ 17.91	Minimum Charge	$ 19.51		Minimum Charge	$ 18.00	
	1st Tier Rate	1.5000	1st Tier Rate	1.6900		1st Tier Rate	1.4500	
	1st Tier Breakover	3,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1.5500	2nd Tier Rate	2.7600		2nd Tier Rate	2.4995	
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000		2nd Tier Breakover	9,000	
	3rd Tier Rate	3.1500	3rd Tier Rate	3.5600		3rd Tier Rate	4.0900	
Consumption	Rates		Rates		Increase	Rates		Increase
-	$ 17.91		$ 19.51		8.93%	$ 18.00		0.50%
1,000	19.41		21.20		9.22%	19.45		0.21%
2,000	20.91		22.89		9.47%	20.90		-0.05%
3,000	22.41		24.58		9.68%	22.35		-0.27%
4,000	23.96		27.34		14.11%	24.85		3.71%
5,000	25.51		30.10		17.99%	27.35		7.21%
6,000	27.06		32.86		21.43%	29.85		10.30%
7,000	28.61		35.62		24.50%	32.35		13.07%
8,000	30.16		38.38		27.25%	34.85		15.54%
9,000	31.71		41.14		29.74%	37.35		17.78%
10,000	33.26		43.90		31.99%	41.44		24.59%
11,000	36.41		47.46		30.35%	45.53		25.04%
12,000	39.56		51.02		28.97%	49.62		25.42%
13,000	42.71		54.58		27.79%	53.71		25.75%
14,000	45.86		58.14		26.78%	57.80		26.03%
15,000	49.01		61.70		25.89%	61.89		26.27%
16,000	52.16		65.26		25.12%	65.98		26.49%
17,000	55.31		68.82		24.43%	70.07		26.68%
18,000	58.46		72.38		23.81%	74.16		26.85%
19,000	61.61		75.94		23.26%	78.25		27.00%
20,000	64.76		79.50		22.76%	82.34		27.14%
25,000	80.51		97.30		20.85%	102.79		27.67%
30,000	96.26		115.10		19.57%	123.24		28.03%
35,000	112.01		132.90		18.65%	143.69		28.28%
40,000	127.76		150.70		17.96%	164.14		28.47%
45,000	143.51		168.50		17.41%	184.59		28.62%
50,000	159.26		186.30		16.98%	205.04		28.74%
75,000	238.01		275.30		15.67%	307.29		29.11%
100,000	316.76		364.30		15.01%	409.54		29.29%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2011
Lead/Lag Study - Working Cash Requirement

Surrebuttal Schedule BCA-20

Line No.		Test Year Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	(Lead) Lag Factor	Cash Working Capital Required
1							
2	OPERATING EXPENSES						
3	Salaries and Wages	$ 452,645	32.1273	12.0000	20.1273	0.0551	$ 24,960
4	Employee Pension and Benefits	8,791	32.1273	243.5000	(211.3727)	(0.5791)	(5,091)
5	Group Insurance	64,947	32.1273	(19.4292)	51.5565	0.1413	9,174
6	Purchased Water	4,045	32.1273	35.6367	(3.5094)	(0.0096)	(39)
7	Purchased Power	143,759	32.1273	32.0939	0.0334	0.0001	13
8	Chemicals	7,567	32.1273	6.3569	25.7704	0.0706	534
9	Repairs and Maintenance	128,499	32.1273	23.4959	8.6314	0.0236	3,039
10	Contractural Services	33,959	32.1273	24.1491	7.9782	0.0219	742
11	Rent - Buildings	35,553	32.1273	(18.6828)	50.8101	0.1392	4,949
12	Transportation Expense	29,087	32.1273	30.0000	2.1273	0.0058	170
13	Insurance	23,406	32.1273	(12.2709)	44.3982	0.1216	2,847
15	Other Operating Expenses[1]	76,495	32.1273	30.0000	2.1273	0.0058	446
16	TAXES						
17	Taxes Other than Income	33,756	32.1273	12.0000	20.1273	0.0551	1,861
18	Property Taxes[2]	55,451	32.1273	202.2500	(170.1227)	(0.4661)	(25,845)
19	Income Tax[2]	8,256	32.1273	30.1300	1.9973	0.0055	45
20	Interest Expense	8,749	32.1273	16.2079	15.9194	0.0436	382
22							
23							
24	TEST YEAR WORKING CASH REQUIREMENT						$ 18,187
25							

26 [1]All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.

27 [2]At *proposed rates.*

EXHIBIT
S-7
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION OF VALLEY UTILITIES WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR AN INCREASE IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	)	DOCKET NO. W-01412A-12-0195

TESTIMONY

IN SUPPORT OF THE SETTLEMENT AGREEMENT

OF

ELIJAH O. ABINAH

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 7, 2013

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EXECUTIVE SUMMARY
VALLEY UTILITIES WATER COMPANY, INC.
DOCKET NO. W-01412A-12-0195

Valley Utilities Water Company, Inc. ("VUWC" or "Company") is an Arizona public service corporation engaged in providing water utility services to over 1,400 customers. The Company serves a community located in Maricopa County, just east of Luke Air Force Base in the Phoenix West Valley. VUWC's current rates were approved in Decision No. 71482, dated February 3, 2010.

The Settlement Agreement will provide the Company with an increase in gross revenue of $160,467 or an increase of 11.03 percent over test year revenue of $1,454,522. The total revenue requirement of $1,614,989 will produce an operating income of $137,130 for a 6.50 percent rate of return on an original cost rate base of $2,109,695.

INTRODUCTION

Q. Please state your name and business address.

A. My name is Elijah O. Abinah. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Where are you employed and in what capacity?

A. I am employed by the Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC" or "Commission") as Assistant Director.

Q. How long have you been employed with the Utilities Division?

A. I have been employed with the Utilities Division since January 2003.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science Degree in Accounting from the University of Central Oklahoma in Edmond, Oklahoma. I also received a Master of Management Degree from Southern Nazarene University in Bethany, Oklahoma.

Prior to my employment with the ACC, I was employed by the Oklahoma Corporation Commission for approximately eight and a half years in various capacities in the Telecommunications Division.

Q. What are your current responsibilities?

A. As Assistant Director, I review submissions that are filed with the Commission and make policy recommendations to the Director regarding those filings.

Q. Did you participate in the discussion which gave rise to the Settlement Agreement between Staff and Valley Utilities Water Company, Inc. ("VUWC" or "Company")?

A. Yes, I did. I was part of the Staff negotiating team.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the settlement process and to explain Staff's view regarding the Settlement Agreement between Staff and the Company.

Q. How is your testimony being presented?

A. My testimony is organized into sections. Section I is the introduction, Section II provides discussion of the settlement process, Section III discusses the settlement meeting, Section IV discusses the various parts of the Settlement Agreement, Section V discusses the rationale of why the Agreement is in the public interest, and Section VI is the conclusion.

SETTLEMENT PROCESS

Q. Please discuss the settlement process.

A. Staff believes the settlement process was open and transparent. There were no intervenors in this case. Staff and the Company were accorded an opportunity to raise, discuss, and propose resolutions to any issue that they desired. Both parties participated in telephone and e-mail communications.

Q. Who participated in those discussions?

A. Staff was represented by a member of the Director's Office, as well as Staff members who were involved in the processing of the case and had provided direct and/or surrebuttal testimony. Staff also had legal representation from the Commission's Legal Division.

The Company was represented by outside legal counsel, a consultant, and an officer of the Company.

Q. Was there an opportunity for all issues to be discussed and considered?

A. Yes, both parties had the opportunity to raise any issue and have their issues considered.

Q. Were the signatories able to resolve all issues?

A. Yes, the signatories were able to resolve and reach agreement on all issues.

Q. How would you describe the negotiations?

A. I believe that the participants zealously advocated and represented their interests. I would characterize the discussions as candid but professional. Both parties had the opportunity to be heard and to have their positions fairly considered.

Q. Would you describe the process as requiring give and take?

A. Yes, I would. As evidenced in the Agreement, the signatories compromised on what could be described as vastly different litigation positions on a few points.

Q. Because of such compromising, do you believe the public interest was compromised?

A. No. As I will discuss later in this testimony, I believe that the compromises made by the signatories further the public interest.

SETTLEMENT MEETING

Q. Please describe how the meeting process developed in this case.

A. Staff was contacted by a VUWC representative about the possibility of conducting settlement discussions regarding the Company's rate application in Docket No.

W-01412A-12-0195. Staff filed a Notice of Settlement Discussions with Docket Control on February 13, 2013, indicating that a settlement meeting would take place on or about February 19, 2013. This would allow time for the Commission or any other interested party to comment, object, or participate in the settlement discussions. No comments or objections were received and no other party requested to be included in the settlement discussions.

Q. When did the settlement meeting take place?

A. Staff did not actually meet with the Company. The Company provided a proposed settlement to Staff. Staff reviewed that proposal and recommended certain alterations via a telephone conversation with counsel for the Company. This took place on Wednesday, February 20, 2013. Some further discussions took place later that day to work out details via telephone and e-mail.

Q. What was the result of those discussions?

A. A settlement was reached and Staff filed a Notice of Settlement with Docket Control on February 21, 2013. The Settlement Agreement was signed by the parties on February 22, 2013. Further, on February 25, 2013, Staff filed a Notice of Filing the Settlement Agreement with Docket Control.

OVERVIEW OF THE SETTLEMENT AGREEMENT

Q. Can you please briefly provide an overview of the Settlement Agreement?

A. Yes. Section 2.1 deals with the disputed issues in the rate case and are resolved as follows:

(a) The Company accepts Staff's rate base adjustments Nos. 1 thru 6.

(b) The Company accepts the cash working capital portion of Staff's rate base adjustment No. 7 that reduces cash working capital by $28,220. Staff accepts inclusion of the WIFA Debt Service Reserve Fund of $146,105 as a component of the working capital allowance.

(c) Staff accepts the property tax expense of $63,677.

(d) Staff accepts the bad debt expense of $3,304.

(e) Staff accepts the late charge is to remain at $10 per month. The Company accepts the condition that it meet with Staff within 45 days of a decision in this case to discuss additional remedies to reduce delinquency rates and for the Docket to remain open until December 31, 2013, to allow inclusion in the Docket of any subsequent remedies decided upon.

(f) The Company and Staff both had adjustments to the final rate design and both now agree on the rate design as reflected in Section 2.1(f) on page 2 of the Settlement Agreement.

PUBLIC INTEREST

Q. Can you explain why Staff believes this Settlement Agreement is in the public interest?

A. Staff believes that this Settlement Agreement fairly treats the interests of the Company, its shareholders, and its ratepayers.

Q. What is Staff's role in this case when making recommendations to the Commission?

A. Staff's role in this case is to balance the interests of the Company, its shareholders, and its ratepayers. Staff believes the Settlement Agreement accomplished that.

1 **CONCLUSION**

2 **Q. Please describe Staff's understanding of the overall Settlement Agreement.**

3 A. Staff and the Company have devoted time, resources, and effort to reach a conclusion that
4 is fair and reasonable. Signatories to the Settlement Agreement have acknowledged their
5 acceptance of this Agreement, reached through open and frank discussions.

6

7 **Q. Do you believe that this Agreement is in the public interest?**

8 A. Yes, I do.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes.