Transcript Exhil

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Docket #(s): WS-03478A-12-0307

Exhibit # : Attach A-9

Part 1 of 4. See Barcode 0000144995 for Part 2, See Barcode 0000144996 for Part 3, See Barcode 0000144997 for Part 4 of 4

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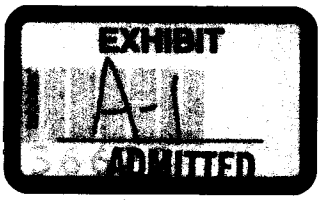

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

WS-03478A-12-0307

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

DOCKET NO. WS-03478A-12-

Arizona Corporation Commission
DOCKETED
JUL - 6 2012
DOCKETED BY

APPLICATION
OF
FAR WEST WATER & SEWER, INC
JULY 6, 2012

1. Far West Water & Sewer, Inc. ("Far West") hereby applies in accordance with A.R.S. § 40-250 and the Commission's Rule R 14-2-103 for a rate increase for its wastewater rates. Far West is a Class A Utility.

2. **Requested Rate Increase**. Far West has invested in major upgrades to its wastewater facilities, as required by a Consent Judgment with the Arizona Department of Environmental Quality. As of the end of the test year, Far West has completed Phase I of the Section 14 Plant expansion, closed the Palm Shadows wastewater treatment plant and directed its flow to the Section 14 Plant, and completed the Phase I Del Oro Plant expansion. Far West's new wastewater treatment plants are state-of-the-art facilities that, through an ultra-filtration process, will produce reclaimed water that is A+ quality.

3. Far West's current financial condition is grim. Far West does not have sufficient resources to pay all of its bills as they become due and obligations to multiple parties are severely overdue. This is largely a result of Far West's massive investment in new plant. Since

its last rate case, rate base has increased from $1,549,650 (2004 test year) to $22,800,578 (2011 test year). Far West's test-year income is negative. In 2009, the Commission found (Decision No. 71447, page 22) that Far West's wastewater division was insolvent. Conditions have not improved since then. Far West has only been able to maintain wastewater operations through subsidies from its water division, additional short-term borrowings, and additional capital contributions.

4. Far West provides wastewater service in unincorporated areas of Yuma County. Far West currently charges residential customers a flat monthly charge of $21.75 for this wastewater service. By comparison, the City of Yuma charges $43.20 per month for wastewater service to customers outside the City limits, or approximately twice as much as Far West is authorized to charge.

5. For this case, Far West accepts its original cost rate base as its fair-value rate base. Far West requests a rate increase of $3,866,046, or 173.52%, to allow it to earn a 7.409% rate of return on its original cost rate base. A residential customer's monthly bill will increase by $40.90 to $62.65 per month, an increase of 188.05%.

6. **Testimony**. This Application is supported by the testimony and exhibits of Mr. Ray Jones. Mr. Jones is the Principle of ARICOR Water Solutions, LC ("ARICOR"). ARICOR provides a wide range of engineering and regulatory support services to the private utility, municipal utility, and development sectors. Mr. Jones also prepared and supports the required schedules (A – H) that support Far West's rate request.

7. **Organization of Application**. The Application is organized as follows:

a. Application (Summary).

b. Testimony of Ray L. Jones.

c. Testimony Exhibits, including required Schedules (A-H).

7. **Requested Relief**. Far West asks that the Commission issue an order consistent with the requests set forth in this Application, as more fully set forth in the accompanying testimony, exhibits, and schedules.

Respectfully submitted on July 6, 2012, by:

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Original and 13 copies **sent overnight** on July 5, 2012, to:

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Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing **mailed** on July 5, 2012, to:

Residential Utility Consumer Office
1110 West Washington Street
Suite 220
Phoenix, Arizona 85007

By: _____

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE	DOCKET NO. WS-03478A-12-

DIRECT TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
JULY 6, 2012

DIRECT TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
JULY 6, 2012

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1

EXECUTIVE SUMMARY

Mr. Ray Jones testifies in support of a rate application by Far West Water & Sewer, Inc. ("Far West" or "Company"). Far West seeks a determination of (i) the fair value of its wastewater utility property for ratemaking purposes, (ii) a fair and reasonable rate of return thereon, and (iii) increases in its rates and charges for wastewater utility service in its certificated service area.

Mr. Jones first testifies concerning his qualifications and then discusses Far West's wastewater operations.

Mr. Jones next discusses Far West's recent upgrades to its wastewater facilities, as required by a Consent Judgment with the Arizona Department of Environmental Quality. As of the end of the test year, Far West has completed Phase I of the Section 14 Plant expansion, closed the Palm Shadows wastewater treatment plant and directed its flow to the Section 14 Plant and completed the Phase I Del Oro Plant expansion. Far West's new wastewater treatment plants are state-of-the-art facilities that, through an ultra-filtration process, will produce reclaimed water that is A+ quality. Far West's plant-in-service balance has increased from $13,420,251 (2004 test year) to $37,751,132 in this filing (2011 test year).

Mr. Jones next discusses Far West's regulatory history and its grim financial condition. Mr. Jones explains that the present financial condition is largely a result of Far West's massive investment in new plant. Since its last rate case, rate base has increased from $1,549,650 to $22,800,578.

Mr. Jones next provides an overview of Far West's rate request and then discusses the request in detail including test-year rate base, income, expenses, and cost of capital. Far West requests a rate increase of $3,866,046, or 173.52%, to allow it to earn a 7.409% rate of return on its original cost rate base.

Attached to Mr. Jones' testimony are three exhibits:

- Exhibit RLJ-DT1 – Resume of Ray Jones
- Exhibit RLJ-DT2 – Description of Far West Wastewater System
- Exhibit RLJ-DT3 – Required Schedules

I INTRODUCTION

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

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

Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE?

A. I have an extensive background in the Arizona water and wastewater utility businesses. I began my career as a Staff Engineer with Citizens Utilities Company ("Citizens") at its Sun City office in 1985. I held progressively more responsible positions and ultimately became the Vice President and General Manager for Citizens' Arizona Water and Wastewater Operations in 1998. When Arizona-American Water Company ("Arizona-American") purchased Citizens' water and wastewater operations in 2002, I became Arizona-American's President. In 2004, I left Arizona-American and formed my own consulting firm, ARICOR Water Solutions, LC ("ARICOR"). ARICOR provides a wide range of engineering and regulatory support services to the private utility, municipal utility, and development sectors.

Q. WHAT IS YOUR EDUCATIONAL EXPERIENCE?

A. I have a B.S. in Civil Engineering from Kansas University (1985) and an M.B.A. from Arizona State University (1991).

Q. DO YOU HOLD ANY PROFESSIONAL LICENSES?

A. I am a licensed Professional Engineer in Arizona and California and I am a Grade 3 Certified Operator for all four Arizona classifications.

Q. WHAT IS YOUR EXPERIENCE BEFORE THE COMMISSION?

A. In my time with Citizens and Arizona-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. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the applicant, Far West Water & Sewer, Inc. ("Far West" or "Company"). Far West seeks a determination of (i) the fair value of its wastewater utility property for ratemaking purposes, (ii) a fair and reasonable rate of return thereon, and (iii) increases in its rates and charges for wastewater utility service in its certificated service area.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My testimony supports Far West's application for rate relief. Specifically, I describe Far West's wastewater system and operations and provide a brief history of Far West'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 wastewater service. I testify concerning Far West'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 FAR WEST'S WASTEWATER SYSTEM AND OPERATIONS

Q. WHAT IS YOUR RELATIONSHIP TO FAR WEST?

A. I provide consulting services to Far West. Specifically, I have assisted and advised Far West on matters related to expansion and operation of its wastewater system. In my capacity as a consultant to Far West, I have been able to become familiar with their wastewater facilities and operations.

Q. WOULD YOU DESCRIBE FAR WEST AND ITS WASTEWATER SYSTEM?

A. Far West provides water and wastewater utility services in Yuma County, Arizona. Far West was issued a Certificate of Convenience and Necessity on April 8, 1998, in Decision No. 60799, which authorized the transfer of the Certificate of Convenience and Necessity ("CC&N') held by H&S Developers, Inc. dba Far West Water Company and Far West Sewer Company to Far West. Far West currently serves approximately 7,067 residential wastewater customers, 44 commercial wastewater customers and 4 recreational vehicle parks containing 713 spaces.

The Far West wastewater system consists of a collection system with 16 lift stations. There are six wastewater treatment plants. Treated effluent is either reused on golf courses or recharged into the regional aquifer. A detailed description of Far West's wastewater system is attached as ***Exhibit RLJ-DT2***.

Far West's water division currently serves approximately 15,500 customers in Yuma County. Most but not all of Far West's wastewater customers are also Far West water customers.

Q. PLEASE DESCRIBE RECENT CHANGES TO FAR WEST'S WASTEWATER SYSTEM?

A. Historically, Far West's wastewater system consisted of small isolated collection and treatment systems serving individual subdivisions or developments. The Company experienced substantial growth in the late 1990's and through the first half of the 2000's. The Company's sewer facilities were simply unable to keep up with this growth and more stringent environmental regulation. As a consequence, Far West Sewer received a number of notices of violation from ADEQ.

In order to resolve ADEQ compliance issues, Far West and ADEQ ultimately entered into a Consent Judgment which mandated that Far West complete a wastewater system improvement program. The Consent Judgment required Far West to:

- Expand its Del Oro, Section 14, and Seasons wastewater treatment plants.
- Close its Villa del Rey and Villa Royal wastewater treatment plants, and direct their flows to the upgraded Del Oro plant.
- Close the Palm Shadows wastewater treatment plant, and direct its flow to the upgraded Section 14 wastewater treatment plant.

The improvements will consolidate Far West Sewer's wastewater collection and treatment system, bring the system into compliance with all applicable regulations, and position it to handle anticipated growth over the next several years.

Q. WHAT IS THE STATUS OF FAR WEST'S SYSTEM IMPROVEMENTS?

A. As of the end of the test year, Far West has completed Phase I of the Section 14 expansion, closed the Palm Shadows wastewater treatment plant and directed its flow to Section 14, and completed the Phase I Del Oro plant expansion. Far West's new

wastewater treatment plants are state-of-the-art facilities that, through an ultra-filtration process, produce reclaimed water that is A+ quality.

III FAR WEST'S REGULATORY HISTORY AND FINANCIAL CONDITION

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

A. Far West's current wastewater rates are based on a calendar-year 2004 test year and went into effect on February 20, 2007, pursuant to Decision No. 69335. The rate base approved in Decision No. 69335 was $1,549,650.

On July 7, 2007 Far West filed a financing application requesting authorization to acquire up to $25,215,000 in long-term debt to fund its wastewater system improvement program and to repay and consolidate certain existing long-term and short-term debt. The application was approved on October 30, 2007 in Decision No. 69950. On December 13, 2007, Far West obtained $25,190,000 in financing in the form of a Yuma County Industrial Development Authority Revenue Bonds pursuant to the authorization.

On August 29, 2008, Far West filed an application requesting a permanent 214.8% increase in wastewater rates. On December 19, 2008, Far West filed an emergency application requesting an interim rate increase of 101.02% until such time as permanent rates were set. On January 26, 2009, a Procedural Order was issued suspending the permanent rate case while the interim rate request was being considered. On December 16, 2009 the Company's request for interim rate relief was denied pursuant to Decision No. 71447. Due to concerns about the staleness of the test year and other matters, on March 24, 2010, Far West filed a motion to withdraw the permanent rate case. On April 14, 2010, a Procedural Order was issued ordering that Far West's Motion to Withdraw

Application be held in abeyance and the current rate case suspended pending the filing of a new permanent rate case.

Q. WHAT IS FAR WEST'S CURRENT FINANCIAL CONDITION?

A. Far West is struggling financially and is unable to meet all of its financial obligations. The sewer division is insolvent on a stand-alone basis and has been for some time. In 2009, the Commission found (Decision No. 71447, page 22) that Far West's wastewater division was insolvent. Conditions have not improved since then. Far West has only been able to maintain wastewater operations through subsidies from its water division, additional short-term borrowings, and additional capital contributions.

Far West does not have sufficient resources to pay all of its bills as they become due and obligations to multiple parties are severely overdue. Far West's Debt Service Coverage Ratio is negative for the wastewater division and only 0.93[1] for the Company as a whole.

Q. WHAT FACTORS CONTRIBUTED TO FAR WEST'S CURRENT FINANCIAL CONDITION?

A. Far West's poor financial condition is primarily the result of the Company's wastewater system improvement program. As noted in 2007 (Decision No. 69950), Staff's analysis indicated that the approved debt for implementing Far West's wastewater system improvement program would result in a pro forma debt service coverage ratio ("DSC")' of 1.15 and a times interest earned ratio ("TIER") of 0.50. While, these ratios indicated that Far West could meet its debt obligations over the short-term, they were not indicative of a healthy financial position or that the debt obligations were sustainable over the long-term.

---

[1] DSCs are for the 2011 test year on an unadjusted basis.

Both the DSC ratio and TIER are now negative for the wastewater division and continue to be at undesirably low levels for the Company as a whole. Far West's plant-in-service balance has increased from $13,420,251 (2004 test year) to $37,751,132 in this filing. The associated rate base has increased from $1,549,650 to $22,800,578. This enormous investment in plant and equipment is primarily responsible for Far West's current financial condition.

Q. WHAT ARE THE CONSEQUENCES OF FAR WEST'S POOR FINANCIAL CONDITION?

A. In the short-term, Far West is unable to meet its obligations to vendors and other creditors, including being unable to make its property tax payments to Yuma County, and it is struggling to obtain the needed funds to complete the wastewater system improvement program. In the long-term, Far West will be unable to attract the necessary capital to maintain and expand the water and wastewater systems, will not be able to maintain adequate staffing levels, and ultimately will be unable to provide safe and reliable service to its customers. Without significant additional revenue, Far West will likely be forced into insolvency as unpaid creditors take legal action to recover amounts due.

Q. IS TIMELY AND ADEQUATE RELIEF FROM THE COMMISSION IN THIS CASE CRITICAL TO FAR WEST'S LONG-TERM FINANCIAL HEALTH?

A. Yes. The only viable solution to Far West's financial crisis is to increase rates to allow Far West to recover a reasonable rate of return on the amounts invested in new and improved wastewater facilities.

Far West realizes that the magnitude of the increase requested in this case is very large and may be a hardship for its customers. However, not addressing Far West's financial

condition would be even more harmful to Far West's customers. Of note, Far West currently charges residential customers a flat monthly charge of only $21.75 for wastewater service. By comparison, the City of Yuma charges $43.20 per month for wastewater service to customers outside the City limits, or approximately twice as much as Far West is authorized to charge.

Timely rate relief is critical. Far West commits to work with the Commission Staff and other parties during the processing of this filing to reach a mutually acceptable outcome to this case in as quickly as possible.

IV OVERVIEW OF FAR WEST'S APPLICATION

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. Far West requests a rate increase of $3,866,046, or 173.52%, to allow it to earn a 7.409% rate of return on its original-cost rate base. The test year is the 12-month period ending December 31, 2011. Far West 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. PLEASE IDENTIFY THE SCHEDULES PROVIDED WITH THIS APPLICATION?

A. I have prepared the following schedules, which are attached as ***Exhibit RLJ-DT3***.

- 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 Far West. G Schedules are omitted because the Company is not proposing a change in its rate design. Further, given that the vast majority of customers are residential, the Company did not feel it necessary to prepare a cost of service study.

V RATE BASE AND RATE BASE ADJUSTMENTS

A RATE BASE

Q. HOW DID FAR WEST 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 Far West's books, as shown in the first column of Schedule B-2. Deductions were made for accumulated depreciation, advances, net contributions and customer security deposits. 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 $22,808,578. For this case, Far West accepts its original cost rate base as its fair value rate base.

1 **B WORKING CAPITAL**

2 **Q. HOW DID FAR WEST DETERMINE ITS WORKING CAPITAL**
3 **REQUIREMENT?**

4 A. The working capital was determined by adding Far West's estimated working cash
5 requirement to the test-year-end balances of materials and supplies inventory, special
6 deposits (required by IDA Bond), and prepayments.

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

9 A. A lead/lag study was used to estimate the working cash component of working capital. A
10 lead/lag study identifies the net lag between 1) the time from providing services to the
11 time customers pay for those services to 2) the time from incurring expenses until those
12 expenses are paid. For Far West, revenues lag expenses, creating a positive cash working
13 capital requirement of $73,359.

14 **C RATE BASE ADJUSTMENTS**

15 **Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-1.**

16 A. Rate base adjustment RB-1, detailed on page 2 and 2.1 of Schedule B-2, decreases the
17 plant in service balance by a net of $4,854,479 after considering several separate plant in
18 service adjustments labeled [1.1] through [1.7].

19 Adjustments [1.1] conforms the plant in service balance to Decision No. 69335.
20 Schedule B-2.1 provides a detailed reconciliation of the adjustments needed to conform
21 the plant-in-service balance to Decision No. 69335.

22 Adjustments [1.2] adjusts certain year-end 2004 plant account balances to conform to
23 balances established by the Company's outside auditors at year-end 2006. Far West

believes these audited balances more accurately reflect Far West's financial position at 12/31/2004 than the balances adopted in its last rate case and should be adopted for ratemaking purposes in this case.

Adjustment [1.3] removes the cost of land and easements for lift-station projects which are not yet completed and in service from the plant balances.

Adjustment [1.4] removes a 2006 adjusting entry for capitalized expenses as required by Decision No. 69335 because those amounts are also captured in adjustment [1.1].

Adjustment [1.5] and [1.6] are to record retirement of physically retired assets which are not recorded on Far West's books. Adjustment [1.5] records miscellaneous retirements and Adjustment [1.6] records retirements associated with wastewater treatment plant improvements.

Adjustment [1.7] removes from plant in service the incremental costs of plant facilities installed as part of the Phase I expansion of the Section 14 wastewater treatment plant that are necessary to provide Phase II capacity. The adjustment is detailed on Page 2.1 of Schedule B-2.

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-2.

A. Rate base adjustment RB-2, detailed on page 3 and 3.1 of Schedule B-2, decreases the accumulated depreciation balance by a net of $1,924,696 after considering several separate accumulated depreciation adjustments labeled [2.1] through [2.5].

Adjustments [2.1] and [2.2] records the unbooked plant retirements discussed previously.

Adjustment [2.3] 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. 69335 considering recorded plant additions and retirements, plant reclassifications and adjustments and unbooked retirements.

Adjustment [2.4] eliminates differences resulting from rounding the calculated accumulated depreciation balances.

Adjustments [2.5] eliminates accumulated depreciation recorded for plant facilities installed as part of the Phase I expansion of the Section 14 wastewater treatment plant that are necessary to provide Phase II capacity. Supporting detail is provided on page 3.1 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, decreases CIAC by $713,313 and decreases the accumulated amortization of CIAC by $393,502. Page 4.1 provides a reconciliation calculation of accumulated amortization of CIAC from 12/31/2004 to the end of the current test year. Page 4.2 provides a reconciliation of the current Far West CIAC balance to the previous rate case CIAC balance and provides detail of adjustment needed to conform 2004 year-end balances to the balances established by the Company's outside auditors at year-end 2006.

VI 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 eliminate income received from leased utility plant from revenues. The income is removed to prevent a mismatch of revenues and rate base because the cost of the leased facilities are not included in the plant-in-service balance used to determine the Company's rate base.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-2?

A. Income statement adjustment IS-2 is an adjustment to eliminate net unbilled revenues so that test year revenue can be properly reconciled with billing determinates.

B <u>EXPENSE ADJUSTMENTS</u>

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-3?

A. Income statement adjustment IS-3 normalizes purchased power expense. During the test year, the Section 14 WWTP and the Del Oro WWTP were expanded. In addition the Palm Shadows WWTP was removed from service and flows were redirected to the Section 14 WWTP. These changes have increased power demands for aeration and pumping. The changes in power costs are known and measureable and should be included in the Company's expenses. Costs have been normalized based on five months of actual data available since the operation of the newly configured facilities has stabilized. The adjustment increases purchased power by $54,116.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-4?

A. Income statement adjustment IS-4 annualizes salaries and wages expense based on year-end staffing levels, current salary levels and estimated work hours in 2012 that reflect Far West's reconfigured water treatment facilities.

Far West has frozen Officer and Director salaries so no adjustment is made to that category of expense. Employee salaries and wages are increased by $214,712 and the associated payroll taxes are increased by $10,127.

Income statement adjustment IS-4 is necessary because Far West has discontinued effluent hauling to the City of Yuma and reassigned personnel and adjusted authorized positions to meet the demands of the newly expanded wastewater treatment plants. No

adjustment is required for the eliminated expenses associated with the now closed Palm Shadows plant and for discontinued effluent hauling because those expenses were recorded below the line in account 434 Extraordinary Deductions.

Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-13?

A. Income Statement Adjustment IS-13 increases the test year expense by $75,000. This is based on Far West's estimated rate case expense at $225,000, which it proposes to collect over a three-year amortization period. The rate case expense estimate includes only the estimated cost for this filing and does not include any costs for the suspended rate case or emergency rate case filings. Far West 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 decreases interest expense by $152,676.

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 $331,843.

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 decreases property tax expense by $26,622 for the test year, and after considering the effect of the proposed rate increase, property tax expense is increased by $53,382 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 Far West, considering all other adjustments. Income statement adjustment IS-17 increases the test year income tax benefit by $184,014, and after considering the effect of the proposed rate increase, income tax expense is increased by $877,350 from the test year adjusted amount.

VII <u>COST OF CAPITAL</u>

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR FAR WEST?

A. Far West proposes to use the adjusted test-year-end capital structure of 79.55% long-term debt, 6.46% short-term debt and 13.98% equity, as shown on Schedule D-1.

Q. WHAT IS THE RECOMMENDED COST OF DEBT?

A. Far West proposes to use the actual weighted average cost of Far West's debt of 6.900% for long-term debt and 8.073% for short-term debt, as shown on Schedule D-2.

Q. WHAT IS THE RECOMMENDED COST OF EQUITY?

A. Far West proposes to use a 10.00% cost of equity.

Q. HOW DID YOU ARRIVE AT A 10.00% COST OF EQUITY?

A. Far West's highly leveraged capital structure and associated higher than average financial risk indicates that Far West will require a higher cost of equity than less leveraged companies. In addition, as shown on Schedule F-2, Far West's test year operating cash flow was negative and Far West's cash flow is projected to remain negative until the rates requested in this case are put into effect. Far West'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. However, considering the magnitude of this rate increase request, in order to somewhat mitigate the impact of this request and eliminate contested issues, I selected a cost of equity of 10.00%, which does not include a risk premium.

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. Far West's test-year-end debt capital of 86.021% 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 Far West's capital structure and financial risk profile. However, as previously discussed, Far West is proposing a 10.00% cost of equity that does not include a risk premium.

Company	Docket	Debt Ratio	Equity Return	Risk Premium Included
Arizona-American Water[2]	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 79.55 percent long-term debt, 6.46% short-term debt and 13.98 percent equity, a long-term debt cost of 6.900 percent, a short-term debt cost of 8.073%, and a cost of equity of 10.00 percent, the weighted cost of capital is 7.409 percent as shown on Schedule D-l.

VIII 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 sewer rates. Since the Company receives a substantial amount of revenue from it re-establishment fee, which is in effect flat rate sewer revenues paid in arrears, the re-connection fee revenue has been included in flat rate revenues.

Schedule H-2 analyzes revenue at present and proposed rates by source and customer class in dollar amount and percentage. The average number of customers derived from the bill count is also shown by customer class and in total.

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[2] 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.

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 for each class of service. Schedule H-5 is the bill count of the bills issued during the test year.

Q. HAS FAR WEST PROPOSED A CHANGE IN RATE DESIGN?

A. Far West proposed to maintain the existing flat rate for sewer service for all classes of customers. Far West is proposing to change the effluent reuse rate to a market rate that will not exceed $1.00 per thousand gallons or be less than $0.20 per thousand gallons. Because groundwater pumping is unregulated in the Company's service area, Far West believes the current market rate is $0.20 per 1,000 gallons, approximately the cost to pump groundwater. However, Far West does not want to create contentious issues in this case and has used the existing rate of $1.00 per 1,000 gallons (the rate in effect during the test year) to determine its revenue requirement.

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

A. A residential customer's monthly bill will increase by $40.90 to $62.65 per month, an increase of 188.05%.

Q. IS FAR WEST PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES?

A. Yes. As detailed in Schedule H-3, Far West is proposing minor adjustments to its Establishment, Reconnection, and NSF check charges to be consistent with those recommend by Staff in recent cases.

Q DID FAR WEST VERIFY AND PROVE THE TEST YEAR REVENUES?

A. Yes. Schedule H-5 lists the number of bills by for each class of customer and for the number of Re-Establishment Fees billed.

As shown on Schedule H-1, line 15, total calculated revenues at present rates for the test year were $2,230,763 compared to total per-book adjusted revenues of $2,227,982 shown on Schedule H-1, line 20. The unreconciled difference of $2,781 amounts to 0.12% of per-book adjusted revenues.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Far West Water & Sewer 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
2012	Valley Utilities Water Company, Inc.	Ratemaking	W-01412A-12-0195

Far West Water & Sewer Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT2

COMPANY NAME: Far West Water & Sewer, Inc.	
Name of System:	**Wastewater Inventory Number (if applicable):** 44-004

WASTEWATER COMPANY PLANT DESCRIPTION
TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	See Attachment E.
DESIGN CAPACITY OF PLANT (Gallons Per Day)	See Attachment E.

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
See Attachment F.				

FORCE MAINS

Size	Material	Length (Feet)
4-Inch	PVC	11,020
4-Inch	Ductile Iron	450
6-Inch	PVC	24,085
12-Inch	PVC	26,700

MANHOLES

Type	Quantity
Standard	1,171
Drop	32

CLEANOUTS

Quantity
120

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

COMPANY NAME:	Far West Water & Sewer, Inc.
Name of System:	Wastewater Inventory Number (if applicable): 44-004

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
2	HDPE Low Pressure	1,018
3	HDPE Low Pressure	1,621
4	HDPE Low Pressure	795
6	HDPE Low Pressure	1,697
6	PVC	5,704
8	PVC	344,774
10	PVC	15,084
12	PVC	37,329
15	PVC	3,966
18	PVC	3,285

SERVICES

Size (in inches)	Material	Quantity
4	PVC	10,262
6		
8	PVC	1
12		
15		
1.5		92

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

SOLIDS PROCESSING AND HANDLING FACILITIES	None
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	3 – 65 Gallon Upflow Chlorinators 2 - UV Systems
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
STRUCTURES (Buildings, Fences, Etc.)	See Attachment G.
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.	See Attachment H.

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

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Plant Design Capacities
2011
Attachment E

WWTP	TREATMENT TYPE	DESIGN CAPACITY
Marwood 14000 E. 56th St.	SBR	340,000 GPD
Section 14 12651 Avenue 14E	MBR	1,300,000 GPD
MDS - Villa Royale 12342 E. Del Rico	Ext. Aeration	10,000 GPD
MDS - Del Oro 11717 Omega Lane	MBR	495,000 GPD
MDS - Del Rey 12342 E. Del Rico	Ext. Aeration	37,500 GPD
Seasons 10301 County 10th St.	SBR	150,000 GPD

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Lift Station Facilities
2011
Attachment F

Lift Station	Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (Gals)
DFE #7	13110 38th St.	2	7.5	150	3,000
FME #15	14191 E. 49th Lane	2	30	360	8,000
FME #16	12587 S. Foothills Blvd.	1	30	360	4,000
FME #25	12500 44th St.	2	11	220	4,000
FME #27	14599 52nd St.	2	7	140	4,000
FH Grocery Store	11720 S. Foothills Blvd.	1	2	40	2,000
Ocotillo Plaza	11792 S. Foothills Blvd.	1	3	60	2,000
Domino's Pizza	11361 S. Foothills Blvd.	2	1.5	30	2,000
Foothills Hardware	11748 S. Foothills Blvd.	1	3	60	2,000
Vista Del Sol	3352 Puesta Del Sol	2	15	300	4,000
Mesa Del Sol #11	10208 Cony Avenue	2	15	300	4,000
Mesa Del Sol #12	10535B 28th St.	2	15	300	4,000
Foothills Restaurant	12871B S. Frontage Rd	1	2	60	2,000
Palm Shadows	9700 E. 40th St.	2	100	1200	6,000
Del Oro WWTP	11717 Omega Lane	2	15	300	6,000
Section 14 WWTP	12651 Avenue 14E	4	30	360	8,000
Arroyo de Fortuna	13712 44th St.	2	1.5	60	4,000
Las Barrancas	12344 Avenue 14 1\2 E	2	3	60	4,000

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Structures
2011
Attachment G

Facility	Structures
Marwood WWTP (Far West Sewer WWTP) 14000 E. 56th Street	Wood Frame, Stucco, Comp Roof 672 Sq. Ft. Bldg, 6 Ft. Block Wall / Chain Link Fence Wood Frame, Stucco, Metal Roof 14,100 Sq. Ft. Building .34 MGD C.L.E.A.R. WWTP
Section 14 WWTP 12651 S. Ave. 14E	Wood Frame, Stucco, Comp Roof 3,360 Sq. Ft. Control Building 936 Sq. Ft. Lab Building 1,800 Sq. Ft. Screening, Sludge Building 480 Sq. Ft. Aeration Blower Shade Structure 10' x 32' Fiberglass Lift Station 1.3 MGD MBR WWTP Surrounded with 8 Ft. Block Wall
MDS - Del Oro WWTP 11717 Omega Lane	Wood Frame, Stucco, Comp Roof 2,160 Sq. Ft. Control Building 800 Sq. Ft. Lab Building 517 Sq. Ft. Zenon Mobile Temp Plant Metal Building 10 x 18 Fiberglass Lift Station .495 MGD MBR WWTP Surrounded with 6 Ft. Block Wall
Seasons WWTP 10301 Co. 10th St.	Wood Frame, Stucco, Comp Roof 980 Sq. Ft. Bldg, 6 Ft. Block Wall 10' x 30' Fiberglass Lift Station .150 MGD C.L.E.A.R. WWTP
Del Rey WWTP 12342 E. Del Rico	.040 MGD Santec WWTP Surrounded with 6 Ft. Chain Link Fence
Villa Royale WWTP 12342 E. Del Rico	.020 MGD Santec WWTP Surrounded With 6 Ft. Block Wall
Far West Yard 12500 Foothills Blvd	Wood Frame, Stucco/Wood Siding, Comp Roof 216 Sq. Ft. Shop Bldg, Surrounded with 6 Ft. Block Wall
Palm Shadows Lift Station 9700 E. 40th St.	Wood Frame, Stucco, Comp Roof 980 Sq. Ft. Bldg., 6 Ft. Chain Link Fence 10' x 28' Lift Station

Far West Water & Sewer Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT3

Far West Water and Sewer
Test Year Ended December 31, 2011
Index of Standard Filing Schedules

Exhibit: RLJ-DT3
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

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

Exhibit: RLJ-DT3
Schedule A-1
Page 1
Witness: Jones

Line No.				
1	Original Cost Adjusted Rate Base		$ 22,800,578	
2				
3	Adjusted Operating Income		$ (1,187,812)	
4				
5	Current Rate of Return		-5.21%	
6				
7	Required Operating Income		$ 1,689,390	
8				
9	Required Rate of Return		7.409%	
10				
11	Operating Income Deficiency		$ 2,877,202	
12				
13	Gross Revenue Conversion Factor		1.3437	
14				
15	Increase in Gross Revenue		$ 3,866,046	173.52%
16				
17				
18		Projected		
19		Revenue	%	
20		Increase Due	Dollar	
21	Customer Classification	To Rates	Increase	
22				
23				
24	Residential	3,467,625	188.05%	
25	Commercial	43,599	188.05%	
26	RV Park (RV Spaces)	87,442	187.87%	
27	Re-Establihment (Residential)	267,363	188.05%	
	Metered Reuse Revenues	-	0.00%	
	Other Sewer Revenue	-	0.00%	
28				
29	Total Revenue Increase	$ 3,866,030	173.31%	
30				
31	Supporting Schedules:			
32	B-1 C-1			
33	C-3 H-1			
34				

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

Exhibit: RLJ-DT3
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	$ 2,132,099	$ 2,209,632	$ 2,239,713	$ 2,227,982	$ 2,227,982	$ 6,094,028
2	Revenue Deductions and						
3	Operating Expenses	2,786,863	2,782,352	3,045,196	3,415,794	3,461,200	4,450,044
4	Operating Income	(654,764)	(572,720)	(805,483)	(1,187,812)	(1,233,218)	1,643,984
5							
6	Other Income and						
7	Deductions	274,876	1,042,027	790,493	790,493	119,086	119,086
8	Interest Expense	(1,330,155)	(1,299,287)	(1,523,207)	(1,370,531)	(1,370,531)	(1,370,531)
9	Net Income	$ (1,710,043)	$ (829,979)	$ (1,538,197)	$ (1,767,850)	$ (2,484,664)	$ 392,538
10							
11	Earned Per Average						
12	Common Share						
13							
14	Dividends Per						
15	Common Share						
16							
17	Payout Ratio						
18							
19	Return on Average						
20	Invested Capital	-4.6%	-2.0%	-3.6%	-4.1%	-5.5%	0.9%
21							
22	Return on Year End						
23	Capital	-4.3%	-2.0%	-3.5%	-4.0%	-5.4%	0.9%
24							
25	Return on Average						
26	Common Equity	-592.6%	-24.1%	-28.5%	-58.9%	-99.1%	10.0%
27							
28	Return on Year End						
29	Common Equity	-75.9%	-17.9%	-25.1%	-47.2%	-196.6%	9.5%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	(0.49)	(0.44)	(0.85)	(1.36)	(1.36)	1.38
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	(0.49)	(0.44)	(0.53)	(0.87)	(0.87)	1.23
37							
38	Supplemental Data						
39							
40	Debt Service Coverage (Wastewater Division)			(0.30)			
41							
42	Debt Service Coverage (Entire Company)			0.93			
43							
44	Supporting Schedules:						
45	E-2 F-1						
46	C-1						
47							

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

Exhibit: RLJ-DT3
Schedule A-3
Page 1
Witness: Jones

Line No.	Description:	Prior Years Ended 12/31/2009	12/31/2010	Test Year 12/31/2011	Projected Year 12/31/2012
1					
2					
3	Short-Term Debt	-	-	1,732,342	1,145,715
4	Long-Term Debt	19,941,944	21,914,277	21,323,943	21,017,517
5	Total Debt	$ 19,941,944	$ 21,914,277	$ 23,056,285	$ 22,163,232
6					
7	Preferred Stock	-	-	-	-
8	Common Equity	2,252,564	4,641,091	3,748,573	1,263,909
9	Total Capital & Debt	$ 22,194,508	$ 26,555,369	$ 26,804,859	$ 23,427,141
10					
11					
12	Capitalization Ratios:				
13					
14	Short-Term Debt	0.00%	0.00%	6.46%	4.89%
15	Long-Term Debt	89.85%	82.52%	79.55%	89.71%
16	Total Debt	89.85%	82.52%	86.02%	94.60%
17					
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	10.15%	17.48%	13.98%	5.40%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
21					
28	Weighted Cost of				
29	Senior Capital	6.200%	5.694%	6.011%	5.806%
30					
31					
32					
33					
34					
35	Supporting Schedules:				
36	E-1 D-1				
37					

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

Exhibit: RLJ-DT3
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	$ 4,101,586	$ 1,242,081	$ 21,181,652
3					
4	Prior Year Ended	12/31/2010	3,021,716	853,174	22,034,826
5					
6	Test Year Ended	12/31/2011	2,102,526	20,570,785	42,605,611
7					
8	Projected Year Ending	12/31/2012	2,044,670	3,837,926	46,443,537
9					
10	Projected Year Ending	12/31/2013	164,500	295,413	46,738,950
11					
12	Projected Year Ending	12/31/2014	615,000	1,128,182	47,867,132
13					
14	Supporting Schedules:				
15	F-3				
16	E-5				
17					

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

Exhibit: RLJ-DT3
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	$ (358,771)	$ (2,684,431)	$ (233,496)	$ (1,680,645)	$ 1,301,645
3						
4	Outside Financing	4,460,147	5,656,068	2,388,104	3,638,771	538,771
5						
6	Total Funds Provided	$ 4,101,376	$ 2,971,637	$ 2,154,608	$ 1,958,127	$ 1,840,416
7						
8	Application of Funds					
9	Constriction Expenditures	$ (4,101,586)	$ (3,021,716)	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	$ (4,101,586)	$ (3,021,716)	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
16						
17	Net Increase/(Decrease) in Cash	(209)	(50,079)	52,082	(86,543)	(204,254)
18						
19						
20						
21	Supporting Schedules:					
22	E-3					
23	F-2					
24						

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

Exhibit: RLJ-DT3
Schedule B-1
Page 1
Witness: Jones

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	$ 37,751,132
3		
4	Less: Accumulated Depreciation	(4,945,733)
5		
6	Net Utility Plant in Service	32,805,399
7		
8	Less:	
9	Advances in Aid of Construction	10,814,970
10		
11	Contributions in Aid of Construction	1,726,854
12	Accumulated Amortization of CIAC	(909,423)
13	Contributions in Aid of Construction - Net	817,431
14		
15	Customer Security Deposits	26,359
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	1,653,938
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	$ 22,800,578
23		
24	* including pro forma adjustments	
25		
26		
27	Supporting Schedules:	Recap Schedules:
28	B-2 B-5	A-1
29	B-3 E-1	
30		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

Exhibit: RLJ-DT3
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	$ 42,605,611	$ (4,854,479)			$ (4,854,479)	$ 37,751,132
3							
4	Less: Accumulated Depreciation	(6,870,429)		1,924,696		1,924,696	(4,945,733)
5							
6	Net Utility Plant in Service	35,735,182	(4,854,479)	1,924,696	-	(2,929,783)	32,805,399
7							
8	Less:						
9	Advances in Aid of Construction	10,814,970				-	10,814,970
10							
11	Contributions in Aid of Construction	2,440,167			(713,313)	(713,313)	1,726,854
12	Accumulated Amortization of CIAC	(1,302,925)			393,502	393,502	(909,423)
13	Contributions in Aid of Construction - Net	1,137,242	-	-	(319,811)	(319,811)	817,431
14							
15	Customer Security Deposits	26,359				-	26,359
16	Deferred Income Taxes	-				-	-
17							
18	Plus:						
19	Working Capital	1,653,938				-	1,653,938
20	Net Regulatory Asset / (Liability)					-	-
21							
22	Rate Base	$ 25,410,549	$ (4,854,479)	$ 1,924,696	$ 319,811	$ (2,609,972)	$ 22,800,578
23							
24							
25							
26							
27							
28	Supporting Schedules:					Recap Schedules:	
29	E-1					B-1	
30							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-DT3
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. 69335	[1.2] 2006 Audit Adjustment[1]	[1.3] Plant Held For Future Use	[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	[1.7] Exclude Section 14 Phase II Costs	Adjusted End of Test Year	
1	Acct											
2	No.	Description	Test Year	69335	Adjustment[1]	Use	Expenses	Retirements	Retirements	Phase II Costs	Test Year	
3												
4	351	Organization Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
5	352	Franchise Cost	3,076	-	-	-	-	-	-	-	3,076	
6	353	Land and Land Rights	1,560,847	(334,587)	334,587	(147,410)	-	-	-	-	1,413,437	
7	354	Structures & Improvements	2,633,622	(9,581)	-	(75,000)	-	-	(71,559)	-	2,477,482	
8	355	Power Generating Equipment	68,993	-	-	-	-	-	-	-	68,993	
9	360	Collection Sewers - Force	3,705,476	(197,379)	-	-	(2,923)	-	-	(846)	3,504,328	
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0	-	-	-	-	(3,923)	8,727,577	
11	362	Special Collecting Structures	-	-	-	-	-	-	-	-	-	
12	363	Sevices to Customers	173,621	-	-	-	-	-	-	-	173,621	
13	364	Flow Measuring Devices	32,468	-	-	-	-	-	-	-	32,468	
14	365	Flow Measuring Installations	16,683	-	-	-	-	-	-	-	16,683	
15	366	Reuse Services	-	-	-	-	-	-	-	-	-	
16	367	Reuse Meters and Meter Installations	2,310	-	-	-	-	-	-	-	2,310	
17	370	Receiving Wells	92,784	-	-	-	-	-	-	(18,557)	74,227	
18	371	Pumping Equipment	1,496,705	19,255	-	-	(19,255)	-	-	(101,067)	1,395,638	
19	374	Reuse Distribution Reserviors	-	-	-	-	-	-	-	-	-	
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-	
21	380	Treatment and Disposal Equipment	21,650,302	(584,970)	(231,971)	-	(19,867)	-	(1,196,028)	(1,932,055)	17,685,412	
22	381	Plant Sewers	736,542	-	-	-	-	-	(4,569)	(108,302)	623,671	
23	382	Outfall Sewer Lines	2,256	-	-	-	-	-	-	(451)	1,805	
24	389	Other Plant and Misc. Equipment	418,687	4,833	-	-	(4,833)	(24,546)	-	-	394,141	
25	390	Office Furniture & Equipment	257,292	-	-	-	-	(2,720)	-	-	254,572	
26	390.1	Computers & Software	30,027	-	-	-	-	(18,670)	-	-	11,356	
27	391	Transportation Equipment	271,810	-	-	-	-	-	-	-	271,810	
28	392	Stores Equipment	-	-	-	-	-	-	-	-	-	
29	393	Tools, Shop & Garage Equipment	27,069	-	-	-	-	-	-	-	27,069	
30	394	Laboratory Equipment	33,710	-	-	-	-	(16,292)	-	-	17,418	
31	395	Power Operated Equipment	181,667	-	-	-	-	-	-	-	181,667	
32	396	Communications Equipment	17,191	-	-	-	-	-	-	-	17,191	
33	397	Miscellaneous Equipment	204,504	-	-	-	-	(7,633)	(60,520)	-	136,351	
34	398	Other Tangible Plant	238,828	-	-	-	-	-	-	-	238,828	
35			-								-	
36			-								-	
37		TOTALS	$ 42,605,611	$ (1,120,069)	$ 102,617	$ (222,410)	$ (46,877)	$ (69,861)	$ (1,332,676)	$ (2,165,201)	$ 37,751,132	Total
38		Equity Adjustments (Schedule D-1)		$ (1,120,069)	$ 102,617		$ (46,877)			$ (2,165,201)		Equity Adj.
39												$ (3,229,531)
40	Plant In Service per Books											
41											$ 42,605,611	
42	*Increase / (Decrease) in Plant in Service*											
43											$ (4,854,479)	

44 Supporting Schedules:
45 B-2.1

Workpapers:
FW Rate Case Data.xlsx

46
47
48 [1] Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-DT3
Schedule B-2
Page 2.1
Witness: Jones

Used and Useful Adjustment for Section 14 WWTP

Line No.				
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5			Projected	Projected
6		Test Year	5-Yr Increase	12/31/2016
7	Maximum Day Flow (MGD)	0.511	0.181	0.692
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12			Incremental	
13		Phase I	Phase II	
14		Cost	Cost	Total Cost
15				
16	Section 14 WWTP Plant In Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				
20	Workpapers:			
21	FW Rate Case Data.xlsx - Sec 14			
22				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-DT3
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] Unbooked WWTP Retirements	[2.3] Difference From Calc'd on B-2.1	[2.4] Eliminate Rounding Differences	[2.5] Exclude Section 14 Phase II Costs	[2.6] NOT USED	[2.7] NOT USED	Adjusted End of Test Year
1											
2											
3											
4	351	Organization Cost	$ -	$ -	$ -	$ -		$ -			$ -
5	352	Franchise Cost	-	-	-	-		-			-
6	353	Land and Land Rights	-	-	-	-		-			-
7	354	Structures & Improvements	138,113	-	(71,559)	(15,284)		-			51,270
8	355	Power Generating Equipment	1,725	-	-	-	-	-			1,725
9	360	Collection Sewers - Force	181,585	-	-	(27,450)		(8)			154,126
10	361	Collection Sewers - Gravity	1,723,051	-	-	(10,525)		(39)			1,712,487
11	362	Special Collecting Structures	-	-	-	-		-			-
12	363	Sevices to Customers	8,395	-	-	(3,697)		-			4,698
13	364	Flow Measuring Devices	29,877	-	-	2,591		-			32,468
14	365	Flow Measuring Installations	13,766	-	-	2,918		-			16,683
15	366	Reuse Services	-	-	-	-		-			-
16	367	Reuse Meters and Meter Installations	96	-	-	(0)	0	-			96
17	370	Receiving Wells	1,546	-	-	(2)	2	(309)			1,237
18	371	Pumping Equipment	397,823	-	-	50,710		(6,317)			442,217
19	374	Reuse Distribution Reserviors	-	-	-	-		-			-
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-		-			-
21	380	Treatment and Disposal Equipment	3,825,791	-	(1,196,028)	(497,379)		(48,301)			2,084,083
22	381	Plant Sewers	27,488	-	(4,569)	(1,025)		(2,708)			19,186
23	382	Outfall Sewer Lines	38	-	-	(0)	0	(8)			30
24	389	Other Plant and Misc. Equipment	45,316	(24,546)	-	(5,758)		-			15,012
25	390	Office Furniture & Equipment	31,463	(2,720)	-	(1,559)		-			27,184
26	390	Computers & Software	25,306	(18,670)	-	(2,927)		-			3,709
27	391	Transportation Equipment	125,372	-	-	68,655		-			194,028
28	392	Stores Equipment	-	-	-	-		-			-
29	393	Tools, Shop & Garage Equipment	3,124	-	-	0	(0)	-			3,124
30	394	Laboratory Equipment	21,263	(16,292)	-	(4,177)		-			793
31	395	Power Operated Equipment	23,457	-	-	1	(1)	-			23,457
32	396	Communications Equipment	1,182	-	-	0	(0)	-			1,182
33	397	Miscellaneous Equipment	137,179	(7,633)	(60,520)	(19,561)		-			49,465
34	398	Other Tangible Plant	107,473	-	-	-					107,473
35		Unreconciled Difference	-			-					-
36											
37		TOTALS	$ 6,870,429	$ (69,861)	$ (1,332,676)	$ (464,469)	$ 1	$ (57,690)	$ -	$ -	$ 4,945,733
38		Equity Adjustments (Schedule D-1)				$ 464,469	$ (1)	$ 57,690			
39											
40		Accumulated Depreciation per Books									$ 6,870,429
41											
42		Increase / (Decrease) in Accumulated Depreciation									$ (1,924,696)
43											

Total Equity Adj.
$ 522,158

44 Supporting Schedules:
45 B-2.1
46 B-2, Page 3.1
47
48

Workpapers:
FW Rate Case Data.xlsx

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-DT3
Schedule B-2
Page 3.1
Witness: Jones

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT3
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	$ 1,726,854	$ 909,423
3			
4	Book Balance at 12/31/2011	$ 2,440,167	$ 1,302,925
5			
6	Increase / (Decrease) in CIAC or AA CIAC	$ (713,313)	$ (393,502)
7			
8	Equity Adjustments (Schedule D-1)	$ 713,313	$ (393,502)
9			
10			
11			
12			
13			
14			
15	Supporting Schedules:		
16	B-2, Page 4.1		
17			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT3
Schedule B-2
Page 4.1
Witness: Jones

Calculation of CIAC Balances

Line No.		Amort Rate	Decision No. 69335 Balance 12/31/2004	Adjustments Per 2006 Audit Amount	Adjustments Per 2006 Audit Balance	2005 Additions	2005 Balance	2006 Additions	2006 Balance	2007 Additions	2007 Balance
1											
2	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284		20,284		20,284		20,284
3	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570		1,706,570		1,706,570		1,706,570
4											
5	Total CIAC		3,247,057		1,726,854		1,726,854		1,726,854		1,726,854
6											
7	Amortization CIAC (half-yr convention)										
8	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	406	1,420	406	1,826	406	2,231
9	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	85,329	393,598	85,329	478,927	85,329	564,255
10											
11	Accumulated Amortization of CIAC		385,294		309,284		395,018		480,752		566,486
12											
13	Net CIAC		2,861,763		1,417,570		1,331,836		1,246,102		1,160,368
14											
15											
16			2007	2008		2009		2010		2011	
17											
18			Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
19											
20	CIAC - 361 Collection Sewers		20,284		20,284		20,284		20,284		20,284
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570		1,706,570		1,706,570		1,706,570
22											
23	Total CIAC		1,726,854		1,726,854		1,726,854		1,726,854		1,726,854
24											
25	Amortization CIAC (half-yr convention)										
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	406	3,043	406	3,448	406	3,854
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	85,329	734,912	85,329	820,241	85,329	905,569
28											
29	Accumulated Amortization of CIAC		566,486		652,221		737,955		823,689		909,423
30											
31	Net CIAC		1,160,368		1,074,633		988,899		903,165		817,431
32											
33									Composite Amortization Rate		4.9648%
34											
35											
36											
37	Supporting Schedules:										
38											
39	B-2, Page 4.2										
40											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-DT3
Schedule B-2
Page 4.2
Witness: Jones

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	CIAC Adjustments	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No. 69335	Adjusted Balance Per Decision	2006 Audit Adjustment[1]	2004 Adjusted Balance
4	COLL SEWERS-GRAVITY-CIAC		361C						
5	Payson (Fortuna Rd Ext, S)	7/1/2000	361C	S2					
6	Swnsn\Ave 10E, Lines & 11 MH	7/1/2001	361C	S2	69,500	(69,500)	-		-
7	Seasons Unit 3 Lines	7/1/2002	361C	S3	73,684	(53,400)	20,284		20,284
8	Palm Shadows Fortuna Rd Ext	7/1/2002	361C		121,515	(77,402)	44,113	(44,113)	-
9					264,699	(200,302)	64,397	(44,113)	20,284
10									
11	TREATMENT, DISPOSAL EQ CIAC		380C						
12	Marwood Sewer Plant-Final	7/1/1999	380C	S8	426,690	(344,910)	81,780		81,780
13	Palm Shdws Treatment Plt	7/1/1999	380C	S2	408,981	(139,756)	269,225		269,225
14	Seasons Treatment Plant	7/1/1999	380C	S3	345,247	(64,698)	280,549		280,549
15	Palm Shadows Additions	7/1/2000	380C	S2	6,864	-	6,864		6,864
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	S5	65,000	-	65,000		65,000
17	Royale Sewer Plant	7/1/2001	380C	S6	65,000	-	65,000		65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	S4	52,000	-	52,000		52,000
19	Palm Shdws Plant Addn	7/1/2001	380C	S2	593,731	(30,937)	562,794		562,794
20	Section 14 WWTP w\ Lift Station	7/1/2003	380C	S7	756,614	(126,069)	630,545	(630,545)	-
21	MDS Plant Upgrade	7/1/2004	380C	S4	333,471	(10,113)	323,358		323,358
22	Del Oro WWTP	7/1/2004	380C	S4	845,545	-	845,545	(845,545)	-
23					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
24									
25	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
26	TOTAL CIAC		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
27	TOTALS				4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854
28									

Accumulated Amortization Adjustments

Line No.	DESCRIPTION	DATE ACQ	RATE	Accumulated Amortization Adjustment 2002	2003	2004	Total
33	COLL SEWERS-GRAVITY-CIAC						
35	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)
36				(441)	(882)	(882)	(2,206)
37							
38	TREATMENT, DISPOSAL EQ CIAC						
40	Section 14 WWTP w\ Lift Station	7/1/2003	5.0%		(15,764)	(31,527)	(31,527)
41	Del Oro WWTP	7/1/2004	5.0%			(21,139)	(42,277)
42				-	(15,764)	(52,666)	(73,805)
43							
44	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)
45	TOTAL Amortization of CIAC			-	(15,764)	(52,666)	(73,805)
46	TOTALS			(441)	(16,646)	(53,548)	(76,010)
47							

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

Far West Water & Sewer, Inc., Sewer Division
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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision No. 69335 - 02/20/2007 [1] Book Plant at 12/31/2004[1] [CSB-4]	[2] Adjustments: Unsupported Plant [CSB-5]	[3] Adjustments: Expensed Plant [CSB-6]	[4] Adjustments: Capitalized Affil. Profit [CSB-7]	[5] Adjusted Plant at 12/31/2004 [1]+[2]+[3]+[4]	[6] Adjusted Accum Depr 12/31/2004[2] [CSB-9]	[7] Adjusted Net Plant 12/31/2004 [5]-[6]	Conform Current Books to 69335: [8] Book Plant at 12/31/2004 [FW G/L]	[9] Conforming Plant Adjustment [5]-[8]	[10] Adjusted Plant at 12/31/2004 [8]+[9]	Adjust per Audited Finacial Statement: [11] 2006 Audit Adjustment[3] [FW G/L]	[12] Adjusted Plant at 12/31/2004 [10]+[11]	[13] Adjusted Net Plant 12/31/2004 [12]-[6]
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	3,076	-	-	-	3,076	-	3,076	3,076	-	3,076	-	3,076	3,076
3	353	Land and Land Rights	0.00%	82,567	-	-	-	82,567	-	82,567	417,154	(334,587)	82,567	334,587	417,154	417,154
4	354	Structures & Improvements	3.33%	213,157	-	-	(9,581)	203,576	21,707	181,869	213,157	(9,581)	203,576	-	203,576	181,869
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	423,126	(200,302)	2,923	-	225,747	51,906	173,841	423,126	(197,379)	225,747	-	225,747	173,841
7	361	Collection Sewers - Gravity	2.00%	7,689,131	-	-	(17,640)	7,671,491	541,187	7,130,304	7,689,131	(17,640)	7,671,491	0	7,671,491	7,130,304
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	25,725	-	-	-	25,725	18,836	6,889	25,725	-	25,725	-	25,725	6,889
11	365	Flow Measuring Installations	10.00%	11,378	-	-	-	11,378	8,331	3,047	11,378	-	11,378	-	11,378	3,047
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	192,774	-	19,255	-	212,029	72,264	139,765	192,774	19,255	212,029	-	212,029	139,765
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	5,444,879	(716,483)	19,867	(120,324)	4,627,939	675,053	3,952,886	5,212,909	(584,970)	4,627,939	(231,971)	4,395,968	3,720,915
19	381	Plant Sewers	5.00%	20,168	-	-	-	20,168	2,332	17,836	20,168	-	20,168	-	20,168	17,836
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	16,044	-	4,833	-	20,877	6,153	14,724	16,044	4,833	20,877	-	20,877	14,724
22	390	Office Furniture & Equipment	6.67%	7,530	-	-	-	7,530	1,395	6,135	7,530	-	7,530	-	7,530	6,135
23	390.1	Computers & Software	20.00%	13,442	-	-	-	13,442	2,490	10,952	13,442	-	13,442	-	13,442	10,952
24	391	Transportation Equipment	20.00%	193,939	-	-	-	193,939	55,437	138,502	193,939	-	193,939	-	193,939	138,502
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	4,236	-	-	-	4,236	212	4,024	4,236	-	4,236	-	4,236	4,024
28	395	Power Operated Equipment	5.00%	2,940	-	-	-	2,940	221	2,719	2,940	-	2,940	-	2,940	2,719
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	93,591	-	-	-	93,591	30,948	62,643	93,591	-	93,591	-	93,591	62,643
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
32																
33																
34																
35		TOTAL		14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395

36
40 [1] During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
41 [2] Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
42 [3] Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006
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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	13,140	-	13,140	-	-	-	-	6,998	216,716	28,705	188,011
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	-	-	-	-	-	-	-	4,515	225,747	56,421	169,326
7	361	Collection Sewers - Gravity	2.00%	19,605	-	19,605	-	-	-	-	153,626	7,691,097	694,813	6,996,284
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	5,588	-	5,588	-	-	-	-	2,852	31,313	21,688	9,625
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,138	11,378	9,469	1,909
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	11,749	-	11,749	-	-	-	-	27,238	223,777	99,502	124,275
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	868,399	-	868,399	-	-	-	-	241,508	5,264,367	916,561	4,347,806
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	1,008	20,168	3,340	16,827
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	763	-	763	-	-	-	-	1,418	21,640	7,571	14,069
22	390	Office Furniture & Equipment	6.67%	4,047	-	4,047	-	-	-	-	637	11,577	2,032	9,544
23	390.1	Computers & Software	20.00%	179	-	179	-	2,900	2,900	-	2,416	10,722	2,006	8,715
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	38,788	193,939	94,225	99,714
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	25,972	-	25,972	-	-	-	-	1,722	30,208	1,934	28,274
28	395	Power Operated Equipment	5.00%	3,509	-	3,509	-	-	-	-	235	6,449	456	5,993
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	1,923	-	1,923	-	-	-	-	9,455	95,514	40,403	55,111
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33														
34														
35		TOTAL		954,873	-	954,873	-	2,900	2,900	-	493,555	14,474,841	1,979,127	12,495,714
36														

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	10,706	-	10,706	-	-	-	-	7,395	227,422	36,100	191,322
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	291,768	-	291,768	-	-	-	-	7,433	517,516	63,854	453,662
7	361	Collection Sewers - Gravity	2.00%	622,519	-	622,519	-	-	-	-	160,047	8,313,615	854,860	7,458,755
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,131	31,313	24,819	6,494
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,138	11,378	10,607	771
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	101,215	-	101,215	-	-	-	-	34,298	324,992	133,800	191,192
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	675,205	-	675,205	-	-	-	-	280,099	5,939,573	1,196,660	4,742,913
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	1,008	20,168	4,349	15,819
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	9,253	-	9,253	-	2,340	2,340	-	1,674	28,553	6,905	21,648
22	390	Office Furniture & Equipment	6.67%	7,836	-	7,836	-	-	-	-	1,033	19,412	3,066	16,347
23	390.1	Computers & Software	20.00%	-	-	-	-	-	-	-	2,144	10,722	4,151	6,571
24	391	Transportation Equipment	20.00%	21,521	-	21,521	110,278	-	110,278	-	29,912	105,183	13,860	91,323
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	1,657	-	1,657	-	-	-	-	3,104	31,865	5,038	26,827
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	778	5,671
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	8,988	-	8,988	-	-	-	-	10,001	104,502	50,404	54,098
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33														
34														
35		TOTAL		1,750,670	-	1,750,670	110,278	2,340	112,618	-	542,740	16,112,893	2,409,249	13,703,644
36														

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	125,179	(125,179)	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	75,205	(75,000)	205	-	-	-	-	7,577	227,627	43,676	183,951
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	5,690	(2,923)	2,767	-	-	-	-	10,378	520,283	74,232	446,052
7	361	Collection Sewers - Gravity	2.00%	263,737	-	263,737	-	-	-	-	168,910	8,577,352	1,023,770	7,553,582
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	1,155	-	1,155	-	-	-	-	3,189	32,468	28,008	4,460
11	365	Flow Measuring Installations	10.00%	5,306	-	5,306	-	-	-	-	1,403	16,683	12,010	4,674
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	46,436	(19,255)	27,181	-	-	-	-	42,323	352,173	176,123	176,050
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	1,375,106	(19,867)	1,355,239	-	-	-	-	330,860	7,294,811	1,527,519	5,767,292
19	381	Plant Sewers	5.00%	-	-	-	-	4,569	4,569	-	894	15,599	674	14,925
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	4,833	(4,833)	-	-	12,419	12,419	-	1,490	16,134	(4,024)	20,158
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	1,295	19,412	4,361	15,052
23	390.1	Computers & Software	20.00%	5,648	-	5,648	-	-	-	-	2,709	16,369	6,860	9,509
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	21,037	105,183	34,896	70,287
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	3,187	31,865	8,224	23,641
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	1,101	5,348
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	75,103	-	75,103	-	-	-	-	14,205	179,605	64,609	114,996
31	398	Other Tangible Plant	10.00%	238,828	-	238,828	-	-	-	-	11,941	238,828	11,941	226,887
32														
33														
34														
35		TOTAL		2,222,224	(247,056)	1,975,168	-	16,988	16,988	-	621,719	18,071,073	3,013,980	15,057,093
36														

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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	201,500	-	201,500	-	-	-		-	618,654	-	618,654
4	354	Structures & Improvements	3.33%	25,729	-	25,729	-	-	-	-	8,008	253,356	51,685	201,672
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	21,950	-	21,950	-	-	-	-	10,625	542,233	84,857	457,377
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,195,317	7,382,035
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,247	32,468	31,255	1,213
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	13,678	3,005
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	40,191	-	40,191	-	-	-	-	46,534	392,364	222,656	169,707
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	150,102	-	150,102	-	-	-	-	368,493	7,444,914	1,896,013	5,548,901
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	780	15,599	1,454	14,145
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	63,900	-	63,900	-	1,285	1,285	-	3,164	78,749	(2,145)	80,894
22	390	Office Furniture & Equipment	6.67%	(2,928)	-	(2,928)	-	2,720	2,720	-	1,106	13,764	2,747	11,017
23	390.1	Computers & Software	20.00%	7,679	-	7,679	-	6,518	6,518	-	3,390	17,530	3,732	13,798
24	391	Transportation Equipment	20.00%	62,812	-	62,812	-	-	-	-	27,318	167,995	62,214	105,781
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	3,387	35,865	15,611	20,254
28	395	Power Operated Equipment	5.00%	-	-	-	-	(4,000)	(4,000)	-	322	6,449	1,423	5,026
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	10,826	-	10,826	-	68,153	68,153	-	15,094	122,278	11,550	110,727
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	35,824	203,004
32														
33														
34														
35		TOTAL		581,761	-	581,761	-	74,676	74,676	-	688,567	18,578,158	3,627,870	14,950,288
36														

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

Exhibit: RLJ-DT3
Schedule B-2.1
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	719,461	-	719,461	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	131,745	-	131,745	-	-	-	-	10,630	385,101	62,315	322,786
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	3,775	-	3,775	-	-	-	-	10,882	546,008	95,739	450,269
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,366,864	7,210,488
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	1,213	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	15,346	1,337
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	19,160	-	19,160	-	-	-	-	50,243	411,524	272,899	138,624
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	374,791	7,546,707	2,245,690	5,301,018
18	380	Treatment and Disposal Equipment	5.00%	126,907	-	126,907	-	25,114	25,114	-	780	15,599	2,234	13,365
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-	-
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	5,227	77,987	2,320	75,667
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	-	-	-	929	14,094	3,676	10,418
22	390	Office Furniture & Equipment	6.67%	330	-	330	-	763	763	-	3,138	13,853	2,846	11,007
23	390.1	Computers & Software	20.00%	348	-	348	-	-	-	-	38,981	221,813	101,195	120,618
24	391	Transportation Equipment	20.00%	53,818	-	53,818	-	4,024	4,024	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	592	23,664	592	23,072
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	-	23,664	-	-	-	-	2,537	14,872	1,155	13,718
27	394	Laboratory Equipment	10.00%	(4,000)	-	(4,000)	-	16,993	16,993	-	4,494	173,324	5,917	167,406
28	395	Power Operated Equipment	5.00%	166,875	-	166,875	-	-	-	-	-	-	-	-
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	12,228	122,278	23,778	98,500
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	23,883	238,828	59,707	179,121
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-				
32														
33														
34														
35		TOTAL		1,242,081	-	1,242,081	-	46,894	46,894	-	713,763	19,773,345	4,294,740	15,478,605
36														

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

Exhibit: RLJ-DT3
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	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	843	-	843	-	-	-	-	12,838	385,943	75,153	310,791
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	348,184	-	348,184	-	-	-	-	14,402	894,192	110,141	784,051
7	361	Collection Sewers - Gravity	2.00%	51,333	-	51,333	-	-	-	-	172,060	8,628,685	1,538,924	7,089,761
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	148,087	-	148,087	-	-	-	-	1,481	148,087	1,481	146,606
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,337	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	39,434	-	39,434	-	-	-	-	53,905	450,957	326,804	124,153
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	23,879	-	23,879	-	-	-	-	377,920	7,570,094	2,623,118	4,946,976
19	381	Plant Sewers	5.00%	3,811	-	3,811	-	492	492	-	875	19,410	3,109	16,301
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	-	-	-	4,944	70,248	(476)	70,723
22	390	Office Furniture & Equipment	6.67%	204,014	-	204,014	-	7,739	7,739	-	7,744	218,108	11,420	206,688
23	390.1	Computers & Software	20.00%	4,179	-	4,179	-	-	-	-	3,171	17,853	5,837	12,016
24	391	Transportation Equipment	20.00%	19,291	-	19,291	-	179	179	-	46,292	241,104	147,486	93,617
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,618	-	1,618	-	-	-	-	1,224	25,282	1,815	23,467
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	1,405	13,231	918	12,312
28	395	Power Operated Equipment	5.00%	-	-	-	-	1,642	1,642	-	8,666	173,324	14,584	158,740
29	396	Communications Equipment	10.00%	3,225	-	3,225	-	-	-	-	161	3,225	161	3,064
30	397	Miscellaneous Equipment	10.00%	5,277	-	5,277	-	-	-	-	12,492	127,555	36,270	91,285
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	83,590	155,238
32														
33														
34														
35		TOTAL		853,174	-	853,174	-	10,051	10,051	-	744,799	20,616,468	5,029,487	15,586,981
36														

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

Exhibit: RLJ-DT3
Schedule B-2.1
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	97,553	(22,232)	75,322	-	-	-		-	1,413,437	-	1,413,437
4	354	Structures & Improvements	3.33%	2,163,098	-	2,163,098	-	71,559	71,559	-	47,676	2,477,482	51,270	2,426,212
5	355	Power Generating Equipment	5.00%	68,993	-	68,993	-	-	-	-	1,725	68,993	1,725	67,268
6	360	Collection Sewers - Force	2.00%	2,610,983	-	2,610,983	-	-	-	-	43,994	3,505,174	154,135	3,351,040
7	361	Collection Sewers - Gravity	2.00%	102,815	-	102,815	-	-	-	-	173,602	8,731,500	1,712,526	7,018,974
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	25,533	-	25,533	-	-	-	-	3,217	173,621	4,698	168,923
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	2,310	-	2,310	-	-	-	-	96	2,310	96	2,214
14	370	Receiving Wells	3.33%	92,784	-	92,784	-	-	-	-	1,545	92,784	1,545	91,239
15	371	Pumping Equipment	12.50%	1,045,747	-	1,045,747	-	-	-	-	121,729	1,496,705	448,533	1,048,172
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	13,217,795	-	13,217,795	-	1,170,423	1,170,423	-	679,689	19,617,466	2,132,384	17,485,082
19	381	Plant Sewers	5.00%	712,563	-	712,563	-	-	-	-	18,785	731,973	21,894	710,079
20	382	Outfall Sewer Lines	3.33%	2,256	-	2,256	-	-	-	-	38	2,256	38	2,218
21	389	Other Plant and Misc. Equipment	6.67%	323,894	-	323,894	-	-	-	-	15,487	394,141	15,012	379,129
22	390	Office Furniture & Equipment	6.67%	36,464	-	36,464	-	-	-	-	15,764	254,572	27,184	227,388
23	390.1	Computers & Software	20.00%	(1,448)	-	(1,448)	-	5,049	5,049	-	2,921	11,356	3,709	7,647
24	391	Transportation Equipment	20.00%	35,456	-	35,456	4,750	-	4,750	-	51,291	271,810	194,028	77,783
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,787	-	1,787	-	-	-	-	1,309	27,069	3,124	23,945
27	394	Laboratory Equipment	10.00%	5,844	-	5,844	-	1,657	1,657	-	1,532	17,418	793	16,624
28	395	Power Operated Equipment	5.00%	8,343	-	8,343	-	-	-	-	8,875	181,667	23,458	158,208
29	396	Communications Equipment	10.00%	13,966	-	13,966	-	-	-	-	1,021	17,191	1,182	16,009
30	397	Miscellaneous Equipment	10.00%	8,796	-	8,796	-	-	-	-	13,195	136,351	49,465	86,886
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	107,473	131,355
32														
33														
34														
35		TOTAL		20,575,535	(22,232)	20,553,303	4,750	1,248,688	1,253,438	-	1,227,373	39,916,333	5,003,422	34,912,911
36														

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

Exhibit: RLJ-DT3
Schedule B-5
Page 1
Witness: Jones

Line No.		Working Capital
1		
2	Cash Working Capital	$ 73,359
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	18,440
6		
7	Working Funds and Special Deposits	1,548,498
8		
9	Prepayments	13,641
10		
11	Total Working Capital Allowance	$ 1,653,938
12		
13	Supporting Schedules:	
14	E-1	
15		

Recap Schedules:
B-1

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

Exhibit: RLJ-DT3
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	$ 939,071	49.5768	12.0000	37.5768	0.1030	$ 96,677
3	Group Insurance	27,421	49.5768	(2.3334)	51.9102	0.1422	$ 3,900
4	Sludge Removal	55,247	49.5768	239.8508	(190.2740)	(0.5213)	$ (28,800)
5	Purchased Power	342,364	49.5768	21.5002	28.0766	0.0769	$ 26,335
6	Chemicals	219,910	49.5768	63.9648	(14.3880)	(0.0394)	$ (8,669)
7	Repairs and Maintenance	181,981	49.5768	66.6282	(17.0514)	(0.0467)	$ (8,501)
8	Contractural Services	258,836	49.5768	67.2163	(17.6395)	(0.0483)	$ (12,509)
9	Rent - Buildings	20,669	49.5768	(18.5294)	68.1062	0.1866	$ 3,857
10	Rent - Equipment	45,758	49.5768	25.4922	24.0846	0.0660	$ 3,019
11	Transportation Expense	129,723	49.5768	(11.7634)	61.3402	0.1681	$ 21,801
12	Insurance	62,877	49.5768	20.6635	28.9133	0.0792	$ 4,981
13	Depreciation & Amortization	1,497,193	49.5768	-	49.5768	0.1358	$ 203,359
14	Other Operating Expenses[1 3]	122,581	49.5768	15.5000	34.0768	0.0934	$ 11,444
15	TAXES						
16	Taxes Other than Income	76,451	49.5768	15.9481	33.6287	0.0921	$ 7,044
17	Property Taxes[2]	149,110	49.5768	729.6032	(680.0264)	(1.8631)	$ (277,804)
18	Income Tax[2]	200,446	49.5768	-	49.5768	0.1358	$ 27,226
19							
20							
21							
22							
23	WORKING CASH REQUIREMENT						$ 73,359
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 [3]Bad Debt at proposed rates.
28 Workpapers:
29 FW Lead Lag Study.xlsx
30

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

Exhibit: RLJ-DT3
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	413	Income Utility Plant Leased to Others	$ 3,612	$ (3,612)	$ -		$ -
3	521	Flat Rate Revenue	2,061,278	(8,119)	2,053,159	3,866,046	5,919,205
4	536	Other Sewer Revenues	43,064	-	43,064		43,064
5	541	Metered Reuse Revenue	131,759	-	131,759	-	131,759
6	**Total Revenues**		$ 2,239,713	$ (11,731)	$ 2,227,982	$ 3,866,046	$ 6,094,028
7	**Operating Expenses**						
8	701	Salaries and Wages	$ 683,996	$ 118,075	$ 802,071		$ 802,071
9	703	Salaries and Wages - Officers and Directors	137,000	(0)	137,000		137,000
10	704	Employee Pension and Benefits	27,421	-	27,421		27,421
11	710	Purchased Sewer Treatment	-	-	-		-
12	711	Sludge Removal Expense	55,247	-	55,247		55,247
13	715	Purchased Power	288,248	54,116	342,364		342,364
14	718	Chemicals	219,910	-	219,910		219,910
15	720	Repairs and Maintenance	181,981	-	181,981		181,981
16	731	Contractual Services - Engineering	-	-	-		-
17	732	Contractual Services - Accounting	7,230	-	7,230		7,230
18	733	Contractual Services - Legal	43,865	-	43,865		43,865
19	734	Contractual Services - Management Fees	-	-	-		-
20	735	Contractual Services - Testing	147,025	-	147,025		147,025
21	736	Contractual Services - Other	60,716	-	60,716		60,716
22	741	Rent - Buildings	20,669	-	20,669		20,669
23	742	Rent - Equipment	45,758	-	45,758		45,758
24	750	Transportation Expense	129,723	-	129,723		129,723
25	756	Insurance - Vehicle	12,610	-	12,610		12,610
26	757	Insurance - General Liability	33,142	-	33,142		33,142
27	758	Insurance - Workman's Compensation	17,125	-	17,125		17,125
28	759	Insurance - Other	-	-	-		-
29	760	Advertising Expense	476	-	476		476
30	766	Regulatory Commission Expense - Rate Case	-	75,000	75,000		75,000
31	767	Regulatory Expense - Other	-	-	-		-
32	770	Bad Debt Expense	33,490	-	33,490	58,112	91,602
33	775	Miscellaneous Expense	30,503	-	30,503		30,503
34	403	Depreciation Expense	1,165,350	331,843	1,497,193		1,497,193
35	408	Taxes Other Than Income	74,250	2,201	76,451		76,451
36	408.11	Property Taxes	122,350	(26,622)	95,728	53,382	149,110
37	409	Income Tax	(492,891)	(184,014)	(676,904)	877,350	200,446
38	**Total Operating Expenses**		$ 3,045,196	$ 370,598	$ 3,415,794	$ 988,844	$ 4,404,638
39	**Operating Income**		$ (805,483)	$ (382,329)	$ (1,187,812)	$ 2,877,202	$ 1,689,390
40	**Other Income (Expense)**						
41	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ -	$ 449,875		$ 449,875
42	415	Revenue from Jobbing, Contract Work	26,176	-	26,176		26,176
43	416	Expenses from Jobbing, Contract Work	(26,176)	-	(26,176)		(26,176)
44	419	Interest and Dividend Income	246	-	246		246
45	420	AFUDC	748,855	-	748,855		748,855
46	421	Non-Utility Income	-	-	-		-
47	426	Miscellaneous Non-Utility Expenses	(33,219)	-	(33,219)		(33,219)
48	427	Interest Expense	(1,523,207)	152,676	(1,370,531)		(1,370,531)
49	428	Amortization of Debt Discount and Expense	(49,593)	-	(49,593)		(49,593)
50	429	Amortization of Premium on Debt	3,285	-	3,285		3,285
51	434	Extraordinary Deductions	(328,956)	-	(328,956)		(328,956)
52	**Total Other Income (Expense)**		$ (732,714)	$ 152,676	$ (580,038)	$ -	$ (580,038)
53	**Net Income (Loss)**		$ (1,538,197)	$ (229,653)	$ (1,767,850)	$ 2,877,202	$ 1,109,352
54							
55	Supporting Schedules:				Recap Schedules:		
56	E-2	C-2			A-1		

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

Exhibit: RLJ-DT3
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	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	ADJ IS-10 Not Used	ADJ IS-11 Not Used
1	**Revenues**													
2	413	Income Utility Plant Leased to Others	$ 3,612	$ (3,612)										
3	521	Flat Rate Revenue	2,061,278											
4	536	Other Sewer Revenues	43,064		(8,119)									
5	541	Metered Reuse Revenue	131,759											
6	**Total Revenues**		$ 2,239,713	$ (3,612)	$ (8,119)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	**Operating Expenses**													
8	701	Salaries and Wages	$ 683,996				$ 118,075							
9	703	Salaries and Wages - Officers and Directors	137,000				(0)							
10	704	Employee Pension and Benefits	27,421											
11	710	Purchased Sewer Treatment	-											
12	711	Sludge Removal Expense	55,247											
13	715	Purchased Power	288,248			54,116								
14	718	Chemicals	219,910											
15	720	Repairs and Maintenance	181,981											
16	731	Contractual Services - Engineering	-											
17	732	Contractual Services - Accounting	7,230											
18	733	Contractual Services - Legal	43,865											
19	734	Contractual Services - Management Fees	-											
20	735	Contractual Services - Testing	147,025											
21	736	Contractual Services - Other	60,716											
22	741	Rent - Buildings	20,669											
23	742	Rent - Equipment	45,758											
24	750	Transportation Expense	129,723											
25	756	Insurance - Vehicle	12,610											
26	757	Insurance - General Liability	33,142											
27	758	Insurance - Workman's Compensation	17,125											
28	759	Insurance - Other	-											
29	760	Advertising Expense	476											
30	766	Regulatory Commission Expense - Rate Case	-											
31	767	Regulatory Expense - Other	-											
32	770	Bad Debt Expense	33,490											
33	775	Miscellaneous Expense	30,503											
34	403	Depreciation Expense	1,165,350											
35	408	Taxes Other Than Income	74,250											
36	408.11	Property Taxes	122,350				2,201							
37	409	Income Tax	(492,891)											
38	**Total Operating Expenses**		$ 3,045,196	$ -	$ -	$ 54,116	$ 120,275	$ -	$ -	$ -	$ -	$ -	$ -	$ -
39	**Operating Income**		$ (805,483)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
40	**Other Income (Expense)**													
41	409.20	Income Tax - Other Income and Deductions	$ 449,875											
42	415	Revenue from Jobbing, Contract Work	26,176											
43	416	Expenses from Jobbing, Contract Work	(26,176)											
44	419	Interest and Dividend Income	246											
45	420	AFUDC	748,855											
46	421	Non-Utility Income	-											
47	426	Miscellaneous Non-Utility Expenses	(33,219)											
48	427	Interest Expense	(1,523,207)											
49	428	Amortization of Debt Discount and Expense	(49,593)											
50	429	Amortization of Premium on Debt	3,285											
51	434	Extraordinary Deductions	(328,956)											
52	***Total Other Income (Expense)***		$ (732,714)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
53	**Net Income (Loss)**		$ (1,538,197)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
54														
55	Supporting Schedules:													
56														

Recap Schedules:
C-1

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

Exhibit: RLJ-DT3
Schedule C-2
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Witness: Jones

Line No.			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
1	**Revenues**								$ (3,612)	$ -
2	413	Income Utility Plant Leased to Others							(8,119)	2,053,159
3	521	Flat Rate Revenue							-	43,064
4	536	Other Sewer Revenues							-	131,759
5	541	Metered Reuse Revenue								
6	**Total Revenues**		$ -	$ -	$ -	$ -	$ -	$ -	$ (11,731)	$ 2,227,982
7	**Operating Expenses**									
8	701	Salaries and Wages							$ 118,075	$ 802,071
9	703	Salaries and Wages - Officers and Directors							(0)	137,000
10	704	Employee Pension and Benefits							-	27,421
11	710	Purchased Sewer Treatment							-	-
12	711	Sludge Removal Expense							-	55,247
13	715	Purchased Power							54,116	342,364
14	718	Chemicals							-	219,910
15	720	Repairs and Maintenance							-	181,981
16	731	Contractual Services - Engineering							-	-
17	732	Contractual Services - Accounting							-	7,230
18	733	Contractual Services - Legal							-	43,865
19	734	Contractual Services - Management Fees							-	-
20	735	Contractual Services - Testing							-	147,025
21	736	Contractual Services - Other							-	60,716
22	741	Rent - Buildings							-	20,669
23	742	Rent - Equipment							-	45,758
24	750	Transportation Expense							-	129,723
25	756	Insurance - Vehicle							-	12,610
26	757	Insurance - General Liability							-	33,142
27	758	Insurance - Workman's Compensation							-	17,125
28	759	Insurance - Other							-	-
29	760	Advertising Expense							-	476
30	766	Regulatory Commission Expense - Rate Case		75,000					75,000	75,000
31	767	Regulatory Expense - Other							-	-
32	770	Bad Debt Expense							-	33,490
33	775	Miscellaneous Expense							-	30,503
34	403	Depreciation Expense				331,843			331,843	1,497,193
35	408	Taxes Other Than Income							2,201	76,451
36	408.11	Property Taxes					(26,622)		(26,622)	95,728
37	409	Income Tax						(184,014)	(184,014)	(676,904)
38	**Total Operating Expenses**		$ -	$ 75,000	$ -	$ 331,843	$ (26,622)	$ (184,014)	$ 370,598	$ 3,415,794
39	***Operating Income***		$ -	$ (75,000)	$ -	$ (331,843)	$ 26,622	$ 184,014	$ (382,329)	$ (1,187,812)
40	**Other Income (Expense)**									
41	409.20	Income Tax - Other Income and Deductions							$ -	$ 449,875
42	415	Revenue from Jobbing, Contract Work							-	26,176
43	416	Expenses from Jobbing, Contract Work							-	(26,176)
44	419	Interest and Dividend Income							-	246
45	420	AFUDC							-	748,855
46	421	Non-Utility Income							-	-
47	426	Miscellaneous Non-Utility Expenses							-	(33,219)
48	427	Interest Expense			152,676				152,676	(1,370,531)
49	428	Amortization of Debt Discount and Expense							-	(49,593)
50	429	Amortization of Premium on Debt							-	3,285
51	434	Extraordinary Deductions							-	(328,956)
52	**Total Other Income (Expense)**		$ -	$ -	$ 152,676	$ -	$ -	$ -	$ 152,676	$ (580,038)
53	**Net Income (Loss)**		$ -	$ (75,000)	$ 152,676	$ (331,843)	$ 26,622	$ 184,014	$ (229,653)	$ (1,767,850)
54										
55	Supporting Schedules:							Recap Schedules:		
56								C-1		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-1

Exhibit: RLJ-DT3
Schedule C-2
Page 3
Witness: Jones

Line No.			
1	Adjust Revenue to Eliminate Income From Leased Utility Plant		
2			
3	Revenues received from leased utility plant should be removed from revenue in order		
4	to match revenues to rate base, which excludes leased utility plant.		
5			
6			
7	Book revenue from Leased Utiliy Plant	$	3,612
8			
9	Increase/(Decrease) in Revenue	$	(3,612)
10			
11			
12			
13			

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

Exhibit: RLJ-DT3
Schedule C-2
Page 4
Witness: Jones

Line No.			
1	Adjust Revenue to eliminate unbilled revenue		
2			
3	Revenue is accrued at year-end to account for unbilled revenue based on an estimate		
4	of the usage that has occurred since the December meter reading. The following year the		
5	unbilled revenue entry is reversed. The net of these entries should be eliminated.		
6			
7	Flat Rate Revenue		
8	Reversal of 2010 Unbilled Revenue (Residential)	$ (115,489)	
9	Reversal of 2010 Unbilled Revenue (Commercial)	(1,321)	
10	Reversal of 2010 Unbilled Revenue (RV Parks)	(2,493)	
11	Booked 2011 Unbilled Revenue (Residential)	122,111	
12	Booked 2011 Unbilled Revenue (Commercial)	1,432	
13	Booked 2011 Unbilled Revenue (RV Parks)	3,879	
14	Net Unbooked Revenue	$ 8,119	
15			
16	Increase/(Decrease) in Revenues		$ (8,119)
17			
18			
19			
20			
21			
22	Workpaper		
23	FW Rate Case Data.xlsx - Trial Bal Adj		
24			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-3

Exhibit: RLJ-DT3
Schedule C-2
Page 5
Witness: Jones

Line No.				
1	Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities			
2				
3	The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,			
4	the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded			
5	Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs which is known and measureable and should be included in the Company's expenses.			
6				
7	Del Oro WWTP			
8	Test Year Purchased Power		$ 69,246	
9	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	36,235		
10	Annualized Cost of Purchased Power	divide by (5/12)	86,965	
11				
12	Increase/(Decrease) in Purchased Power		$ 17,719	
13				
14	Section 14 & Palm Shadows			
15	Test Year Purchased Power		$ 102,835	
16	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	58,013		
17	Annualized Cost of Purchased Power	divide by (5/12)	139,232	
18				
19	Increase/(Decrease) in Purchased Power		$ 36,397	
20				
21	Total Increase/(Decrease) in Purchased Power			$ 54,116
22				
26				
27	Workpaper			
28	FW Rate Case Data.xlsx - Power			
29				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-4

Exhibit: RLJ-DT3
Schedule C-2
Page 6
Witness: Jones

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLJ-DT3
Schedule C-2
Page 6
Witness: Jones

Adjust Rate Case Expense

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-14

Exhibit: RLJ-DT3
Schedule C-2
Page 7
Witness: Jones

Synchronize Interest Expense with Rate Base

Line No.				
1	Adjusted Rate Base	$	22,800,578	Sch. B-1
2				
3	Weighted Cost of Long-Term Debt		5.489%	Sch. D-1
4	Weighted Cost of Short-Term Debt		0.522%	Sch. D-1
5				
6	Synchronized Long-Term Interest	$	1,251,576	
7	Synchronized Short-Term Interest		118,955	
8	Synchronized Interest Expense		1,370,531	
9				
10	Test Year Interest Expense		1,523,207	
11				
12	Increase / (Decrease) In Interest Expense		(152,676)	
13				
14				
15				
16				
17				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-15

Exhibit: RLJ-DT3
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	351	Organization Cost	$ -	0.00%	$ -
3	352	Franchise Cost	3,076	0.00%	-
4	353	Land and Land Rights	1,413,437	0.00%	-
5	354	Structures & Improvements	2,477,482	3.33%	82,500
6	355	Power Generating Equipment	68,993	5.00%	3,450
7	360	Collection Sewers - Force	3,504,328	2.00%	70,087
8	361	Collection Sewers - Gravity	8,727,577	2.00%	174,552
9	362	Special Collecting Structures	-	2.00%	-
10	363	Sevices to Customers	173,621	2.00%	3,472
11	364	Flow Measuring Devices	32,468	10.00%	3,247
12	365	Flow Measuring Installations	16,683	10.00%	1,668
13	366	Reuse Services	-	2.00%	-
14	367	Reuse Meters and Meter Installations	2,310	8.33%	192
15	370	Receiving Wells	74,227	3.33%	2,472
16	371	Pumping Equipment	1,395,638	12.50%	174,455
17	374	Reuse Distribution Reserviors	-	2.50%	-
18	375	Reuse Transmission and Dist. Sys.	-	2.50%	-
19	380	Treatment and Disposal Equipment	17,685,412	5.00%	884,271
20	381	Plant Sewers	623,671	5.00%	31,184
21	382	Outfall Sewer Lines	1,805	3.33%	60
22	389	Other Plant and Misc. Equipment	394,141	6.67%	26,289
23	390	Office Furniture & Equipment	254,572	6.67%	16,980
24	390	Computers & Software	11,356	20.00%	2,271
25	391	Transportation Equipment	271,810	20.00%	54,362
26	392	Stores Equipment	-	4.00%	-
27	393	Tools, Shop & Garage Equipment	27,069	5.00%	1,353
28	394	Laboratory Equipment	17,418	10.00%	1,742
29	395	Power Operated Equipment	181,667	5.00%	9,083
30	396	Communications Equipment	17,191	10.00%	1,719
31	397	Miscellaneous Equipment	136,351	10.00%	13,635
32	398	Other Tangible Plant	238,828	10.00%	23,883
33			-		-
34			-		-
35		TOTALS	$ 37,751,132		$ 1,582,927
36					
37		Less: Amortization of CIAC	$ 1,726,854	4.9648%	$ 85,734
38					
39		Adjusted Test Year Depreciation Expense			$ 1,497,193
40					
41		Test Year Depreciation Expense			$ 1,165,350
42					
43		Increase / (Decrease) in Depreciation Expense			$ 331,843
44					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-16

Exhibit: RLJ-DT3
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	$ 2,227,982	$ 2,227,982
2	Adjusted Test Year Revenue	2,227,982	2,227,982
3	Adjusted Test Year Revenue	2,227,982	
4	Proposed Revenues after Increase		6,094,028
5	Average of three year's of revenue	2,227,982	3,516,664
6	Average of three year's of revenue, times 2	4,455,963	7,033,327
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,621,916	7,199,280
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	924,383	1,439,856
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	$ 95,728	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	$ (26,622)	
20			
21	Property Tax a Proposed Rates		$ 149,110
22	Adjusted Test Year Property Tax		95,728
23	Increase in Property Tax due to Rate Increase		$ 53,382
24			
25	Increase to Property Tax Expense		$ 53,382
26	Increase in Revenue Requirement		$ 3,866,046
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-17

Exhibit: RLJ-DT3
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			$ 2,227,982	$ 6,094,028
4	Less: Operating Expenses (Excluding Income Taxes)			4,092,698	4,204,192
5	Less: Synchronized Interest			1,370,531	1,370,531
6	Arizona Taxable Income			$ (3,235,248)	$ 519,304
7	Arizona State Income Tax Rate			6.9680%	6.9680%
8	Arizona Income Tax			$ (225,432)	$ 36,185
9	Federal Taxable Income			$ (3,009,816)	$ 483,119
10					
11	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%			$ (451,472)	$ 7,500
12	Federal Tax on Second Income Bracket ($50,001 - 75,000) @ 25%			-	6,250
13	Federal Tax on Third Income Bracket ($75,001 - 100,000) @ 34%			-	8,500
14	Federal Tax on Fourth Income Bracket ($100,001 - 335,000) @ 39%			-	91,650
15	Federal Tax on Fifth Income Bracket ($335,001 - 10,000,000) @ 34%			-	50,361
16	Total Federal Income Tax			$ (451,472)	$ 164,261
17					
18	Combined Federal and State Income Tax			$ (676,904)	$ 200,446
19					
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)				6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)				17.6280%
22					
23	Calculation of Interest Synchronization				
24	Rate Base	$	22,800,578		
25	Weighted Average Cost of Debt		6.011%		
26	Synchronized Interest	$	1,370,531		
27					
28	Income Tax Adjustments				
29	Test Year Income Taxes - Booked			$ (492,891)	
30	Increase / (decrease) in Income Taxes (L24 - L35)			(184,014)	
31					
32	Test Year Income Taxes - Adjusted				$ (676,904)
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)				877,350
34					
35					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Gross Revenue Conversion Factor

Exhibit: RLJ-DT3
Schedule C-3
Page 1
Witness: Jones

Line No.	Calculation of Gross Revenue Conversion Factor		
1	Revenue	100.0000%	
2	Uncollectable Factor (Line 11)	1.1519%	
3	Revenue (L1 - L2)	98.8481%	
4	Combined Income Tax and Property Tax Rate (Line 23)	24.4258%	
5	Operating Income Percentage (L3 -L4)	74.4223%	
6	Gross Revenue Conversion Factor (L1 / L5)	1.343682	
	Calculation of Uncollectable Factor		
7	Unity	100.0000%	
8	Combined Federal and State Tax Rate (Line 17)	23.3676%	
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	76.6324%	
10	Uncollectable Rate (Line 26)	1.5031%	
11	Uncollectable Factor (L9 * L10)	1.1519%	
	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)	17.6280%	
16	Effective Federal Tax Rate (L14 * L15)	16.3996%	
17	Combined Federal and State Tax Rate (L13 + L16)		23.3676%
	Calculation of Effective Property Tax Rate		
18	Unity	100.0000%	
19	Combined Federal and State Tax Rate (Line 17)	23.3676%	
20	One Minus Combined Income Tax Rate (L18 - L19)	76.6324%	
21	Property Tax Factor (from Schedule C-2)	1.3808%	
22	Effective Property Tax Factor (L20 * L21)		1.0581%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)		24.4258%

	Calculation of Uncollectable Rate		
24	Bad Debt Expense (from Schedule C-1)	$	33,490
25	Total Revenues (from Schedule C-1)		2,227,982
26	Uncollectable Rate (L24 / L25)		1.5031%
27	Revenue Increase (from Schedule C-1)	$	3,866,046
28	Uncollectable Rate (Line 26)		1.5031%
29	Bad Debt Expense due to Increase	$	58,112

30	Supporting Schedules:	Recap Schedules:
31		A-1

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

Exhibit: RLJ-DT3
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	$ 21,323,943	79.55%	6.900%	5.489%	$ 21,017,517	89.71%	6.721%	6.030%	$ 21,017,517	79.90%	6.721%	5.370%
3													
4	Short-Term Debt	1,732,342	6.46%	8.073%	0.522%	1,145,715	4.89%	10.003%	0.489%	1,145,715	4.36%	10.003%	0.436%
5													
6	Adjusted Common Equity	$ 3,748,573	13.98%	10.000%	1.398%	$ 1,263,909	5.40%	10.000%	0.540%	$ 4,141,111	15.74%	10.000%	1.574%
7													
8	Totals	$ 26,804,859	100.00%		7.409%	$ 23,427,141	100.00%		7.059%	$ 26,304,343	100.00%		7.380%
9													
10													
11	Equity Adjustments												
12	Common Equity per Sch. E-1	$ 6,136,135											
13													
14	PIS Equity Adjustments	$ (3,229,531)											
15	A/D Equity Adjustments	522,158											
16	AIAC Equity Adjustment	-											
17	CIAC Equity Adjustment	713,313											
18	AA CIAC Equity Adjustment	(393,502)											
19													
20	Adjusted Common Equity	$ 3,748,573											
21													
22	Supporting Schedules:												
23	D-2 D-3												
24	D-4 E-1												
25													

Recap Schedules:
A-3

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Long-Term and Short-Term Debt

Exhibit: RLJ-DT3
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	IDA Series 2007A - Term 1	$ 2,173,211	$ 198,575	6.500%	$ 1,866,784	$ 175,175	6.500%
6	IDA Series 2007A - Term 2	17,208,285	1,360,425	6.375%	17,208,285	1,360,425	6.375%
7	Zenon / Liberation Capital	1,942,448	$ 201,705	12.000%	-	$ 57,626	12.000%
8	Harry Elliott Trust				1,942,448	$ 145,684	10.000%
9							
10	Total Long-Term Debt	$ 21,323,943	$ 1,760,705	6.900%	$ 21,017,517	$ 1,738,910	6.721%
11							
12							
13	Short-Term Debt						
14	Hardknocks Ltd	$ 75,000	-	0.00%	$ -		
15	Scott Spencer	175,000	28,640	12.00%	-		
16	Harry Elliott	301,248	-	0.00%	-		
17	Gallager & Kennedy	36,837	-	12.00%	1,458	2,121	12.00%
18	Schechert Trust	1,144,257	147,269	10.00%	1,144,257	114,426	10.00%
19							
20	Total Short-Term Debt	$ 1,732,342	$ 175,909	8.073%	$ 1,145,715	$ 116,547	10.003%
21							
22							
23	Total All Debt	$ 23,056,285	$ 1,936,614	6.988%	$ 22,163,232	$ 1,855,457	6.891%
24							
25							
26	IDA Debt Detail by Service						
27		Sewer	Water	Total	Sewer	Water	Total
28	Series 2007A - Term 1	$ 2,173,211	$ 521,789	$ 2,695,000	$ 1,866,784	$ 448,216	$ 2,315,000
29	Series 2007A - Term 2	17,208,285	4,131,715	21,340,000	17,208,285	4,131,715	21,340,000
30	Total IDA Debt 12/31/11	$ 19,381,496	$ 4,653,504	$ 24,035,000	$ 19,075,069	$ 4,579,931	$ 23,655,000
31							
32	Workpapers:						
33	FW IDA Bond Amortization.xlsx						
34							
35	Supporting Schedules:						Recap Schedules:
36	E-1						D-1
37							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Preferred Stock

Exhibit: RLJ-DT3
Schedule D-3
Page 1
Witness: Jones

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Common Equity

Exhibit: RLJ-DT3
Schedule D-4
Page 1
Witness: Jones

Line No.		
1		
2	Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony	
3		
4	Supporting Schedules:	Recap Schedules:
5		D-1
6		

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

Exhibit: RLJ-DT3
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	$ 42,605,611	$ 22,034,826	$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 38,379,295	$ 37,566,992	$ 35,322,026
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 1,794	$ (50,289)	$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receiveable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	**Total Current Assets**	$ 2,391,631	$ 2,144,444	$ 2,223,444
22				
23	**DEFERRED DEBITS**			
24	181 Unamortized Debt Discount and Expense	$ 836,551	$ 868,726	$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	**Total Deferred Debits**	$ 3,278,252	$ 2,385,079	$ 1,940,092
28				
29	**TOTAL ASSETS**	$ 44,049,178	$ 42,096,515	$ 39,485,562
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31	**CAPITAL ACCOUNTS**			
32	201 Common Stock Issued	$ -	$ -	$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	**Total Capital**	$ 6,136,135	$ 4,641,091	$ 2,252,564
37				
38	**LONG-TERM DEBT**			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	**Total long-Term Debt**	$ 21,323,943	$ 21,914,277	$ 19,941,944
43				
44	**CURRENT LIABILITIES**			
45	231 Accounts Payable	$ 1,004,027	$ 1,698,596	$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	**Total Current Liabilities**	$ 3,358,071	$ 2,081,555	$ 4,138,192
54				
55	**DEFERRED CREDITS**			
56	251 Unamortized Premium on Debt	$ 85,413	$ 88,698	$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	$ 1,193,404	$ 1,246,165	$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	**Total Deferred Credits**	$ 13,231,029	$ 13,459,591	$ 13,152,862
63				
64	**Total Liabilities & Common Equity**	$ 44,049,178	$ 42,096,515	$ 39,485,562
65				
66	Supporting Schedules:			Recap Schedules:
67	E-5			A-3

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

Exhibit: RLJ-DT3
Schedule E-1
Page 2
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	$ 31,480,517	$ 31,010,947	$ 29,941,953
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	1,147,584	1,248,691	1,636,400
7	108 Less: Accumulated Depreciation	(13,749,565)	(12,765,995)	(11,772,704)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 19,085,298	$ 19,707,566	$ 20,023,152
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 5,841	$ (88,844)	$ 55,040
13	132 Special Deposits	371,762	339,839	370,674
14	141 Customer Accounts Receivable	630,894	625,173	631,736
15	142 Other Accounts Receiveable	-	500	1,050
16	143 Accumulated Provision for Uncollectable Accounts	(57,973)	-	-
17	146 Notes/Receivables from Associated Companies	126,336	197,642	149,446
18	151 Plant Materials and Supplies	79,130	78,292	74,719
19	162 Prepayments	56,890	55,618	53,555
21	174 Miscellaneous Current and Accrued Assets	-	-	-
22	**Total Current Assets**	$ 1,212,879	$ 1,208,220	$ 1,336,220
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 184,025	$ 191,102	$ 198,180
26	186 Deferred Debits	61,722	64,096	66,470
27	190 Accumulated Deferred Income Tax	(1,216,910)	(617,281)	-
28	**Total Deferred Debits**	$ (971,164)	$ (362,083)	$ 264,650
29				
30	**TOTAL ASSETS**	$ 19,327,013	$ 20,553,704	$ 21,624,022
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	7,087,369	7,087,369	7,087,369
36	211.1 Capital from Water Division	(17,889,015)	(14,855,775)	(11,637,268)
37	215 Retained Earnings	11,331,474	10,353,132	9,345,989
38	**Total Capital**	$ 1,429,828	$ 3,484,726	$ 5,696,089
39				
40	**LONG-TERM DEBT**			
41	221 Bonds	4,653,504	4,723,200	4,788,056
42	223 Advances from Associated Companies	-	-	-
43	224 Other Long-Term Debt	765,987	453,351	-
44	**Total long-Term Debt**	$ 5,419,492	$ 5,176,552	$ 4,788,056
45				
46	**CURRENT LIABILITIES**			
47	231 Accounts Payable	$ 558,626	$ 603,234	$ 881,372
48	232 Notes Payable	36,837	-	-
49	233 Accounts Payable to Associated Companies	79,713	40,938	10,038
50	234 Payable to Associated Companies	22,000	-	-
51	235 Customer Deposits	48,500	69,777	55,270
52	236 Accrued Taxes	-	-	-
53	237 Accrued Interest	237,116	133,473	63,626
54	241 Miscellaneous Current Liabilities	1,218,378	825,785	532,252
55	**Total Current Liabilities**	$ 2,201,170	$ 1,673,207	$ 1,542,558
56				
57	**DEFERRED CREDITS**			
58	251 Unamortized Premium on Debt	$ 20,611	$ 21,404	$ 22,196
59	252 Advances in Aid of Construction	5,200,253	5,973,861	5,419,197
60	253 Other Deferred Credits	12,500	37,500	75,000
61	271 Contributions in Aid of Construction	7,284,567	6,285,022	6,064,711
62	272 Accumulated Amortization CIAC	(2,241,407)	(2,098,567)	(1,983,787)
63	281 Accumulated Deferred Income Tax	-	-	-
64	**Total Deferred Credits**	$ 10,276,524	$ 10,219,219	$ 9,597,318
65				
66	**Total Liabilities & Common Equity**	$ 19,327,013	$ 20,553,704	$ 21,624,022
67				

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Balance Sheet

Exhibit: RLJ-DT3
Schedule E-1
Page 3
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	$ 74,086,128	$ 53,045,773	$ 51,123,605
4	102 Utility Plant Leased to Others	435,005	435,005	435,005
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	3,584,935	22,152,620	20,371,788
7	108 Less: Accumulated Depreciation	(20,619,994)	(18,351,681)	(16,585,220)
8	*108.2 Less: Accumulated Depreciation - Leased Plant*	(21,480)	(7,160)	-
9	**Net Plant**	$ 57,464,593	$ 57,274,558	$ 55,345,178
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 7,634	$ (139,132)	$ 54,831
13	132 Special Deposits	1,920,260	1,755,367	1,914,636
14	141 Customer Accounts Receivable	1,067,682	1,000,191	956,101
15	142 Other Accounts Receiveable	4,000	5,100	5,050
16	143 Accumulated Provision for Uncollectable Accounts	(91,462)	-	-
17	146 Notes/Receivables from Associated Companies	528,296	569,156	446,254
18	151 Plant Materials and Supplies	97,570	96,172	91,919
19	162 Prepayments	70,531	65,811	80,234
21	174 Miscellaneous Current and Accrued Assets	-	-	10,638
22	**Total Current Assets**	$ 3,604,510	$ 3,352,665	$ 3,559,663
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 1,020,575	$ 1,059,829	$ 1,099,082
26	186 Deferred Debits	695,960	715,751	749,661
27	190 Accumulated Deferred Income Tax	590,552	247,416	356,000
28	**Total Deferred Debits**	$ 2,307,088	$ 2,022,996	$ 2,204,742
29				
30	**TOTAL ASSETS**	$ 63,376,191	$ 62,650,218	$ 61,109,584
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	9,430,633	9,430,633	9,430,633
36	215 Retained Earnings	(2,764,670)	(2,204,816)	(2,381,979)
37	**Total Capital**	$ 7,565,963	$ 8,125,817	$ 7,948,653
38				
39	**LONG-TERM DEBT**			
40	221 Bonds	24,035,000	24,395,000	24,730,000
41	223 Advances from Associated Companies	-	-	-
42	224 Other Long-Term Debt	2,708,435	2,695,829	-
43	**Total long-Term Debt**	$ 26,743,435	$ 27,090,829	$ 24,730,000
44				
45	**CURRENT LIABILITIES**			
46	231 Accounts Payable	$ 1,562,653	$ 2,301,830	$ 4,704,564
47	232 Notes Payable	624,923	-	-
48	233 Accounts Payable to Associated Companies	88,741	(4,504)	2,024
49	234 Payable to Associated Companies	1,166,257	-	-
50	235 Customer Deposits	74,859	81,864	79,065
51	236 Accrued Taxes	-	-	-
52	237 Accrued Interest	415,563	274,631	182,393
53	241 Miscellaneous Current Liabilities	1,626,246	1,100,940	712,706
54	**Total Current Liabilities**	$ 5,559,241	$ 3,754,762	$ 5,680,751
55				
56	**DEFERRED CREDITS**			
57	251 Unamortized Premium on Debt	$ 106,024	$ 110,102	$ 114,180
58	252 Advances in Aid of Construction	16,015,223	16,843,633	15,823,742
59	253 Other Deferred Credits	1,205,904	1,283,665	1,358,665
60	271 Contributions in Aid of Construction	9,724,735	8,725,189	8,504,878
61	272 Accumulated Amortization CIAC	(3,544,332)	(3,283,779)	(3,051,286)
62	281 Accumulated Deferred Income Tax	-	-	-
63	**Total Deferred Credits**	$ 23,507,553	$ 23,678,811	$ 22,750,179
64				
65	**Total Liabilities & Common Equity**	$ 63,376,191	$ 62,650,218	$ 61,109,584
66				

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

Exhibit: RLJ-DT3
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	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	521	Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536	Other Sewer Revenues	43,064	67,480	180,670
5	541	Metered Reuse Revenue	131,759	103,241	104,537
6	**Total Revenues**		$ 2,239,713	$ 2,209,632	$ 2,132,099
7	**Operating Expenses**				
8	701	Salaries and Wages	$ 683,996	$ 472,735	$ 404,740
9	703	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704	Employee Pension and Benefits	27,421	31,352	33,334
11	710	Purchased Sewer Treatment	-	-	-
12	711	*Sludge Removal Expense*	55,247	83,830	102,450
13	715	Purchased Power	288,248	251,261	257,010
14	718	Chemicals	219,910	215,788	199,086
15	720	Repairs and Maintenance	181,981	100,337	122,341
16	731	Contractual Services - Engineering	-	-	-
17	732	Contractual Services - Accounting	7,230	105,840	289
18	733	Contractual Services - Legal	43,865	60,038	342,907
19	734	Contractual Services - Management Fees	-	-	-
20	735	Contractual Services - Testing	147,025	109,806	104,008
21	736	Contractual Services - Other	60,716	39,114	12,160
22	741	Rent - Buildings	20,669	20,311	19,292
23	742	Rent - Equipment	45,758	195,574	96,621
24	750	Transportation Expense	129,723	77,407	60,404
25	756	Insurance - Vehicle	12,610	10,767	9,155
26	757	Insurance - General Liability	33,142	39,173	24,445
27	758	Insurance - Workman's Compensation	17,125	13,722	13,726
28	759	Insurance - Other	-	-	9,000
29	760	Advertising Expense	476	284	25
30	766	Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767	Regulatory Expense - Other	-	-	-
33	770	Bad Debt Expense	33,490	-	5,630
34	775	Miscellaneous Expense	30,503	16,741	18,181
35	403	Depreciation Expense	1,165,350	655,457	625,330
36	408	Taxes Other Than Income	74,250	65,731	49,975
37	408.11	Property Taxes	122,350	92,177	79,555
38	409	Income Tax	(492,891)	-	-
39	**Total Operating Expenses**		$ 3,045,196	$ 2,782,352	$ 2,786,863
40	**Operating Income**		$ (805,483)	$ (572,720)	$ (654,764)
41	**Other Income (Expense)**				
42	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ 508,697	$ 41,000
43	415	Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419	Interest and Dividend Income	246	393	2,201
46	420	AFUDC	748,855	933,278	858,409
47	421	Non-Utility Income	-	29,911	551
48	426	Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427	Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428	Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429	Amortization of Premium on Debt	3,285	3,285	3,285
52	434	Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	**Total Other Income (Expense)**		$ (732,714)	$ (257,259)	$ (1,055,279)
54	**Net Income (Loss)**		$ (1,538,197)	$ (829,979)	$ (1,710,043)
55					
56	*Supporting Schedules:*				*Recap Schedules:*
57					A-2
58					

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

Exhibit: RLJ-DT3
Schedule E-2
Page 2
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	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	461	Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471	Miscellaneous Sevice Revenues	180,755	136,947	139,318
5	474	Other Water Revenues	18,390	3,827	227
6	**Total Revenues**		$ 5,736,321	$ 5,645,361	$ 5,688,822
7	**Operating Expenses**				
8	601	Salaries and Wages	$ 779,073	$ 744,001	$ 695,855
9	603	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604	Employee Pension and Benefits	38,354	44,248	32,816
11	610	Purchased Water	504,953	530,880	672,225
12	615	Purchased Power	417,557	373,540	435,827
13	618	Chemicals	171,859	154,481	146,810
14	620	Repairs and Maintenance	151,953	110,175	172,796
15	621	Office Supplies Expense	-	-	-
16	631	Contractual Services - Engineering	-	-	-
17	632	Contractual Services - Accounting	11,884	29,011	578
18	633	Contractual Services - Legal	3,330	8,012	185
19	634	Contractual Services - Management Fees	-	-	-
20	635	Contractual Services - Testing	27,822	30,516	54,394
21	636	Contractual Services - Other	27,517	45,644	19,145
22	641	Rent - Buildings	46,595	45,998	40,333
23	642	Rent - Equipment	9,629	22,040	2,087
24	650	Transportation Expense	89,523	68,459	53,061
25	656	Insurance - Vehicle	9,264	10,179	8,320
26	657	Insurance - General Liability	26,403	23,929	21,750
27	658	Insurance - Workman's Compensation	11,664	9,860	21,734
28	659	Insurance - Other	-	-	-
29	660	Advertising Expense	8,409	8,184	7,710
30	666	Regulatory Commission Expense - Rate Case	-	-	-
31	667	Regulatory Expense - Other	-	-	-
32	668	Water Resource Conservation Expense	-	-	-
33	670	Bad Debt Expense	57,973	-	16,538
34	675	Miscellaneous Expense	40,389	33,807	19,553
35	403	Depreciation Expense	857,449	889,617	846,294
36	408	Taxes Other Than Income	87,071	97,328	79,514
37	408.11	Property Taxes	239,106	203,310	218,933
38	409	Income Tax	754,044	-	-
39	**Total Operating Expenses**		$ 4,508,819	$ 3,587,719	$ 3,641,227
40	**Operating Income**		$ 1,227,502	$ 2,057,642	$ 2,047,595
41	**Other Income (Expense)**				
42	409	Income Tax - Other Income and Deductions	$ 154,415	$ (617,371)	$ -
43	415	Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419	Interest and Dividend Income	248	689	5,491
46	420	AFUDC	55,096	75,491	90,603
47	421	Non-Utility Income	107	-	11,344
48	426	Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427	Interest Expense	(429,371)	(397,166)	(375,626)
50	428	Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429	Amortization of Premium on Debt	793	793	793
52	434	Extraordinary Deductions	5,939	(101,463)	(198,428)
53	**Total Other Income (Expense)**		$ (249,160)	$ (1,050,499)	$ (551,260)
54	**Net Income (Loss)**		$ 978,342	$ 1,007,143	$ 1,496,336
55					

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Income Statements

Exhibit: RLJ-DT3
Schedule E-2
Page 3
Witness: Jones

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

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

Exhibit: RLJ-DT3
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	$ (1,538,197)	$ (829,979)	$ (1,710,043)
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	659,037	625,330
6	Other Adjustments	-	-	-
7	Changes in Assets & Liabilities			
8	Accounts Receivable	(27,681)	(51,253)	(41,357)
9	Notes/Receivables from Associated Companies	(30,446)	(74,705)	(104,537)
10	Plant Materials and Supplies	(560)	(680)	(17,200)
11	Prepayments	(3,448)	16,486	10,371
12	Miscellaneous Current and Accrued Assets	-	10,638	(10,638)
13	Special Deposits	(132,970)	128,435	10,918
14	Deferred Debits	(893,173)	(444,986)	30,781
15	Accounts Payable	(694,569)	(2,124,596)	677,366
16	Notes Payable	588,085	-	-
17	Payable to Associated Companies	1,198,726	(37,427)	(8,015)
18	Customer Deposits	14,271	(11,708)	3,886
19	Accrued Taxes	-	-	-
20	Accrued Interest	37,289	22,392	11,162
21	Miscellaneous Current Liabilities	132,713	94,701	91,490
22	Deferred Credits	(56,047)	(40,785)	71,715
23	Total From Operations	$ (233,496)	$ (2,684,431)	$ (358,771)
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(270,144)	(254,016)
27	Long-Term Debt	(300,030)	2,242,478	-
28	Advances in Aid of Construction	(54,802)	465,228	373,611
29	Contributions in Aid of Construction	-	-	-
30	Paid in Capital	3,033,241	3,218,507	4,340,552
31	Total From Financing	$ 2,388,104	$ 5,656,068	$ 4,460,147
32				
33	Application of Funds			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(2,102,526)	(3,021,716)	(4,101,586)
36	Dividends Paid			
37	Other	-		
38	Total From Investing Activities	$ (2,102,526)	$ (3,021,716)	$ (4,101,586)
39				
40	Net Increase/(Decrease) in Cash	$ 52,082	$ (50,079)	$ (209)
41				
42	Cash, Beginning of Year	$ (50,289)	$ (209)	$ -
43	Cash, End of Year	$ 1,794	$ (50,289)	$ (209)
44				
45				
46				
47	Workpapers:			Recap Schedules:
48				A-5
49				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Statement of Changes in Stockholder's Equity

Exhibit: RLJ-DT3
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		$ -	$ 9,639,980	$ (11,315,379)	$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	$ -	$ 13,980,532	$ (11,727,968)	$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	$ -	$ 17,199,039	$ (12,557,947)	$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	$ -	$ 20,232,279	$ (14,096,145)	$ 6,136,135
21						
22						
23	Supporting Schedules:				Recap Schedules:	
24						
25						

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Detail of Utility Plant

Exhibit: RLJ-DT3
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	351	Organization Cost	$ -	-	$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reserviors	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33				-	
34				-	
35					
36		TOTAL SEWER PLANT	$ 22,034,826	$ 20,570,785	$ 42,605,611
37					
38	Workpapers:				Recap Schedules:
39	FW Rate Case Data.xlsx - Trial Bal Adj				E-1
40					A-4
41					

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

Exhibit: RLJ-DT3
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	Total Wastewater Treated	275,467,000	269,368,000	267,231,000
3				
4	Average Number of Customers			
5				
6	Residential	7,067	6,819	6,849
7	Commercial	44	44	44
8	RV Park (Customers)	4	4	4
9	Total Customers	7,115	6,867	6,897
10				
11	RV Park (RV Spaces)	713	713	713
12				
13				
14	Wastewater Treated Per Customer	38,716	39,228	38,744
15				
16	Revenue Per Residential Customer	$ 284	$ 291	$ 279
17				

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

Exhibit: RLJ-DT3
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	(402,095)	-	-
4	State Income Tax	(90,796)	-	-
5	Payroll Tax	63,196	47,050	38,864
6	Property Tax	122,350	92,177	79,555
7				
8	Totals	(307,345)	139,227	118,419
9				
10				
11				
12				

Recap Schedules:

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Notes to Financial Statements

Exhibit: RLJ-DT3
Schedule E-9
Page 1
Witness: Jones

Line No.	
1	
2	The Company financial statements are reviewed by an independent outside CPA Firm. However
3	the 2011 review is not complete as of the date of this filing. The review will be made available
4	during the processing of this case.
5	
6	The Company uses the NARUC System of Accounts.
7	
8	The Company normalizes Income Tax Expense.
9	
10	
11	Supporting Schedules: Recap Schedules:
12	
13	

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

Exhibit: RLJ-DT3
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	413	Income Utility Plant Leased to Others	$ 3,612	$ -	$ -
3	521	Flat Rate Revenue	2,061,278	2,053,159	5,919,205
4	536	Other Sewer Revenues	43,064	43,064	43,064
5	541	Metered Reuse Revenue	131,759	131,759	131,759
6	**Total Revenues**		$ 2,239,713	$ 2,227,982	$ 6,094,028
7	**Operating Expenses**				
8	701	Salaries and Wages	$ 683,996	$ 826,133	$ 826,133
9	703	Salaries and Wages - Officers and Directors	137,000	137,000	137,000
10	704	Employee Pension and Benefits	27,421	28,243	28,243
11	710	Purchased Sewer Treatment	-	-	-
12	711	Sludge Removal Expense	55,247	55,247	55,247
13	715	Purchased Power	288,248	347,499	347,499
14	718	Chemicals	219,910	223,209	223,209
15	720	Repairs and Maintenance	181,981	184,711	184,711
16	731	Contractual Services - Engineering	-	-	-
17	732	Contractual Services - Accounting	7,230	7,338	7,338
18	733	Contractual Services - Legal	43,865	44,523	44,523
19	734	Contractual Services - Management Fees	-	-	-
20	735	Contractual Services - Testing	147,025	149,231	149,231
21	736	Contractual Services - Other	60,716	61,627	61,627
22	741	Rent - Buildings	20,669	20,979	20,979
23	742	Rent - Equipment	45,758	46,445	46,445
24	750	Transportation Expense	129,723	131,669	131,669
25	756	Insurance - Vehicle	12,610	12,799	12,799
26	757	Insurance - General Liability	33,142	33,640	33,640
27	758	Insurance - Workman's Compensation	17,125	17,382	17,382
28	759	Insurance - Other	-	-	-
29	760	Advertising Expense	476	483	483
30	766	Regulatory Commission Expense - Rate Case	-	76,125	76,125
31	767	Regulatory Expense - Other	-	-	-
33	770	Bad Debt Expense	33,490	33,490	91,602
34	775	Miscellaneous Expense	30,503	30,960	30,960
35	403	Depreciation Expense	1,165,350	1,497,193	1,497,193
36	408	Taxes Other Than Income	74,250	76,451	76,451
37	408	Property Taxes	122,350	95,728	149,110
38	409	Income Tax	(492,891)	(676,904)	200,446
39	**Total Operating Expenses**		$ 3,045,196	$ 3,461,200	$ 4,450,044
40	**Operating Income**		$ (805,483)	$ (1,233,218)	$ 1,643,984
41	**Other Income (Expense)**				
42	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ (176,061)	$ (176,061)
43	415	Revenue from Jobbing, Contract Work	26,176	26,176	26,176
44	416	Expenses from Jobbing, Contract Work	(26,176)	(26,176)	(26,176)
45	419	Interest and Dividend Income	246	246	246
46	420	AFUDC	748,855	374,428	374,428
47	421	Non-Utility Income	-	-	-
48	426	Miscellaneous Non-Utility Expenses	(33,219)	(33,219)	(33,219)
49	427	Interest Expense	(1,523,207)	(1,370,531)	(1,370,531)
50	428	Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429	Amortization of Premium on Debt	3,285	3,285	3,285
52	434	Extraordinary Deductions	(328,956)	(0)	(0)
53	**Total Other Income (Expense)**		$ (732,714)	$ (1,251,446)	$ (1,251,446)
54	**Net Income (Loss)**		$ (1,538,197)	$ (2,484,664)	$ 392,538
55					
56	Supporting Schedules:				Recap Schedules:
57	E-2				A-2
58					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RLJ-DT3
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	$ (1,538,197)	$ (2,484,664)	$ 392,538
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	1,497,193	1,497,193
6	Deferred Income Tax	-		
7	Other Adjustments	-		
8	Changes in Assets & Liabilities			
9	Customer Accounts Receivable	(27,681)		
10	Notes/Receivables from Associated Companies	(30,446)		
11	Plant Materials and Supplies	(560)		
12	Prepayments	(3,448)		
13	Miscellaneous Current and Accrued Assets	-		-
14	Special Deposits	(132,970)		
15	Deferred Debits	(893,173)	(693,173)	-
16	Accounts Payable	(694,569)		
17	Notes Payable	588,085		(588,085)
18	Payable to Associated Companies	1,198,726		
19	Customer Deposits	14,271		
20	Accrued Taxes	-		
21	Accrued Interest	37,289		
22	Miscellaneous Current Liabilities	132,713		
	Deferred Credits	(56,047)		
23	Total From Operations	$ (233,496)	$ (1,680,645)	$ 1,301,645
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(306,427)	(306,427)
27	Long-Term Debt	(300,030)	0	0
29	Advances in Aid of Construction	(54,802)	(54,802)	(54,802)
30	Contributions in Aid of Construction	-	-	-
31	Paid in Capital	3,033,241	4,000,000	900,000
32	Total From Financing	$ 2,388,104	$ 3,638,771	$ 538,771
33				
34	Application of Funds			
35	Cash Flow from Investing Activities			
36	Capital Expenditures	(2,102,526)	(2,044,670)	(2,044,670)
37	Dividends Paid	-	-	-
38	Other	-	-	-
39	Total From Investing Activities	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
40				
41	Net Increase/(Decrease) in Cash	$ 52,082	$ (86,543)	$ (204,254)
42				
43	Cash, Beginning of Year	$ (50,289)	$ 1,794	$ 1,794
44	Cash, End of Year	$ 1,794	$ (84,750)	$ (202,460)
45				
46				
47	Supporting Schedules:			Recap Schedules:
48	E-3			A-5
49	F-3			
50				

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

Exhibit: RLJ-DT3
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	$ 97,553	$ -	$ -	$ -
7	Collection Plant	4,971,423	-	75,000	75,000
9	Treatment Plant	15,395,039	2,024,670	69,500	520,000
11	Reuse Plant	2,310	-	-	-
13	General Plant	104,459	20,000	20,000	20,000
15	Total Plant	$ 20,570,785	$ 2,044,670	$ 164,500	$ 615,000

18 Workpapers:

Recap Schedules:
F-2 A-4

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

Exhibit: RLJ-DT3
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:
13	
14	

Recap Schedules:

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-DT3
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	Flat Rate Revenue				
3	Residential	$ 1,844,030	$ 5,311,655	$ 3,467,625	188.05%
4	Commercial	23,186	66,785	43,599	188.05%
5	RV Park (RV Spaces)	46,545	133,987	87,442	187.87%
6	Re-Establihment (Residential)	142,180	409,543	267,363	188.05%
7					
8	Metered Reuse Revenues	131,759	131,759	-	0.00%
9					
10	Other Sewer Revenue	43,064	43,064	-	0.00%
11					
12	Total Sewer Revenues	$ 2,230,763	$ 6,096,793	$ 3,866,030	173.31%
13					
14	Reconciliation				
15	Bill Count Revenue	$ 2,230,763			
16					
17	Water Revenues per G.L.	2,239,713			
18	Revenue Adjustment IS-1	(3,612)			
19	Revenue Adjustment IS-2	(8,119)			
20	Adjusted G.L. Revenue	$ 2,227,982			
21					
22	Unreconciled Difference	$ 2,781			
23	Percentage Difference	0.12%			
24					
25					
26	Supporting Schedules:				Recap Schedules:
27	H-2				A-1
28					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-DT3
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	Flat Rate Revenue						
3	Residential	7,067	-	$ 1,844,030	$ 5,311,655	3,467,625	188.05%
4	Commercial	44	-	23,186	66,785	43,599	188.05%
5	RV Park (RV Spaces)	713	-	46,545	133,987	87,442	187.87%
6	Re-Establihment (Residential)	545	-	142,180	409,543	267,363	188.05%
7	Subtotal Flat Rate	8,369		$ 2,055,940	$ 5,921,970	$ 3,866,030	188.04%
8							
9	Metered Reuse Revenues	2	5,489,958	$ 131,759	$ 131,759	-	0.00%
10							
11	Other Sewer Revenue			$ 43,064	$ 43,064		0.00%
12							
13	Total	8,371		$ 2,230,763	$ 6,096,793	$ 3,866,030	173.31%
14							
15							
16	Supporting Schedules:					Recap Schedules:	
17						H-1	
18							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Exhibit: RLJ-DT3
Schedule H-3
Page 1
Witness: Jones

Line No.	**General Sewer Service Rates**	Monthly Charge			Volume Charge		
2		Present	Proposed		Present	Proposed	
3	Description	Rate	Rate	Change	Rate	Rate	Change
4							
5	Residential	$ 21.75	$ 62.65	$ 40.90			
6	Commercial	$ 43.50	$ 125.30	$ 81.80			
7	RV Space	$ 5.44	$ 15.66	$ 10.22			
8	Effluent Reuse	$ -	$ -	$ -	$ 1.00	Market[1]	$ -
9							

10 [1]Market rate not to exceed $1.00 per 1,000 gallons and not less than $0.20 per 1,000 gallons.
11

Line No.	**Other Service Charges**	Present Rates	Proposed Rates
13			
14	Establishment	$ 20.00	$ 40.00
15	Reconnection (Delinquent)	$ 20.00	$ 30.00
16	Deposit Requirement (Residential)	2 times the average bill	2 times the average bill
17	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill	2-1/2 times the average bill
18	Deposit Interest	6.0%	6.0%
19	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
20	NSF Check	$ 15.00	$ 30.00
21	Deferred Payment, Per Month	1.5%	1.5%
22	Late Payment Charge	1.5%	1.5%
23	Service Line Installation	Cost	Cost

24
25 In addition to the collection of regular rates, the utility will collect from its
26 customers a proportionate share of any privilege, sales, use, and franchise tax,
27 per Commission rule A.A.C. 14-2-608(D)(5).
28
29 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.
30

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

Exhibit: RLJ-DT3
Schedule H-4
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 62.65	$ 40.90	188.05%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 62.65					
6							

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

Exhibit: RLJ-DT3
Schedule H-4
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 43.50					
3			All	$ 43.50	$ 125.30	$ 81.80	188.05%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 125.30					
6							

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

Exhibit: RLJ-DT3
Schedule H-4
Witness: Jones

Meter Size: All
Class: RV Park - Per Space
Rate Code: 380

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 5.44					
3			All	$ 5.44	$ 15.66	$ 10.22	187.87%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 15.66					
6							

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

Exhibit: RLJ-DT3
Schedule H-4
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 62.65	$ 40.90	188.05%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 62.65					
6							

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

Exhibit: RLJ-DT3
Schedule H-4
Witness: Jones

Meter Size: All
Class: Effluent Reuse
Rate Code: 379

Line No.	Rate Schedules			Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**			-	$ -	$ -	$ -	
2	Monthly Charge:	$	-	1,000	$ 1.00	$ 1.00	$ -	0.00%
3				2,000	$ 2.00	$ 2.00	$ -	0.00%
4				3,000	$ 3.00	$ 3.00	$ -	0.00%
5				4,000	$ 4.00	$ 4.00	$ -	0.00%
6				5,000	$ 5.00	$ 5.00	$ -	0.00%
7	Commodity Rate	$	1.00	6,000	$ 6.00	$ 6.00	$ -	0.00%
8				7,000	$ 7.00	$ 7.00	$ -	0.00%
9				8,000	$ 8.00	$ 8.00	$ -	0.00%
10				9,000	$ 9.00	$ 9.00	$ -	0.00%
11				10,000	$ 10.00	$ 10.00	$ -	0.00%
12				12,000	$ 12.00	$ 12.00	$ -	0.00%
13				14,000	$ 14.00	$ 14.00	$ -	0.00%
14	**Proposed Rates:**			16,000	$ 16.00	$ 16.00	$ -	0.00%
15	Monthly Charge:	$	-	18,000	$ 18.00	$ 18.00	$ -	0.00%
16				20,000	$ 20.00	$ 20.00	$ -	0.00%
17				25,000	$ 25.00	$ 25.00	$ -	0.00%
18				30,000	$ 30.00	$ 30.00	$ -	0.00%
19				35,000	$ 35.00	$ 35.00	$ -	0.00%
20	Commodity Rate	$	1.00	40,000	$ 40.00	$ 40.00	$ -	0.00%
21				45,000	$ 45.00	$ 45.00	$ -	0.00%
22				50,000	$ 50.00	$ 50.00	$ -	0.00%
23				60,000	$ 60.00	$ 60.00	$ -	0.00%
24				70,000	$ 70.00	$ 70.00	$ -	0.00%
25				80,000	$ 80.00	$ 80.00	$ -	0.00%
26				90,000	$ 90.00	$ 90.00	$ -	0.00%
27				100,000	$ 100.00	$ 100.00	$ -	0.00%
28								
29				Average Usage				
30				5,489,958	$ 5,489.96	$ 5,489.96	$ -	0.00%
31				Median Usage				
32				4,260,000	$ 4,260.00	$ 4,260.00	$ -	0.00%
33								
34								

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

Exhibit: RLJ-DT3
Schedule H-5
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 62.65

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	- - -	84,783	-		84,783	100.00%	-	
2								
3	Totals	84,783		-	84,783		-	
4								
5	Equivalent Bills	84,783						
6								
7	Average Number of Customers		7,065					
8								
9								
10								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	84,783	$ 1,844,030	84,783	$ 5,311,655
Revenue Totals		$ 1,844,030		$ 5,311,655

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

Exhibit: RLJ-DT3
Schedule H-5
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 43.50	$ 125.30

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	- - -	533	-		533	100.00%	-	
2								
3	Totals	533		-	533		-	
4								
5	Equivalent Bills	533						
6								
7	Average Number of Customers		44					
8								
9								
10								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	533	$ 23,186	533	$ 66,785
Revenue Totals		$ 23,186		$ 66,785

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

Exhibit: RU-DT3
Schedule H-5
Witness: Jones

Meter Size: All
Class: RV Park - Per Space
Rate Code: 380

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 5.44	$ 15.66

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	- - -	8,556	-		8,556	100.00%	-	
2								
3	Totals	8,556		-	8,556		-	
4								
5	Equivalent Bills	8,556						

		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
7	Average Number of Customers 713	Base Charge	8,556	$ 46,545	8,556	$ 133,987
8					
9		Revenue Totals		$ 46,545		$ 133,987
10					

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

Exhibit: RLJ-DT3
Schedule H-5
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 62.65

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	- - -	6,537	-		6,537	100.00%	-	
2								
3	Totals	6,537		-	6,537		-	
4								
5	Equivalent Bills	6,537						

		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
6					
7	Average Number of Customers 545 — Base Charge	6,537	$ 142,180	6,537	$ 409,543
8					
9	Revenue Totals		$ 142,180		$ 409,543
10					

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

Exhibit: RLJ-DT3
Schedule H-5
Witness: Jones

Meter Size: All
Class: Effluent Reuse
Rate Code: 379

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ -	$ -
Commodity Rate	$ 1.00	$ 1.00

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	1,765,000 - 1,765,000	1	1,765,000	1,765,000	1	4.17%	1,765,000	1.34%
3	1,773,000 - 1,773,000	1	1,773,000	1,773,000	2	8.33%	3,538,000	2.69%
4	1,849,000 - 1,849,000	1	1,849,000	1,849,000	3	12.50%	5,387,000	4.09%
5	2,189,000 - 2,189,000	1	2,189,000	2,189,000	4	16.67%	7,576,000	5.75%
6	2,646,000 - 2,646,000	1	2,646,000	2,646,000	5	20.83%	10,222,000	7.76%
7	2,845,000 - 2,845,000	1	2,845,000	2,845,000	6	25.00%	13,067,000	9.92%
8	3,756,000 - 3,756,000	1	3,756,000	3,756,000	7	29.17%	16,823,000	12.77%
9	3,863,000 - 3,863,000	1	3,863,000	3,863,000	8	33.33%	20,686,000	15.70%
10	3,916,000 - 3,916,000	1	3,916,000	3,916,000	9	37.50%	24,602,000	18.67%
11	3,972,000 - 3,972,000	1	3,972,000	3,972,000	10	41.67%	28,574,000	21.69%
12	4,061,000 - 4,061,000	1	4,061,000	4,061,000	11	45.83%	32,635,000	24.77%
13	4,260,000 - 4,260,000	1	4,260,000	4,260,000	12	50.00%	36,895,000	28.00%
14	4,455,000 - 4,455,000	1	4,455,000	4,455,000	13	54.17%	41,350,000	31.38%
15	4,608,000 - 4,608,000	1	4,608,000	4,608,000	14	58.33%	45,958,000	34.88%
16	4,862,000 - 4,862,000	1	4,862,000	4,862,000	15	62.50%	50,820,000	38.57%
17	5,592,000 - 5,592,000	1	5,592,000	5,592,000	16	66.67%	56,412,000	42.81%
18	6,515,000 - 6,515,000	1	6,515,000	6,515,000	17	70.83%	62,927,000	47.76%
19	8,555,000 - 8,555,000	1	8,555,000	8,555,000	18	75.00%	71,482,000	54.25%
20	8,595,000 - 8,595,000	1	8,595,000	8,595,000	19	79.17%	80,077,000	60.78%
21	8,937,000 - 8,937,000	1	8,937,000	8,937,000	20	83.33%	89,014,000	67.56%
22	9,172,000 - 9,172,000	1	9,172,000	9,172,000	21	87.50%	98,186,000	74.52%
23	10,207,000 - 10,207,000	1	10,207,000	10,207,000	22	91.67%	108,393,000	82.27%
24	11,634,000 - 11,634,000	1	11,634,000	11,634,000	23	95.83%	120,027,000	91.10%
25	11,732,000 - 11,732,000	1	11,732,000	11,732,000	24	100.00%	131,759,000	100.00%
26								
27	Totals	24		131,759,000	24		131,759,000	
28								
29	Equivalent Bills	24						

		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
30					
31	Average Number of Customers 2	Base Charge	24	24	$ -
32		Commodity Charge	131,759.00	131,759	131,759
33	Average Consumption (gallons) 5,489,958	Revenue Totals	$ 131,759		$ 131,759
34					
35	Median Consumption (gallons) 4,260,000				
36					

EXHIBIT
A-2
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE	DOCKET NO. WS-03478A-12-0307

REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
MARCH 8, 2013

REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
March 8, 2013

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EXECUTIVE SUMMARY

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

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

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

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

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

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

I INTRODUCTION

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

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

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

A. Yes.

II PURPOSE OF TESTIMONY

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

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

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

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

III REBUTTAL REVENUE REQUIREMENT

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

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

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

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

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

IV COMPANY'S REBUTTAL ADJUSTMENTS

A RATE BASE ADJUSTMENTS

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

A. Company recommended Rebuttal Rate Base Adjustments:

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

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

<u>Rate Base Adjustment RB-4 - Las Barrancas #1</u>

Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT RB-4.

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

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

Rate Base Adjustment RB-5 - AFUDC Disallowance

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

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

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

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

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

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

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

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

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

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

Rate Base Adjustment RB-6 - Late Fees Disallowance

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

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

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

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

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

Rate Base Adjustment RB-8 – Capestro Management Fees Disallowance

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

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

Q. WHY DID STAFF DISALLOW THESE FEES?

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

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

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

Q. WHAT IS THE COMPANY PROPOSING?

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

<u>Rate Base Adjustment RB-9 – Working Capital</u>

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

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

The Adjustment incorporates the following recommendations:

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

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

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

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

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

B <u>INCOME STATEMENT ADJUSTMENTS</u>

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

A. Company recommended Rebuttal Income Statement Adjustments:

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

<u>Income Statement Adjustment IS-5 - Salaries and Wages – Officers and Directors</u>

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

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

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

Income Statement Adjustment IS-6 – Bad Debt Expense

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

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

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

Income Statement Adjustment IS-7 – Legal Expense

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

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

Income Statement Adjustment IS-8 – Salaries and Wages

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

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

Income Statement Adjustment IS-14 – Interest Expense

Q. DID YOU UPDATE COMPANY ADJUSTMENT IS-14?

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

Income Statement Adjustment IS-15 – Depreciation

Q. HAS COMPANY ADJUSTMENT IS-15 BEEN UPDATED?

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

Income Statement Adjustment IS-16 – Property Tax

Q. HAS COMPANY ADJUSTMENT IS-16 BEEN UPDATED?

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

Income Statement Adjustment IS-17 – Income Tax

Q. HAS COMPANY ADJUSTMENT IS-17 BEEN UPDATED?

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

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

V DISPUTED RATE BASE ISSUES

A STAFF

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

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

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

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

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

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

B <u>RUCO</u>

<u>Fish and Duffett Direct Testimonies</u>

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

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

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

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

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

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

A. The significant flaws are as follows:

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

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

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

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

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

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

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

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

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

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

Q. PLEASE SUMMARIZE YOUR POSITION REGARDING MR. DUFFETT'S CAPACITY ANALYSIS?

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

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

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

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

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

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

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

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

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

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

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

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

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

Coley Direct Testimony

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

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

Q. WHAT IS YOUR RECOMMENDATION REGARDING THESE PROPOSED ADJUSTMENTS?

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

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

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

Q. IS THIS APPROACH UNUSUAL?

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

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

VI DISPUTED INCOME STATEMENT ISSUES

A STAFF

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

A. No.

B RUCO

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

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

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

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

Q. WHY DOES THE COMPANY BELIEVE THIS IS INAPPROPRIATE?

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

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

NARUC 720 Repairs and Maintenance

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

Q. WHAT IS RUCO RECOMMENDING REGARDING WAGE INCREASES?

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

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

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

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

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

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

Q. HOW SHOULD THESE INCREASES BE TREATED?

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

VII COST OF CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. WHAT HAS RUCO RECOMMENDED REGARDING COST OF CAPITAL?

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

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

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

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

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

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

VIII RATE IMPLEMENTATION CONDITIONS

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

A. First and foremost, the Company acknowledges that each of the items addressed in Staff's recommendations should be resolved and that it is the Company's responsibility to resolve them[3]. The Company would like nothing more than to be able to report that they have all been resolved.

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

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

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

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

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

IX <u>RESPONSE TO GILKEY DIRECT TESTIMONY</u>

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

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

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

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

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

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

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

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

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

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

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

X <u>RESPONSE TO RIST DIRECT TESTIMONY</u>

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

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

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

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

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

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

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

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

XI RESPONSE TO HOUSEHOLDER DIRECT TESTIMONY

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

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

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

XII OTHER ISSUES

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

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

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB1

Far West Water and Sewer
Test Year Ended December 31, 2011
Index of Standard Filing Schedules

Exhibit: RLJ-RB1
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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

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

Line No.	Acct No.	Description	Actual End of Test Year	As Filed: PIS ADJ RB-1	As Filed: A/D ADJ RB-2	As Filed: CIAC ADJ RB-3	Rebuttal: Las Barrancas Not In Servcie ADJ RB-4	Rebuttal: AFUDC Disallow ADJ RB-5	Rebuttal: Interest Dissallow ADJ RB-6	Rebuttal: Legal Other Dissallow ADJ RB-7	Rebuttal: Capestro MF Dissallow ADJ RB-8	Rebuttal: Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Gross Utility Plant in Service	$ 42,605,611	$ (4,854,479)	$ -	$ -	$ (622,519)	$ (1,024,942)	$ (896,463)	$ (168,193)	$ (100,782)	$ -	$ (7,667,378)	$ 34,938,233
3														
4		Accumulated Depreciation	$ 6,870,429	$ -	$ (1,924,696)	$ -	$ (68,477)	$ (23,005)	$ (22,789)	$ (4,267)	$ (2,494)	$ -	$ (2,045,728)	$ 4,824,701
5														
6		Net Utility Plant in Service	35,735,182	(4,854,479)	1,924,696	-	(554,042)	(1,001,937)	(873,674)	(163,926)	(98,288)	-	(5,621,650)	30,113,532
7														
8		Less:												
9		Advances in Aid of Construction	10,814,970				(622,519)						(622,519)	10,192,451
10														
11		Contributions in Aid of Construction	2,440,167			(713,313)							(713,313)	1,726,854
12		Accumulated Amortization of CIAC	(1,302,925)			393,502							393,502	(909,423)
13		Contributions in Aid of Construction - Net	1,137,242	-	-	(319,811)	-	-	-	-	-	-	(319,811)	817,431
14														
15		Customer Security Deposits	26,359										-	26,359
16		Deferred Income Taxes	-										-	-
17														
18		Plus:												
19		Working Capital	1,653,938									(174,629)	(174,629)	1,479,309
20		Net Regulatory Asset / (Liability)											-	-
21														
22		Rate Base	$ 25,410,549	$ (4,854,479)	$ 1,924,696	$ 319,811	$ 68,477	$ (1,001,937)	$ (873,674)	$ (163,926)	$ (98,288)	$ (174,629)	$ (4,853,948)	$ 20,556,601
23														
24		Summary Recap:												
25		Rate Base As Filed	$ 22,800,577											
26		Rebuttal Adjustments	(2,243,976)											
27		Rebuttal Adjusted Rate Base	$ 20,556,601											
28														
29		Supporting Schedules:											Recap Schedules:	
30		E-1											B-1	
31														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments
Supplemental Schedule - Gross Utility Plant In Service by Account

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 1.1

			As Filed				Rebuttal							
Line No.	Acct No.	Description	Actual End of Test Year	PIS ADJ RB-1	A/D ADJ RB-2	CIAC ADJ RB-3	Las Barrancas Not In Servcie ADJ RB-4	AFUDC Disallow ADJ RB-5	Interest Dissallow ADJ RB-6	Legal Other Dissallow ADJ RB-7	Capestro MF Dissallow ADJ RB-8	Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Gross Utility Plant In Service												
3	351	Organization Cost	$ -	$ -				$ -	$ -	$ -	$ -		$ -	$ -
4	352	Franchise Cost	3,076	-				-	-	-	-		-	3,076
5	353	Land and Land Rights	1,560,847	(147,410)				-	-	-	-		(147,410)	1,413,437
6	354	Structures & Improvements	2,633,622	(156,140)				(100,653)	(114,449)	(21,911)	(10,423)		(403,576)	2,230,046
7	355	Power Generating Equipment	68,993	-				(3,267)	(775)	(14)	(1,141)		(5,197)	63,796
8	360	Collection Sewers - Force	3,705,476	(201,148)				(221,090)	(5,243)	(321)	(12,424)		(440,226)	3,265,250
9	361	Collection Sewers - Gravity	8,749,140	(21,563)			$ (622,519)	-	-	-	-		(644,082)	8,105,058
10	362	Special Collecting Structures	-	-				-	-	-	-		-	-
11	363	Sevices to Customers	173,621	-				-	-	-	-		-	173,621
12	364	Flow Measuring Devices	32,468	-				-	-	-	-		-	32,468
13	365	Flow Measuring Installations	16,683	-				-	-	-	-		-	16,683
14	366	Reuse Services	-	-				-	-	-	-		-	-
15	367	Reuse Meters and Meter Installations	2,310	-				(71)	(75)	(14)	(8)		(168)	2,142
16	370	Receiving Wells	92,784	(18,557)				(4,269)	(4,571)	(821)	(493)		(28,711)	64,073
17	371	Pumping Equipment	1,496,705	(101,067)				(38,521)	(34,962)	(6,178)	(6,332)		(187,060)	1,309,645
18	374	Reuse Distribution Reserviors	-	-				-	-	-	-		-	-
19	375	Reuse Transmission and Dist. Sys.	-	-				-	-	-	-		-	-
20	380	Treatment and Disposal Equipment	21,650,302	(3,964,890)				(608,662)	(682,992)	(129,026)	(64,653)		(5,450,223)	16,200,079
21	381	Plant Sewers	736,542	(112,871)				(33,047)	(36,934)	(6,949)	(3,537)		(193,338)	543,204
22	382	Outfall Sewer Lines	2,256	(451)				(104)	(111)	(20)	(12)		(698)	1,558
23	389	Other Plant and Misc. Equipment	418,687	(24,546)				(14,902)	(15,958)	(2,867)	(1,720)		(59,993)	358,694
24	390	Office Furniture & Equipment	257,292	(2,720)				(255)	(285)	(53)	(27)		(3,340)	253,952
25	390	Computers & Software	30,027	(18,670)				-	-	-	-		(18,670)	11,356
26	391	Transportation Equipment	271,810	-				-	-	-	-		-	271,810
27	392	Stores Equipment	-	-				-	-	-	-		-	-
28	393	Tools, Shop & Garage Equipment	27,069	-				-	-	-	-		-	27,069
29	394	Laboratory Equipment	33,710	(16,292)				-	-	-	-		(16,292)	17,418
30	395	Power Operated Equipment	181,667	-				-	-	-	-		-	181,667
31	396	Communications Equipment	17,191	-				(101)	(108)	(19)	(12)		(240)	16,951
32	397	Miscellaneous Equipment	204,504	(68,153)				-	-	-	-		(68,153)	136,351
33	398	Other Tangible Plant	238,828	-				-	-	-	-		-	238,828
34														
35		Total - Gross Utility Plant In Service	$ 42,605,611	$ (4,854,479)	$ -	$ -	$ (622,519)	$ (1,024,942)	$ (896,463)	$ (168,193)	$ (100,782)	$ -	$ (7,667,378)	$ 34,938,233
36														
37														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments
Supplemental Schedule - Accumulated Depreciation by Account

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 1.2

Line No.	Acct No.	Description	As Filed: Actual End of Test Year	As Filed: PIS ADJ RB-1	As Filed: A/D ADJ RB-2	As Filed: CIAC ADJ RB-3	Rebuttal: Las Barrancas Not In Servcie ADJ RB-4	Rebuttal: AFUDC Disallow ADJ RB-5	Rebuttal: Interest Dissallow ADJ RB-6	Rebuttal: Legal Other Dissallow ADJ RB-7	Rebuttal: Capestro MF Dissallow ADJ RB-8	Rebuttal: Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Accumulated Depreciation												
3	351	Organization Cost	$ -		$ -			$ -	$ -	$ -	$ -		$ -	$ -
4	352	Franchise Cost	-		-			-	-	-	-		-	-
5	353	Land and Land Rights	-		-			-	-	-	-		-	-
6	354	Structures & Improvements	138,113		(86,844)			(1,676)	(1,906)	(365)	(174)		(90,964)	47,150
7	355	Power Generating Equipment	1,725		-			(82)	(19)	(0)	(29)		(130)	1,595
8	360	Collection Sewers - Force	181,585		(27,458)			(2,211)	(52)	(3)	(124)		(29,849)	151,736
9	361	Collection Sewers - Gravity	1,723,051		(10,564)		$ (68,477)	-	-	-	-		(79,041)	1,644,010
10	362	Special Collecting Structures	-		-			-	-	-	-		-	-
11	363	Sevices to Customers	8,395		(3,697)			-	-	-	-		(3,697)	4,698
12	364	Flow Measuring Devices	29,877		2,591			-	-	-	-		2,591	32,468
13	365	Flow Measuring Installations	13,766		2,918			-	-	-	-		2,918	16,683
14	366	Reuse Services	-		-			-	-	-	-		-	-
15	367	Reuse Meters and Meter Installations	96		-			(3)	(3)	(1)	(0)		(7)	89
16	370	Receiving Wells	1,546		(309)			(71)	(76)	(14)	(8)		(478)	1,068
17	371	Pumping Equipment	397,823		44,393			(2,408)	(2,185)	(386)	(396)		39,019	436,842
18	374	Reuse Distribution Reserviors	-		-			-	-	-	-		-	-
19	375	Reuse Transmission and Dist. Sys.	-		-			-	-	-	-		-	-
20	380	Treatment and Disposal Equipment	3,825,791		(1,741,708)			(15,217)	(17,075)	(3,226)	(1,616)		(1,778,842)	2,046,949
21	381	Plant Sewers	27,488		(8,302)			(826)	(923)	(174)	(88)		(10,313)	17,174
22	382	Outfall Sewer Lines	38		(8)			(2)	(2)	(0)	(0)		(12)	26
23	389	Other Plant and Misc. Equipment	45,316		(30,304)			(497)	(532)	(96)	(57)		(31,486)	13,830
24	390	Office Furniture & Equipment	31,463		(4,279)			(9)	(10)	(2)	(1)		(4,300)	27,163
25	390	Computers & Software	25,306		(21,597)			-	-	-	-		(21,597)	3,709
26	391	Transportation Equipment	125,372		68,655			-	-	-	-		68,655	194,028
27	392	Stores Equipment	-		-			-	-	-	-		-	-
28	393	Tools, Shop & Garage Equipment	3,124		-			-	-	-	-		-	3,124
29	394	Laboratory Equipment	21,263		(20,469)			-	-	-	-		(20,469)	793
30	395	Power Operated Equipment	23,457		-			-	-	-	-		-	23,457
31	396	Communications Equipment	1,182		-			(5)	(5)	(1)	(1)		(12)	1,170
32	397	Miscellaneous Equipment	137,179		(87,714)			-	-	-	-		(87,714)	49,465
33	398	Other Tangible Plant	107,473		-			-	-	-	-		-	107,473
34														
35		Total - Accumulated Depreciation	$ 6,870,429	$ -	$ (1,924,696)	$ -	$ (68,477)	$ (23,005)	$ (22,789)	$ (4,267)	$ (2,494)	$ -	$ (2,045,728)	$ 4,824,701
36														
37														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 2
Witness: Jones

Plant In Service Balance

Line No.	Acct No.	Description	Actual End of Test Year	Book Adjustments - (Included on Schedule B.2.1) [1.1] Conform to Decision No. 69335	[1.2] 2006 Audit Adjustment[1]	[1.3] Plant Held For Future Use	[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	Adjusted Book End of Test Year[2]	Rate Making Adjustment [1.7] Exclude Section 14 Phase II Costs	Adjusted End of Test Year
4	351	Organization Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	352	Franchise Cost	3,076	-	-	-	-	-	-	3,076	-	3,076
6	353	Land and Land Rights	1,560,847	(334,587)	334,587	(147,410)	-	-	-	1,413,437	-	1,413,437
7	354	Structures & Improvements	2,633,622	(9,581)	-	(75,000)	-	-	(71,559)	2,477,482	-	2,477,482
8	355	Power Generating Equipment	68,993	-	-	-	-	-	-	68,993	-	68,993
9	360	Collection Sewers - Force	3,705,476	(197,379)	-	-	(2,923)	-	-	3,505,174	(846)	3,504,328
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0	-	-	-	-	8,731,500	(3,923)	8,727,577
11	362	Special Collecting Structures	-	-	-	-	-	-	-	-	-	-
12	363	Sevices to Customers	173,621	-	-	-	-	-	-	173,621	-	173,621
13	364	Flow Measuring Devices	32,468	-	-	-	-	-	-	32,468	-	32,468
14	365	Flow Measuring Installations	16,683	-	-	-	-	-	-	16,683	-	16,683
15	366	Reuse Services	-	-	-	-	-	-	-	-	-	-
16	367	Reuse Meters and Meter Installations	2,310	-	-	-	-	-	-	2,310	-	2,310
17	370	Receiving Wells	92,784	-	-	-	-	-	-	92,784	(18,557)	74,227
18	371	Pumping Equipment	1,496,705	19,255	-	-	(19,255)	-	-	1,496,705	(101,067)	1,395,638
19	374	Reuse Distribution Reserviors	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-	-
21	380	Treatment and Disposal Equipment	21,650,302	(584,970)	(231,971)	-	(19,867)	-	(1,196,028)	19,617,466	(1,932,055)	17,685,412
22	381	Plant Sewers	736,542	-	-	-	-	-	(4,569)	731,973	(108,302)	623,671
23	382	Outfall Sewer Lines	2,256	-	-	-	-	-	-	2,256	(451)	1,805
24	389	Other Plant and Misc. Equipment	418,687	4,833	-	-	(4,833)	(24,546)	-	394,141	-	394,141
25	390	Office Furniture & Equipment	257,292	-	-	-	-	(2,720)	-	254,572	-	254,572
26	390.1	Computers & Software	30,027	-	-	-	-	(18,670)	-	11,356	-	11,356
27	391	Transportation Equipment	271,810	-	-	-	-	-	-	271,810	-	271,810
28	392	Stores Equipment	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	27,069	-	-	-	-	-	-	27,069	-	27,069
30	394	Laboratory Equipment	33,710	-	-	-	-	(16,292)	-	17,418	-	17,418
31	395	Power Operated Equipment	181,667	-	-	-	-	-	-	181,667	-	181,667
32	396	Communications Equipment	17,191	-	-	-	-	-	-	17,191	-	17,191
33	397	Miscellaneous Equipment	204,504	-	-	-	-	(7,633)	(60,520)	136,351	-	136,351
34	398	Other Tangible Plant	238,828	-	-	-	-	-	-	238,828	-	238,828
37		TOTALS	$ 42,605,611	$ (1,120,069)	$ 102,617	$ (222,410)	$ (46,877)	$ (69,861)	$ (1,332,676)	$ 39,916,333	$ (2,165,201)	$ 37,751,132
38		Equity Adjustments (Schedule D-1)		$ (1,120,069)	$ 102,617		$ (46,877)					

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

40 Plant In Service per Books	$ 42,605,611
42 Increase / (Decrease) in Plant in Service	$ (4,854,479)

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

[2] Adjusted plant in service balance including all book adjustments. Agrees with 2011 plant in service balance on Schedule B2.1.

Supporting Schedules:
B-2.1

Workpapers:
FW Rate Case Data.xlsx

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 2.1
Witness: Jones

Used and Useful Adjustment for Section 14 WWTP

Line No.				
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5			Projected	Projected
6		Test Year	5-Yr Increase	12/31/2016
7	Maximum Day Flow (MGD)	0.511	0.181	0.692
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12			Incremental	
13		Phase I	Phase II	
14		Cost	Cost	Total Cost
15				
16	Section 14 WWTP Plant In Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				
20	Workpapers:			
21	FW Rate Case Data.xlsx - Sec 14			
22				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 3
Witness: Jones

Accumulated Depreciation

Line No.	Acct No.	Description	Actual End of Test Year	Book Adjustments - (Included on Schedule B.2.1) [2.1] Unbooked Plant Retirements	[2.2] Unbooked WWTP Retirements	[2.3] Difference From Calc'd on B-2.1	[2.4] Eliminate Rounding Differences	Adjusted Book End of Test Year[1]	Rate Making Adjustment [2.5] Exclude Section 14 Phase II Costs	[2.6] NOT USED	[2.7] NOT USED	Adjusted End of Test Year	
4	351	Organization Cost	$ -	$ -	$ -	$ -		$ -	$ -			$ -	
5	352	Franchise Cost	-	-	-	-		-	-			-	
6	353	Land and Land Rights	-	-	-	-		-	-			-	
7	354	Structures & Improvements	138,113	-	(71,559)	(15,284)		51,270	-			51,270	
8	355	Power Generating Equipment	1,725	-	-	-	-	1,725	-			1,725	
9	360	Collection Sewers - Force	181,585	-	-	(27,450)		154,135	(8)			154,126	
10	361	Collection Sewers - Gravity	1,723,051	-	-	(10,525)		1,712,526	(39)			1,712,487	
11	362	Special Collecting Structures	-	-	-	-		-	-			-	
12	363	Sevices to Customers	8,395	-	-	(3,697)		4,698	-			4,698	
13	364	Flow Measuring Devices	29,877	-	-	2,591		32,468	-			32,468	
14	365	Flow Measuring Installations	13,766	-	-	2,918		16,683	-			16,683	
15	366	Reuse Services	-	-	-	-		-	-			-	
16	367	Reuse Meters and Meter Installations	96	-	-	(0)	0	96	-			96	
17	370	Receiving Wells	1,546	-	-	(2)	2	1,546	(309)			1,237	
18	371	Pumping Equipment	397,823	-	-	50,710		448,533	(6,317)			442,217	
19	374	Reuse Distribution Reserviors	-	-	-	-		-	-			-	
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-		-	-			-	
21	380	Treatment and Disposal Equipment	3,825,791	-	(1,196,028)	(497,379)		2,132,384	(48,301)			2,084,083	
22	381	Plant Sewers	27,488	-	(4,569)	(1,025)		21,894	(2,708)			19,186	
23	382	Outfall Sewer Lines	38	-	-	(0)	0	38	(8)			30	
24	389	Other Plant and Misc. Equipment	45,316	(24,546)	-	(5,758)		15,012	-			15,012	
25	390	Office Furniture & Equipment	31,463	(2,720)	-	(1,559)		27,184	-			27,184	
26	390	Computers & Software	25,306	(18,670)	-	(2,927)		3,709	-			3,709	
27	391	Transportation Equipment	125,372	-	-	68,655		194,028	-			194,028	
28	392	Stores Equipment	-	-	-	-		-	-			-	
29	393	Tools, Shop & Garage Equipment	3,124	-	-	0	(0)	3,124	-			3,124	
30	394	Laboratory Equipment	21,263	(16,292)	-	(4,177)		793	-			793	
31	395	Power Operated Equipment	23,457	-	-	1	(1)	23,457	-			23,457	
32	396	Communications Equipment	1,182	-	-	0	(0)	1,182	-			1,182	
33	397	Miscellaneous Equipment	137,179	(7,633)	(60,520)	(19,561)		49,465	-			49,465	
34	398	Other Tangible Plant	107,473	-	-	-		107,473	-			107,473	
35		Unreconciled Difference	-			-		-				-	
36													
37		TOTALS	$ 6,870,429	$ (69,861)	$ (1,332,676)	$ (464,469)	$ 1	$ 5,003,423	$ (57,690)		$ -	$ 4,945,733	Total Equity Adj.
38		Equity Adjustments (Schedule D-1)				$ 464,469	$ (1)						$ 464,468
39													
40		Accumulated Depreciation per Books										$ 6,870,429	
41													
42		Increase / (Decrease) in Accumulated Depreciation										$ (1,924,696)	
43													

44 [1] Adjusted accumulated depreciation balance including all book adjustments. Agrees with 2011 accumulated depreciation balance on Schedule B2.1.

45

46 Supporting Schedules:
47 B-2.1
48 B-2, Page 3.1

Workpapers:
FW Rate Case Data.xlsx

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 3.1
Witness: Jones

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
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	$ 1,726,854	$ 909,423
3			
4	Book Balance at 12/31/2011	$ 2,440,167	$ 1,302,925
5			
6	Increase / (Decrease) in CIAC or AA CIAC	$ (713,313)	$ (393,502)
7			
8	Equity Adjustments (Schedule D-1)	$ 713,313	$ (393,502)
9			
10			
11			
12			
13			
14			
15	Supporting Schedules:		
16	B-2, Page 4.1		
17			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 4.1
Witness: Jones

Calculation of CIAC Balances

Line No.		Amort Rate	Decision No. 69335 Balance 12/31/2004	Adjustments Per 2006 Audit Amount	Adjustments Per 2006 Audit Balance	2005 Additions	2005 Balance	2006 Additions	2006 Balance	2007 Additions	2007 Balance
1											
2	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284		20,284		20,284		20,284
3	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570		1,706,570		1,706,570		1,706,570
4											
5	Total CIAC		3,247,057		1,726,854		1,726,854		1,726,854		1,726,854
6											
7	Amortization CIAC (half-yr convention)										
8	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	406	1,420	406	1,826	406	2,231
9	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	85,329	393,598	85,329	478,927	85,329	564,255
10											
11	Accumulated Amortization of CIAC		385,294		309,284		395,018		480,752		566,486
12											
13	Net CIAC		2,861,763		1,417,570		1,331,836		1,246,102		1,160,368
14											
15											
16			2007	2008		2009		2010		2011	
17											
18			Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
19											
20	CIAC - 361 Collection Sewers		20,284		20,284		20,284		20,284		20,284
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570		1,706,570		1,706,570		1,706,570
22											
23	Total CIAC		1,726,854		1,726,854		1,726,854		1,726,854		1,726,854
24											
25	Amortization CIAC (half-yr convention)										
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	406	3,043	406	3,448	406	3,854
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	85,329	734,912	85,329	820,241	85,329	905,569
28											
29	Accumulated Amortization of CIAC		566,486		652,221		737,955		823,689		909,423
30											
31	Net CIAC		1,160,368		1,074,633		988,899		903,165		817,431
32											
33											
34									Composite Amortization Rate		4.9648%
35											
36											
37	Supporting Schedules:										
38											
39	B-2, Page 4.2										
40											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RB1
Schedule B-2 - Rebuttal
Page 4.2
Witness: Jones

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	CIAC Adjustments	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No. 69335	Adjusted Balance Per Decision	2006 Audit Adjustment[1]	2004 Adjusted Balance
1									
2									
3	DESCRIPTION								
4	COLL SEWERS-GRAVITY-CIAC		361C						
5	Payson (Fortuna Rd Ext, 5)	7/1/2000	361C	S2					
6	Swnsn\Ave 10E, Lines & 11 MH	7/1/2001	361C	S2	69,500	(69,500)	-		-
7	Seasons Unit 3 Lines	7/1/2002	361C	S3	73,684	(53,400)	20,284		20,284
8	Palm Shadows Fortuna Rd Ext	7/1/2002	361C		121,515	(77,402)	44,113	(44,113)	-
9					264,699	(200,302)	64,397	(44,113)	20,284
10									
11	TREATMENT, DISPOSAL EQ CIAC		380C						
12	Marwood Sewer Plant-Final	7/1/1999	380C	S8	426,690	(344,910)	81,780		81,780
13	Palm Shdws Treatment Plt	7/1/1999	380C	S2	408,981	(139,756)	269,225		269,225
14	Seasons Treatment Plant	7/1/1999	380C	S3	345,247	(64,698)	280,549		280,549
15	Palm Shadows Additions	7/1/2000	380C	S2	6,864	-	6,864		6,864
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	S5	65,000	-	65,000		65,000
17	Royale Sewer Plant	7/1/2001	380C	S6	65,000	-	65,000		65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	S4	52,000	-	52,000		52,000
19	Palm Shdws Plant Addn	7/1/2001	380C	S2	593,731	(30,937)	562,794		562,794
20	Section 14 WWTP w\ Lift Station	7/1/2003	380C	S7	756,614	(126,069)	630,545	(630,545)	-
21	MDS Plant Upgrade	7/1/2004	380C	S4	333,471	(10,113)	323,358		323,358
22	Del Oro WWTP	7/1/2004	380C	S4	845,545	-	845,545	(845,545)	-
23					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
24									
25	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
26	TOTAL CIAC		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
27	TOTALS				4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854
28									

Accumulated Amortization Adjustments

Line No.	DESCRIPTION	DATE ACQ	RATE	Accumulated Amortization Adjustment 2002	2003	2004	Total
29							
30							
31							
32							
33	COLL SEWERS-GRAVITY-CIAC						
34							
35	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)
36				(441)	(882)	(882)	(2,206)
37							
38	TREATMENT, DISPOSAL EQ CIAC						
39							
40	Section 14 WWTP w\ Lift Station	7/1/2003	5.0%		(15,764)	(31,527)	(31,527)
41	Del Oro WWTP	7/1/2004	5.0%			(21,139)	(42,277)
42				-	(15,764)	(52,666)	(73,805)
43							
44	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)
45	TOTAL Amortization of CIAC			-	(15,764)	(52,666)	(73,805)
46	TOTALS			(441)	(16,646)	(53,548)	(76,010)
47							

48 [1]Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

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Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-4

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

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-5

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AFUDC Disallowance (Staff RBA #3)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed
1	354	$ 1,425,696	$ 65,596	$ 737,402	$ 35,057		$ -		$ -	$ 2,163,098	$ 100,653
2	355		-		-	68,993	3,267		-	68,993	3,267
3	360	23,849	1,097	156	7	361,203	17,102	2,254,102	202,883	2,639,310	221,090
4	370	92,784	4,269		-		-		-	92,784	4,269
5	371	505,333	23,250	132,358	6,293	189,617	8,978		-	827,308	38,521
6	380	9,660,273	444,467	3,453,701	164,195		-		-	13,113,974	608,662
7	381	541,509	24,915	171,054	8,132		-		-	712,563	33,047
8	382	2,256	104		-		-		-	2,256	104
9	389	323,894	14,902		-		-		-	323,894	14,902
10	390	4,253	196	1,252	60		-		-	5,506	255
11	367	1,532	71		-		-		-	1,532	71
12	396	2,185	101	-	-	-	-	-	-	2,185	101
13		$ 12,583,565	$ 578,967	$ 4,495,923	$ 213,744	$ 619,813	$ 29,347	$ 2,254,102	$ 202,883	$ 19,953,403	$ 1,024,942
14											
15	AFUDC Total	$ 1,757,533		$ 689,039		$ 64,905		$ 401,118		$ 2,912,595	
16	AFUDC Apr. 2009									1,439,423	
17	AFUDC Disallowance - Staff	$ 888,949		$ 348,511		$ 32,829		$ 202,883		$ 1,473,172	
18	Less 1/2 of Late Fees	(309,982)		(134,767)		(3,482)		-		(448,231)	
19	Net AFUDC Disallowance	$ 578,967		$ 213,744		$ 29,347		$ 202,883		$ 1,024,941	
20											
21											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-6

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Late Fees Disallowance (Staff RBA #4)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed
1	354	$ 1,425,696	$ 70,240.84	$ 737,402	$ 44,207.80		$ -		$ -	$ 2,163,098	$ 114,449
2	355		-		-	68,993	775		-	68,993	775
3	360	23,849	1,175	156	9	361,203	4,058	2,254,102	-	2,639,310	5,243
4	370	92,784	4,571		-		-		-	92,784	4,571
5	371	505,333	24,897	132,358	7,935	189,617	2,130		-	827,308	34,962
6	380	9,660,273	475,940	3,453,701	207,052		-		-	13,113,974	682,992
7	381	541,509	26,679	171,054	10,255		-		-	712,563	36,934
8	382	2,256	111		-		-		-	2,256	111
9	389	323,894	15,958		-		-		-	323,894	15,958
10	390	4,253	210	1,252	75		-		-	5,506	285
11	367	1,532	75		-		-		-	1,532	75
12	396	2,185	108	-	-		-		-	2,185	108
13		$ 12,583,565	$ 619,964	$ 4,495,923	$ 269,534	$ 619,813	$ 6,964	$ 2,254,102	$ -	$ 19,953,403	$ 896,463
14											
15	Late Fees	$ 619,964		$ 269,534		$ 6,964		$ -		$ 896,462	
16											
17	Disallowance	$ 619,964		$ 269,534		$ 6,964		$ -		$ 896,462	
18											
19											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-7

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Legal & Other Fees Disallowance (Staff RBA #5)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed
1	354	$ 1,425,696	$ 12,619.95	$ 737,402	$ 9,291.00		$ -		$ -	$ 2,163,098	$ 21,911
2	355		-		-	68,993	14		-	68,993	14
3	360	23,849	211	156	2	361,203	71	2,254,102	37	2,639,310	321
4	370	92,784	821		-		-		-	92,784	821
5	371	505,333	4,473	132,358	1,668	189,617	37		-	827,308	6,178
6	380	9,660,273	85,511	3,453,701	43,515		-		-	13,113,974	129,026
7	381	541,509	4,793	171,054	2,155		-		-	712,563	6,949
8	382	2,256	20		-		-		-	2,256	20
9	389	323,894	2,867		-		-		-	323,894	2,867
10	390	4,253	38	1,252	16		-		-	5,506	53
11	367	1,532	14		-		-		-	1,532	14
12	396	2,185	19	-	-		-		-	2,185	19
13		$ 12,583,565	$ 111,387	$ 4,495,923	$ 56,647	$ 619,813	$ 122	$ 2,254,102	$ 37	$ 19,953,403	$ 168,193
14											
15	Legal & Other Fees	$ 111,387		$ 56,647		$ 122		$ 37		$ 168,193	
16											
17	Disallowance	$ 111,387		$ 56,647		$ 122		$ 37		$ 168,193	
18											
19											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-8

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Capestro Management Fees Disallowance (Staff RBA #6)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed
1	354	$ 1,425,696	$ 7,569.17	$ 737,402	$ 2,853.71		$ -		$ -	$ 2,163,098	$ 10,423
2	355		-		-	68,993	1,141		-	68,993	1,141
3	360	23,849	127	156	1	361,203	5,975	2,254,102	6,322	2,639,310	12,424
4	370	92,784	493		-		-		-	92,784	493
5	371	505,333	2,683	132,358	512	189,617	3,137		-	827,308	6,332
6	380	9,660,273	51,287	3,453,701	13,366		-		-	13,113,974	64,653
7	381	541,509	2,875	171,054	662		-		-	712,563	3,537
8	382	2,256	12		-		-		-	2,256	12
9	389	323,894	1,720		-		-		-	323,894	1,720
10	390	4,253	23	1,252	5		-		-	5,506	27
11	367	1,532	8		-		-		-	1,532	8
12	396	2,185	12	-	-		-		-	2,185	12
13		$ 12,583,565	$ 66,808	$ 4,495,923	$ 17,399	$ 619,813	$ 10,253	$ 2,254,102	$ 6,322	$ 19,953,403	$ 100,782
14											
15	Legal & Other Fees	$ 133,615		$ 34,798		$ 20,505		$ 12,644		$ 201,562	
16											
17	Disallowance at 50%	$ 66,808		$ 17,399		$ 10,253		$ 6,322		$ 100,781	
18											
19											

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision No. 69335 - 02/20/2007 [1] Book Plant at 12/31/2004[1] [CSB-4]	[2] Adjustments Unsupported Plant [CSB-5]	[3] Adjustments Expensed Plant [CSB-6]	[4] Adjustments Capitalized Affil. Profit [CSB-7]	[5] Adjusted Plant at 12/31/2004 [1]+[2]+[3]+[4]	[6] Adjusted Accum Depr 12/31/2004[2] [CSB-9]	[7] Adjusted Net Plant 12/31/2004 [5]-[6]	Conform Current Books to 69335 [8] Book Plant at 12/31/2004 [FW G/L]	[9] Conforming Plant Adjustment [5]-[8]	[10] Adjusted Plant at 12/31/2004 [8]+[9]	Adjust per Audited Finacial Statement [11] 2006 Audit Adjustment[3] [FW G/L]	[12] Adjusted Plant at 12/31/2004 [10]+[11]	[13] Adjusted Net Plant 12/31/2004 [12]-[6]
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	3,076	-	-	-	3,076	-	3,076	3,076	-	3,076	-	3,076	3,076
3	353	Land and Land Rights	0.00%	82,567	-	-	-	82,567		82,567	417,154	(334,587)	82,567	334,587	417,154	417,154
4	354	Structures & Improvements	3.33%	213,157	-	-	(9,581)	203,576	21,707	181,869	213,157	(9,581)	203,576	-	203,576	181,869
5	355	*Power Generating Equipment*	5.00%	-	-	-	-	-		-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	423,126	(200,302)	2,923	-	225,747	51,906	173,841	423,126	(197,379)	225,747	-	225,747	173,841
7	361	Collection Sewers - Gravity	2.00%	7,689,131	-	-	(17,640)	7,671,491	541,187	7,130,304	7,689,131	(17,640)	7,671,491	0	7,671,491	7,130,304
8	362	Special Collecting Structures	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	25,725	-	-	-	25,725	18,836	6,889	25,725	-	25,725	-	25,725	6,889
11	365	Flow Measuring Installations	10.00%	11,378	-	-	-	11,378	8,331	3,047	11,378	-	11,378	-	11,378	3,047
12	366	Reuse Services	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-		-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-		-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	192,774	-	19,255	-	212,029	72,264	139,765	192,774	19,255	212,029	-	212,029	139,765
16	374	*Reuse Distribution Reserviors*	2.50%	-	-	-	-	-		-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-		-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	5,444,879	(716,483)	19,867	(120,324)	4,627,939	675,053	3,952,886	5,212,909	(584,970)	4,627,939	(231,971)	4,395,968	3,720,915
19	381	Plant Sewers	5.00%	20,168	-	-	-	20,168	2,332	17,836	20,168	-	20,168	-	20,168	17,836
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-		-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	16,044	-	4,833	-	20,877	6,153	14,724	16,044	4,833	20,877	-	20,877	14,724
22	390	Office Furniture & Equipment	6.67%	7,530	-	-	-	7,530	1,395	6,135	7,530	-	7,530	-	7,530	6,135
23	390.1	Computers & Software	20.00%	13,442	-	-	-	13,442	2,490	10,952	13,442	-	13,442	-	13,442	10,952
24	391	Transportation Equipment	20.00%	193,939	-	-	-	193,939	55,437	138,502	193,939	-	193,939	-	193,939	138,502
25	392	Stores Equipment	4.00%	-	-	-	-	-		-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-		-	-	-	-	-	-	-
27	394	*Laboratory Equipment*	10.00%	4,236	-	-	-	4,236	212	4,024	4,236	-	4,236	-	4,236	4,024
28	395	Power Operated Equipment	5.00%	2,940	-	-	-	2,940	221	2,719	2,940	-	2,940	-	2,940	2,719
29	396	Communications Equipment	10.00%	-	-	-	-	-		-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	93,591	-	-	-	93,591	30,948	62,643	93,591	-	93,591	-	93,591	62,643
31	398	Other Tangible Plant	10.00%	-	-	-	-	-		-	-	-	-	-	-	-
32																
33																
34																
35		TOTAL		14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395
36																

40 [1] During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
41 [2] Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
42 [3] Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006
43

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

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

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	10,706	-	10,706	-	-	-	-	7,395	227,422	36,100	191,322
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	291,768	-	291,768	-	-	-	-	7,433	517,516	63,854	453,662
7	361	Collection Sewers - Gravity	2.00%	622,519	-	622,519	-	-	-	-	160,047	8,313,615	854,860	7,458,755
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,131	31,313	24,819	6,494
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,138	11,378	10,607	771
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	101,215	-	101,215	-	-	-	-	34,298	324,992	133,800	191,192
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	675,205	-	675,205	-	-	-	-	280,099	5,939,573	1,196,660	4,742,913
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	1,008	20,168	4,349	15,819
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	9,253	-	9,253	-	2,340	2,340	-	1,674	28,553	6,905	21,648
22	390	Office Furniture & Equipment	6.67%	7,836	-	7,836	-	-	-	-	1,033	19,412	3,066	16,347
23	390.1	Computers & Software	20.00%	-	-	-	-	-	-	-	2,144	10,722	4,151	6,571
24	391	Transportation Equipment	20.00%	21,521	-	21,521	110,278	-	110,278	-	29,912	105,183	13,860	91,323
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	1,657	-	1,657	-	-	-	-	3,104	31,865	5,038	26,827
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	778	5,671
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	8,988	-	8,988	-	-	-	-	10,001	104,502	50,404	54,098
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33														
34														
35		TOTAL		1,750,670	-	1,750,670	110,278	2,340	112,618	-	542,740	16,112,893	2,409,249	13,703,644
36														

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	125,179	(125,179)	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	75,205	(75,000)	205	-	-	-	-	7,577	227,627	43,676	183,951
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	5,690	(2,923)	2,767	-	-	-	-	10,378	520,283	74,232	446,052
7	361	Collection Sewers - Gravity	2.00%	263,737	-	263,737	-	-	-	-	168,910	8,577,352	1,023,770	7,553,582
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	1,155	-	1,155	-	-	-	-	3,189	32,468	28,008	4,460
11	365	Flow Measuring Installations	10.00%	5,306	-	5,306	-	-	-	-	1,403	16,683	12,010	4,674
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	46,436	(19,255)	27,181	-	-	-	-	42,323	352,173	176,123	176,050
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	1,375,106	(19,867)	1,355,239	-	-	-	-	330,860	7,294,811	1,527,519	5,767,292
19	381	Plant Sewers	5.00%	-	-	-	-	4,569	4,569	-	894	15,599	674	14,925
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	4,833	(4,833)	-	-	12,419	12,419	-	1,490	16,134	(4,024)	20,158
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	1,295	19,412	4,361	15,052
23	390.1	Computers & Software	20.00%	5,648	-	5,648	-	-	-	-	2,709	16,369	6,860	9,509
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	21,037	105,183	34,896	70,287
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	3,187	31,865	8,224	23,641
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	1,101	5,348
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	75,103	-	75,103	-	-	-	-	14,205	179,605	64,609	114,996
31	398	Other Tangible Plant	10.00%	238,828	-	238,828	-	-	-	-	11,941	238,828	11,941	226,887
32														
33														
34														
35		TOTAL		2,222,224	(247,056)	1,975,168	-	16,988	16,988	-	621,719	18,071,073	3,013,980	15,057,093
36														

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	201,500	-	201,500	-	-	-		-	618,654	-	618,654
4	354	Structures & Improvements	3.33%	25,729	-	25,729	-	-	-	-	8,008	253,356	51,685	201,672
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	21,950	-	21,950	-	-	-	-	10,625	542,233	84,857	457,377
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,195,317	7,382,035
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,247	32,468	31,255	1,213
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	13,678	3,005
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	40,191	-	40,191	-	-	-	-	46,534	392,364	222,656	169,707
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	150,102	-	150,102	-	-	-	-	368,493	7,444,914	1,896,013	5,548,901
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	780	15,599	1,454	14,145
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	63,900	-	63,900	-	1,285	1,285	-	3,164	78,749	(2,145)	80,894
22	390	Office Furniture & Equipment	6.67%	(2,928)	-	(2,928)	-	2,720	2,720	-	1,106	13,764	2,747	11,017
23	390.1	Computers & Software	20.00%	7,679	-	7,679	-	6,518	6,518	-	3,390	17,530	3,732	13,798
24	391	Transportation Equipment	20.00%	62,812	-	62,812	-	-	-	-	27,318	167,995	62,214	105,781
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	(4,000)	(4,000)	-	3,387	35,865	15,611	20,254
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	322	6,449	1,423	5,026
30	397	Miscellaneous Equipment	10.00%	10,826	-	10,826	-	68,153	68,153	-	15,094	122,278	11,550	110,727
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	35,824	203,004
32														
33														
34														
35		TOTAL		581,761	-	581,761	-	74,676	74,676	-	688,567	18,578,158	3,627,870	14,950,288
36														

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	719,461	-	719,461	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	131,745	-	131,745	-	-	-	-	10,630	385,101	62,315	322,786
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	3,775	-	3,775	-	-	-	-	10,882	546,008	95,739	450,269
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,366,864	7,210,488
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	1,213	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	15,346	1,337
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	19,160	-	19,160	-	-	-	-	50,243	411,524	272,899	138,624
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	126,907	-	126,907	-	25,114	25,114	-	374,791	7,546,707	2,245,690	5,301,018
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	780	15,599	2,234	13,365
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	763	763	-	5,227	77,987	2,320	75,667
22	390	Office Furniture & Equipment	6.67%	330	-	330	-	-	-	-	929	14,094	3,676	10,418
23	390.1	Computers & Software	20.00%	348	-	348	-	4,024	4,024	-	3,138	13,853	2,846	11,007
24	391	Transportation Equipment	20.00%	53,818	-	53,818	-	-	-	-	38,981	221,813	101,195	120,618
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	-	23,664	-	-	-	-	592	23,664	592	23,072
27	394	Laboratory Equipment	10.00%	(4,000)	-	(4,000)	-	16,993	16,993	-	2,537	14,872	1,155	13,718
28	395	Power Operated Equipment	5.00%	166,875	-	166,875	-	-	-	-	4,494	173,324	5,917	167,406
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	12,228	122,278	23,778	98,500
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	59,707	179,121
32														
33														
34														
35		TOTAL		1,242,081	-	1,242,081	-	46,894	46,894	-	713,763	19,773,345	4,294,740	15,478,605
36														

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

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(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	843	-	843	-	-	-	-	12,838	385,943	75,153	310,791
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	348,184	-	348,184	-	-	-	-	14,402	894,192	110,141	784,051
7	361	Collection Sewers - Gravity	2.00%	51,333	-	51,333	-	-	-	-	172,060	8,628,685	1,538,924	7,089,761
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	148,087	-	148,087	-	-	-	-	1,481	148,087	1,481	146,606
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,337	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	39,434	-	39,434	-	-	-	-	53,905	450,957	326,804	124,153
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	*Treatment and Disposal Equipment*	5.00%	23,879	-	23,879	-	492	492	-	377,920	7,570,094	2,623,118	4,946,976
19	381	Plant Sewers	5.00%	3,811	-	3,811	-	-	-	-	875	19,410	3,109	16,301
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	7,739	7,739	-	4,944	70,248	(476)	70,723
22	390	Office Furniture & Equipment	6.67%	204,014	-	204,014	-	-	-	-	7,744	218,108	11,420	206,688
23	390.1	Computers & Software	20.00%	4,179	-	4,179	-	179	179	-	3,171	17,853	5,837	12,016
24	391	Transportation Equipment	20.00%	19,291	-	19,291	-	-	-	-	46,292	241,104	147,486	93,617
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,618	-	1,618	-	-	-	-	1,224	25,282	1,815	23,467
27	394	Laboratory Equipment	10.00%	-	-	-	-	1,642	1,642	-	1,405	13,231	918	12,312
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	8,666	173,324	14,584	158,740
29	396	Communications Equipment	10.00%	3,225	-	3,225	-	-	-	-	161	3,225	161	3,064
30	397	Miscellaneous Equipment	10.00%	5,277	-	5,277	-	-	-	-	12,492	127,555	36,270	91,285
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	83,590	155,238
32														
33														
34														
35		TOTAL		853,174	-	853,174	-	10,051	10,051	-	744,799	20,616,468	5,029,487	15,586,981
36														

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

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

(816,940)

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	97,553	(22,232)	75,322	-	-	-		-	1,413,437	-	1,413,437
4	354	Structures & Improvements	3.33%	2,163,098	-	2,163,098	-	71,559	71,559	-	47,676	2,477,482	51,270	2,426,212
5	355	Power Generating Equipment	5.00%	68,993	-	68,993	-	-	-	-	1,725	68,993	1,725	67,268
6	360	Collection Sewers - Force	2.00%	2,610,983	-	2,610,983	-	-	-	-	43,994	3,505,174	154,135	3,351,040
7	361	Collection Sewers - Gravity	2.00%	102,815	-	102,815	-	-	-	-	173,602	8,731,500	1,712,526	7,018,974
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	25,533	-	25,533	-	-	-	-	3,217	173,621	4,698	168,923
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	2,310	-	2,310	-	-	-	-	96	2,310	96	2,214
14	370	Receiving Wells	3.33%	92,784	-	92,784	-	-	-	-	1,545	92,784	1,545	91,239
15	371	Pumping Equipment	12.50%	1,045,747	-	1,045,747	-	-	-	-	121,729	1,496,705	448,533	1,048,172
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	13,217,795	-	13,217,795	-	1,170,423	1,170,423	-	679,689	19,617,466	2,132,384	17,485,082
19	381	Plant Sewers	5.00%	712,563	-	712,563	-	-	-	-	18,785	731,973	21,894	710,079
20	382	Outfall Sewer Lines	3.33%	2,256	-	2,256	-	-	-	-	38	2,256	38	2,218
21	389	Other Plant and Misc. Equipment	6.67%	323,894	-	323,894	-	-	-	-	15,487	394,141	15,012	379,129
22	390	Office Furniture & Equipment	6.67%	36,464	-	36,464	-	-	-	-	15,764	254,572	27,184	227,388
23	390.1	Computers & Software	20.00%	(1,448)	-	(1,448)	-	5,049	5,049	-	2,921	11,356	3,709	7,647
24	391	Transportation Equipment	20.00%	35,456	-	35,456	4,750	-	4,750	-	51,291	271,810	194,028	77,783
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,787	-	1,787	-	-	-	-	1,309	27,069	3,124	23,945
27	394	Laboratory Equipment	10.00%	5,844	-	5,844	-	1,657	1,657	-	1,532	17,418	793	16,624
28	395	Power Operated Equipment	5.00%	8,343	-	8,343	-	-	-	-	8,875	181,667	23,458	158,208
29	396	Communications Equipment	10.00%	13,966	-	13,966	-	-	-	-	1,021	17,191	1,182	16,009
30	397	Miscellaneous Equipment	10.00%	8,796	-	8,796	-	-	-	-	13,195	136,351	49,465	86,886
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	107,473	131,355
32														
33														
34														
35		TOTAL		20,575,535	(22,232)	20,553,303	4,750	1,248,688	1,253,438	-	1,227,373	39,916,333	5,003,422	34,912,911
36														

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

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

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

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

Exhibit: RLJ-RB1
Schedule B-5 - Rebuttal
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	$ 877,462	45.5768	12.0000	33.5768	0.0920	$ 80,719
3	Group Insurance	27,421	45.5768	(2.3334)	47.9102	0.1313	$ 3,599
4	Sludge Removal	55,247	45.5768	239.8508	(194.2740)	(0.5323)	$ (29,406)
5	Purchased Power	342,364	45.5768	59.8966	(14.3198)	(0.0392)	$ (13,432)
6	Chemicals	219,910	45.5768	63.9648	(18.3880)	(0.0504)	$ (11,079)
7	Repairs and Maintenance	181,981	45.5768	66.6282	(21.0514)	(0.0577)	$ (10,496)
8	Contractural Services	225,861	45.5768	67.2163	(21.6395)	(0.0593)	$ (13,390)
9	Rent - Buildings	20,669	45.5768	(18.5294)	64.1062	0.1756	$ 3,630
10	Rent - Equipment	45,758	45.5768	25.4922	20.0846	0.0550	$ 2,518
11	Transportation Expense	129,723	45.5768	(11.7634)	57.3402	0.1571	$ 20,379
12	Insurance	62,877	45.5768	20.6635	24.9133	0.0683	$ 4,292
13	Depreciation & Amortization	-	45.5768	-	45.5768	0.1249	$ -
14	Other Operating Expenses[1 3]	64,587	45.5768	30.0000	15.5768	0.0427	$ 2,756
15	TAXES						
16	Taxes Other than Income	76,451	45.5768	15.9481	29.6287	0.0812	$ 6,206
17	Property Taxes[2]	144,253	45.5768	729.6032	(684.0264)	(1.8740)	$ (270,337)
18	Income Tax[2]	271,374	45.5768	37.8750	7.7018	0.0211	$ 5,726
19	INTEREST						
20	Interest Expense	1,523,207	45.5768	17.5322	28.0446	0.0768	$ 117,035
21							
22							
23	WORKING CASH REQUIREMENT						$ (101,279)
24							

25 [1]All other Operating Expenses are assumed to be paid by the 30th of the month following the receipt of goods and services.
26 [2]At proposed rates.
27 [3]Bad Debt at proposed rates.
28 Workpapers:
29 FW Lead Lag Study - Rebuttal.xlsx
30

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

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

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

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

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

Line No.			Actual for Test Year Ended 12/31/2011	As Filed ADJ IS-1	ADJ IS-2	ADJ IS-3	ADJ IS-4	Rebuttal Adjustments ADJ IS-5 Staff OIA #1	ADJ IS-6 Staff OIA #2 RUCO OIA #5	ADJ IS-7 Staff OIA #3	ADJ IS-8 RUCO OIA #5	ADJ IS-9 Not Used	ADJ IS-10 Not Used	ADJ IS-11 Not Used	ADJ IS-12 Not Used
1	**Revenues**														
2	413	Income Utility Plant Leased to Others	$ 3,612	$ (3,612)											
3	521	Flat Rate Revenue	2,061,278		(8,119)										
4	536	Other Sewer Revenues	43,064												
5	541	Metered Reuse Revenue	131,759												
6	**Total Revenues**		$ 2,239,713	$ (3,612)	$ (8,119)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	**Operating Expenses**														
8	701	Salaries and Wages	$ 683,996				$ 118,075				$ (1,362)				
9	703	Salaries and Wages - Officers and Directors	137,000				(0)	(60,247)							
10	704	Employee Pension and Benefits	27,421												
11	710	Purchased Sewer Treatment	-												
12	711	Sludge Removal Expense	55,247												
13	715	Purchased Power	288,248			54,116									
14	718	Chemicals	219,910												
15	720	Repairs and Maintenance	181,981												
16	731	Contractual Services - Engineering	-												
17	732	Contractual Services - Accounting	7,230												
18	733	Contractual Services - Legal	43,865												
19	734	Contractual Services - Management Fees	-							(32,975)					
20	735	Contractual Services - Testing	147,025												
21	736	Contractual Services - Other	60,716												
22	741	Rent - Buildings	20,669												
23	742	Rent - Equipment	45,758												
24	750	Transportation Expense	129,723												
25	756	Insurance - Vehicle	12,610												
26	757	Insurance - General Liability	33,142												
27	758	Insurance - Workman's Compensation	17,125												
28	759	Insurance - Other	-												
29	760	Advertising Expense	476												
30	766	Regulatory Commission Expense - Rate Case	-												
31	767	Regulatory Expense - Other	-												
32	770	Bad Debt Expense	33,490						(20,450)						
33	775	Miscellaneous Expense	30,503												
34	403	Depreciation Expense	1,165,350												
35	408	Taxes Other Than Income	74,250				2,201								
36	408.11	Property Taxes	122,350												
37	409	Income Tax	(492,891)												
38	**Total Operating Expenses**		$ 3,045,196	$ -	$ -	$ 54,116	$ 120,275	$ (60,247)	$ (20,450)	$ (32,975)	$ (1,362)	$ -	$ -	$ -	$ -
39	**Operating Income**		$ (805,483)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ 60,247	$ 20,450	$ 32,975	$ 1,362	$ -	$ -	$ -	$ -
40	**Other Income (Expense)**														
41	409.20	Income Tax - Other Income and Deductions	$ 449,875												
42	415	Revenue from Jobbing, Contract Work	26,176												
43	416	Expenses from Jobbing, Contract Work	(26,176)												
44	419	Interest and Dividend Income	246												
45	420	AFUDC	748,855												
46	421	Non-Utility Income	-												
47	426	Miscellaneous Non-Utility Expenses	(33,219)												
48	427	Interest Expense	(1,523,207)												
49	428	Amortization of Debt Discount and Expense	(49,593)												
50	429	Amortization of Premium on Debt	3,285												
51	434	Extraordinary Deductions	(328,956)												
52	**Total Other Income (Expense)**		$ (732,714)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
53	**Net Income (Loss)**		$ (1,538,197)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ 60,247	$ 20,450	$ 32,975	$ 1,362	$ -	$ -	$ -	$ -
54															
55	Supporting Schedules:										Recap Schedules:				
56											C-1				

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

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

Line No.			As Filed ADJ IS-13 Rate Case	Updated Adjustments ADJ IS-14 Sync. Int.	ADJ IS-15 Depreciation	ADJ IS-16 Prop. Tax	ADJ IS-17 Income Tax	Total Adjustments	Test Year Adjusted Results
1	**Revenues**								
2	413	Income Utility Plant Leased to Others						$ (3,612)	$ -
3	521	Flat Rate Revenue						(8,119)	2,053,159
4	536	Other Sewer Revenues						-	43,064
5	541	Metered Reuse Revenue						-	131,759
6	**Total Revenues**		$ -	$ -	$ -	$ -	$ -	$ (11,731)	$ 2,227,982
7	**Operating Expenses**								
8	701	Salaries and Wages						$ 116,713	$ 800,709
9	703	Salaries and Wages - Officers and Directors						(60,247)	76,753
10	704	Employee Pension and Benefits						-	27,421
11	710	Purchased Sewer Treatment						-	-
12	711	Sludge Removal Expense						-	55,247
13	715	Purchased Power						54,116	342,364
14	718	Chemicals						-	219,910
15	720	Repairs and Maintenance						-	181,981
16	731	Contractual Services - Engineering						-	-
17	732	Contractual Services - Accounting						-	7,230
18	733	Contractual Services - Legal						(32,975)	10,890
19	734	Contractual Services - Management Fees						-	-
20	735	Contractual Services - Testing						-	147,025
21	736	Contractual Services - Other						-	60,716
22	741	Rent - Buildings						-	20,669
23	742	Rent - Equipment						-	45,758
24	750	Transportation Expense						-	129,723
25	756	Insurance - Vehicle						-	12,610
26	757	Insurance - General Liability						-	33,142
27	758	Insurance - Workman's Compensation						-	17,125
28	759	Insurance - Other						-	-
29	760	Advertising Expense						-	476
30	766	Regulatory Commission Expense - Rate Case	75,000					75,000	75,000
31	767	Regulatory Expense - Other						-	-
32	770	Bad Debt Expense						(20,450)	13,040
33	775	Miscellaneous Expense						-	30,503
34	403	Depreciation Expense			214,282			214,282	1,379,632
35	408	Taxes Other Than Income						2,201	76,451
36	408.11	Property Taxes				(26,622)		(26,622)	95,728
37	409	Income Tax					(565,559)	(565,559)	(1,058,450)
38	**Total Operating Expenses**		$ 75,000	$ -	$ 214,282	$ (26,622)	$ (565,559)	$ (243,542)	$ 2,801,653
39	**Operating Income**		$ (75,000)	$ -	$ (214,282)	$ 26,622	$ 565,559	$ 231,811	$ (573,672)
40	**Other Income (Expense)**								
41	409.20	Income Tax - Other Income and Deductions						$ -	$ 449,875
42	415	Revenue from Jobbing, Contract Work						-	26,176
43	416	Expenses from Jobbing, Contract Work						-	(26,176)
44	419	Interest and Dividend Income						-	246
45	420	AFUDC						-	748,855
46	421	Non-Utility Income						-	-
47	426	Miscellaneous Non-Utility Expenses						-	(33,219)
48	427	Interest Expense		413,151				413,151	(1,110,056)
49	428	Amortization of Debt Discount and Expense						-	(49,593)
50	429	Amortization of Premium on Debt						-	3,285
51	434	Extraordinary Deductions						-	(328,956)
52	**Total Other Income (Expense)**		$ -	$ 413,151	$ -	$ -	$ -	$ 413,151	$ (319,563)
53	**Net Income (Loss)**		$ (75,000)	$ 413,151	$ (214,282)	$ 26,622	$ 565,559	$ 644,962	$ (893,235)
54									
55	Supporting Schedules:							Recap Schedules:	
56								C-1	

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-1

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 3
Witness: Jones

Line No.			
1	Adjust Revenue to Eliminate Income From Leased Utility Plant		
2			
3	Revenues received from leased utility plant should be removed from revenue in order		
4	to match revenues to rate base, which excludes leased utility plant.		
5			
6			
7	Book revenue from Leased Utiliy Plant	$	3,612
8			
9	Increase/(Decrease) in Revenue	$	(3,612)
10			
11			
12			
13			

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

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

Line No.			
1	Adjust Revenue to eliminate unbilled revenue		
2			
3	Revenue is accrued at year-end to account for unbilled revenue based on an estimate		
4	of the usage that has occurred since the December meter reading. The following year the		
5	unbilled revenue entry is reversed. The net of these entries should be eliminated.		
6			
7	Flat Rate Revenue		
8	Reversal of 2010 Unbilled Revenue (Residential)	$ (115,489)	
9	Reversal of 2010 Unbilled Revenue (Commercial)	(1,321)	
10	Reversal of 2010 Unbilled Revenue (RV Parks)	(2,493)	
11	Booked 2011 Unbilled Revenue (Residential)	122,111	
12	Booked 2011 Unbilled Revenue (Commercial)	1,432	
13	Booked 2011 Unbilled Revenue (RV Parks)	3,879	
14	Net Unbooked Revenue	$ 8,119	
15			
16	Increase/(Decrease) in Revenues		$ (8,119)
17			
18			
19			
20			
21			
22	Workpaper		
23	FW Rate Case Data.xlsx - Trial Bal Adj		
24			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-3

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 5
Witness: Jones

Line No.					
1	Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities				
2					
3	The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,				
4	the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded				
5	Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs which is known and measureable and should be included in the Company's expenses.				
6					
7	Del Oro WWTP				
8	Test Year Purchased Power		$	69,246	
9	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	36,235			
10	Annualized Cost of Purchased Power	divide by (5/12)		86,965	
11					
12	Increase/(Decrease) in Purchased Power		$	17,719	
13					
14	Section 14 & Palm Shadows				
15	Test Year Purchased Power		$	102,835	
16	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	58,013			
17	Annualized Cost of Purchased Power	divide by (5/12)		139,232	
18					
19	Increase/(Decrease) in Purchased Power		$	36,397	
20					
21	Total Increase/(Decrease) in Purchased Power				$ 54,116
22					
26					
27	Workpaper				
28	FW Rate Case Data.xlsx - Power				
29					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-4

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 6
Witness: Jones

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 7
Witness: Jones

Adjust Rate Case Expense

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-14

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 8
Witness: Jones

Synchronize Interest Expense with Rate Base

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-15

RLJ-RB1
Schedule C-2 - Rebuttal
Page 9
Witness: Jones

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct	Description	As Filed Adjusted Test Year Balance 12/31/2011	Rebuttal Adjustments	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1							
2	351	Organization Cost	$ -	$ -	$ -	0.00%	$ -
3	352	Franchise Cost	3,076	-	3,076	0.00%	-
4	353	Land and Land Rights	1,413,437	-	1,413,437	0.00%	-
5	354	Structures & Improvements	2,477,482	(247,436)	2,230,046	3.33%	74,261
6	355	Power Generating Equipment	68,993	(5,197)	63,796	5.00%	3,190
7	360	Collection Sewers - Force	3,504,328	(239,078)	3,265,250	2.00%	65,305
8	361	Collection Sewers - Gravity	8,727,577	(622,519)	8,105,058	2.00%	162,101
9	362	Special Collecting Structures	-	-	-	2.00%	-
10	363	Sevices to Customers	173,621	-	173,621	2.00%	3,472
11	364	Flow Measuring Devices	32,468	-	32,468	10.00%	3,247
12	365	Flow Measuring Installations	16,683	-	16,683	10.00%	1,668
13	366	Reuse Services	-	-	-	2.00%	-
14	367	Reuse Meters and Meter Installations	2,310	(168)	2,142	8.33%	178
15	370	Receiving Wells	74,227	(10,154)	64,073	3.33%	2,134
16	371	Pumping Equipment	1,395,638	(85,993)	1,309,645	12.50%	163,706
17	374	Reuse Distribution Reserviors	-	-	-	2.50%	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-	2.50%	-
19	380	Treatment and Disposal Equipment	17,685,412	(1,485,333)	16,200,079	5.00%	810,004
20	381	Plant Sewers	623,671	(80,467)	543,204	5.00%	27,160
21	382	Outfall Sewer Lines	1,805	(247)	1,558	3.33%	52
22	389	Other Plant and Misc. Equipment	394,141	(35,447)	358,694	6.67%	23,925
23	390	Office Furniture & Equipment	254,572	(620)	253,952	6.67%	16,939
24	390	Computers & Software	11,356	-	11,356	20.00%	2,271
25	391	Transportation Equipment	271,810	-	271,810	20.00%	54,362
26	392	Stores Equipment	-	-	-	4.00%	-
27	393	Tools, Shop & Garage Equipment	27,069	-	27,069	5.00%	1,353
28	394	Laboratory Equipment	17,418	-	17,418	10.00%	1,742
29	395	Power Operated Equipment	181,667	-	181,667	5.00%	9,083
30	396	Communications Equipment	17,191	(240)	16,951	10.00%	1,695
31	397	Miscellaneous Equipment	136,351	-	136,351	10.00%	13,635
32	398	Other Tangible Plant	238,828	-	238,828	10.00%	23,883
33							
34							
35		TOTALS	$ 37,751,132	$ (2,812,899)	$ 34,938,233		$ 1,465,366
36							
37	Less:	Amortization of CIAC	$ 1,726,854		1,726,854	4.9648%	$ 85,734
38							
39	Adjusted Test Year Depreciation Expense						$ 1,379,632
40							
41	Test Year Depreciation Expense						$ 1,165,350
42							
43	Increase / (Decrease) in Depreciation Expense						$ 214,282
44							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-16

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 10
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	$ 2,227,982	$ 2,227,982
2	Adjusted Test Year Revenue	2,227,982	2,227,982
3	Adjusted Test Year Revenue	2,227,982	
4	Proposed Revenues after Increase		5,742,317
5	Average of three year's of revenue	2,227,982	3,399,427
6	Average of three year's of revenue, times 2	4,455,963	6,798,853
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,621,916	6,964,806
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	924,383	1,392,961
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	$ 95,728	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	$ (26,622)	
20			
21	Property Tax a Proposed Rates		$ 144,253
22	Adjusted Test Year Property Tax		95,728
23	Increase in Property Tax due to Rate Increase		$ 48,525
24			
25	Increase to Property Tax Expense		$ 48,525
26	Increase in Revenue Requirement		$ 3,514,335
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-17

Exhibit: RLJ-RB1
Schedule C-2 - Rebuttal
Page 11
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			$ 2,227,982	$ 5,742,317
4	Less: Operating Expenses (Excluding Income Taxes)			3,860,104	3,929,197
5	Less: Synchronized Interest			1,110,056	1,110,056
6	Arizona Taxable Income			$ (2,742,178)	$ 703,063
7	Arizona State Income Tax Rate			6.9680%	6.9680%
8	Arizona Income Tax			$ (191,075)	$ 48,989
9	Federal Taxable Income			$ (2,551,103)	$ 654,074
10					
11	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%			$ (7,500)	$ 7,500
12	Federal Tax on Second Income Bracket ($50,001 - 75,000) @ 25%			(6,250)	6,250
13	Federal Tax on Third Income Bracket ($75,001 - 100,000) @ 34%			(8,500)	8,500
14	Federal Tax on Fourth Income Bracket ($100,001 - 335,000) @ 39%			(91,650)	91,650
15	Federal Tax on Fifth Income Bracket ($335,001 - 10,000,000) @ 34%			(753,475)	108,485
16	Total Federal Income Tax			$ (867,375)	$ 222,385
17					
18	Combined Federal and State Income Tax			$ (1,058,450)	$ 271,374
19					
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)				6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)				34.0000%
22					
23	Calculation of Interest Synchronization				
24	Rate Base	$	20,556,601		
25	Weighted Average Cost of Debt		5.400%		
26	Synchronized Interest	$	1,110,056		
27					
28	Income Tax Adjustments				
29	Test Year Income Taxes - Booked			$ (492,891)	
30	Increase / (decrease) in Income Taxes (L24 - L35)			(565,559)	
31					
32	Test Year Income Taxes - Adjusted				$ (1,058,450)
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)				1,329,825
34					
35					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Gross Revenue Conversion Factor

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

Line No.			
	Calculation of Gross Revenue Conversion Factor		
1	Revenue	100.0000%	
2	Uncollectable Factor (Line 11)	0.3594%	
3	Revenue (L1 - L2)	99.6406%	
4	Combined Income Tax and Property Tax Rate (Line 23)	39.4467%	
5	Operating Income Percentage (L3 -L4)	60.1939%	
6	Gross Revenue Conversion Factor (L1 / L5)	1.661297	
	Calculation of Uncollectable Factor		
7	Unity	100.0000%	
8	Combined Federal and State Tax Rate (Line 17)	38.5989%	
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	61.4011%	
10	Uncollectable Rate (Line 26)	0.5853%	
11	Uncollectable Factor (L9 * L10)	0.3594%	
	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)	34.0000%	
16	Effective Federal Tax Rate (L14 * L15)	31.6309%	
17	Combined Federal and State Tax Rate (L13 + L16)		38.5989%
	Calculation of Effective Property Tax Rate		
18	Unity	100.0000%	
19	Combined Federal and State Tax Rate (Line 17)	38.5989%	
20	One Minus Combined Income Tax Rate (L18 - L19)	61.4011%	
21	Property Tax Factor (from Schedule C-2)	1.3808%	
22	Effective Property Tax Factor (L20 * L21)		0.8478%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)		39.4467%

	Calculation of Uncollectable Rate		
24	Bad Debt Expense (from Schedule C-1)	$	13,040
25	Total Revenues (from Schedule C-1)		2,227,982
26	Uncollectable Rate (L24 / L25)		0.5853%
27	Revenue Increase (from Schedule C-1)	$	3,514,335
28	Uncollectable Rate (Line 26)		0.5853%
29	Bad Debt Expense due to Increase	$	20,568

30	Supporting Schedules:	Recap Schedules:
31		A-1

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

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

Line No.	Invested Capital	End of Test Year (Adjusted) Amount	Percent of Total	Cost Rate[1]	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	$ 25,977,448	74.23%	6.7%	5.0%	$ 25,597,448	78.96%	6.7%	5.3%	$ 25,597,448	74.12%	6.7%	5.0%
3													
4	Short-Term Debt	1,732,342	4.95%	8.1%	0.4%	1,145,715	3.53%	10.0%	0.4%	1,145,715	3.32%	10.0%	0.3%
5													
6	Adjusted Common Equity	$ 7,285,912	20.82%	10.0%	2.1%	$ 5,676,399	17.51%	10.0%	1.8%	$ 7,791,816	22.56%	10.0%	2.3%
7													
8	Totals	$ 34,995,702	100.00%		7.5%	$ 32,419,562	100.00%		7.5%	$ 34,534,979	100.00%		7.6%
9													

10 [1] Cost of Long-Term Debt Per Projected Year (10% cost of debt for Zenon Loan)

11

12 Equity Adjustments

13	Common Equity per Sch. E-1	$ 7,565,963 (Consolidated Basis)
14		
15	PIS Equity Adjustments	$ (1,064,330)
16	A/D Equity Adjustments	464,468
17	AIAC Equity Adjustment	-
18	CIAC Equity Adjustment	713,313
19	AA CIAC Equity Adjustment	(393,502)
20		
21	Adjusted Common Equity	$ 7,285,912

22

23 Supporting Schedules:
24 D-2 D-3
25 D-4 E-1
26

Recap Schedules:
A-3

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Long-Term and Short-Term Debt

Exhibit: RLJ-RB1
Schedule D-2 - Rebuttal
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	IDA Series 2007A - Term 1	$ 2,695,000	$ 175,175	6.500%	$ 2,315,000	$ 175,175	6.500%
6	IDA Series 2007A - Term 2	21,340,000	$ 1,360,425	6.375%	21,340,000	1,360,425	6.375%
7	Zenon / Liberation Capital	1,942,448	$ 201,705	12.000%	-	$ 57,626	12.000%
8	Harry Elliott Trust				1,942,448	$ 145,684	10.000%
9							
10	Total Long-Term Debt	$ 25,977,448	$ 1,737,305	6.8%	$ 25,597,448	$ 1,738,910	6.7%
11							
12							
13	Short-Term Debt						
14	Hardknocks Ltd	$ 75,000	-	0.00%	$ -		
15	Scott Spencer	175,000	28,640	12.00%	-		
16	Harry Elliott	301,248	-	0.00%	-		
17	Gallager & Kennedy	36,837	-	12.00%	1,458	2,121	12.00%
18	Schechert Trust	1,144,257	147,269	10.00%	1,144,257	114,426	10.00%
19							
20	Total Short-Term Debt	$ 1,732,342	$ 175,909	8.1%	$ 1,145,715	$ 116,547	10.0%
21							
22							
23	Total All Debt	$ 27,709,790	$ 1,913,214	6.9%	$ 26,743,163	$ 1,855,457	6.8%
24							
25							
26	IDA Debt Detail by Service						
27		Sewer	Water	Total	Sewer	Water	Total
28	Series 2007A - Term 1	$ 2,173,211	$ 521,789	$ 2,695,000	$ 1,866,784	$ 448,216	$ 2,315,000
29	Series 2007A - Term 2	17,208,285	4,131,715	21,340,000	17,208,285	4,131,715	21,340,000
30	Total IDA Debt 12/31/11	$ 19,381,496	$ 4,653,504	$ 24,035,000	$ 19,075,069	$ 4,579,931	$ 23,655,000
31							
32	Workpapers:						
33	FW IDA Bond Amortization.xlsx						
34							
35	Supporting Schedules:						Recap Schedules:
36	E-1						D-1
37							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Preferred Stock

Exhibit: RLJ-RB1
Schedule D-3 - Rebuttal
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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Common Equity

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

Line No.		
1		
2	Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony	
3		
4	Supporting Schedules:	Recap Schedules:
5		D-1
6		

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

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

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	**ASSETS**			
2	**PROPERTY PLANT AND EQUIPMENT**			
3	101 Utility Plant In Service	$ 42,605,611	$ 22,034,826	$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 38,379,295	$ 37,566,992	$ 35,322,026
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 1,794	$ (50,289)	$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receiveable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	**Total Current Assets**	$ 2,391,631	$ 2,144,444	$ 2,223,444
22				
23	**DEFERRED DEBITS**			
24	181 Unamortized Debt Discount and Expense	$ 836,551	$ 868,726	$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	**Total Deferred Debits**	$ 3,278,252	$ 2,385,079	$ 1,940,092
28				
29	**TOTAL ASSETS**	$ 44,049,178	$ 42,096,515	$ 39,485,562
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31	**CAPITAL ACCOUNTS**			
32	201 Common Stock Issued	$ -	$ -	$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	**Total Capital**	$ 6,136,135	$ 4,641,091	$ 2,252,564
37				
38	**LONG-TERM DEBT**			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	**Total long-Term Debt**	$ 21,323,943	$ 21,914,277	$ 19,941,944
43				
44	**CURRENT LIABILITIES**			
45	231 Accounts Payable	$ 1,004,027	$ 1,698,596	$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	**Total Current Liabilities**	$ 3,358,071	$ 2,081,555	$ 4,138,192
54				
55	**DEFERRED CREDITS**			
56	251 Unamortized Premium on Debt	$ 85,413	$ 88,698	$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	$ 1,193,404	$ 1,246,165	$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	**Total Deferred Credits**	$ 13,231,029	$ 13,459,591	$ 13,152,862
63				
64	**Total Liabilities & Common Equity**	$ 44,049,178	$ 42,096,515	$ 39,485,562
65				
66	Supporting Schedules:			Recap Schedules:
67	E-5			A-3

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

Exhibit: RLJ-RB1
Schedule E-1 - Rebuttal
Page 2
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	$ 31,480,517	$ 31,010,947	$ 29,941,953
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	1,147,584	1,248,691	1,636,400
7	108 Less: Accumulated Depreciation	(13,749,565)	(12,765,995)	(11,772,704)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 19,085,298	$ 19,707,566	$ 20,023,152
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 5,841	$ (88,844)	$ 55,040
13	132 Special Deposits	371,762	339,839	370,674
14	141 Customer Accounts Receivable	630,894	625,173	631,736
15	142 Other Accounts Receiveable	-	500	1,050
16	143 Accumulated Provision for Uncollectable Accounts	(57,973)	-	-
17	146 Notes/Receivables from Associated Companies	126,336	197,642	149,446
18	151 Plant Materials and Supplies	79,130	78,292	74,719
19	162 Prepayments	56,890	55,618	53,555
21	174 Miscellaneous Current and Accrued Assets	-	-	-
22	**Total Current Assets**	$ 1,212,879	$ 1,208,220	$ 1,336,220
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 184,025	$ 191,102	$ 198,180
26	186 Deferred Debits	61,722	64,096	66,470
27	190 Accumulated Deferred Income Tax	(1,216,910)	(617,281)	-
28	**Total Deferred Debits**	$ (971,164)	$ (362,083)	$ 264,650
29				
30	**TOTAL ASSETS**	$ 19,327,013	$ 20,553,704	$ 21,624,022
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	7,087,369	7,087,369	7,087,369
36	211.1 Capital from Water Division	(17,889,015)	(14,855,775)	(11,637,268)
37	215 Retained Earnings	11,331,474	10,353,132	9,345,989
38	**Total Capital**	$ 1,429,828	$ 3,484,726	$ 5,696,089
39				
40	**LONG-TERM DEBT**			
41	221 Bonds	4,653,504	4,723,200	4,788,056
42	223 Advances from Associated Companies	-	-	-
43	224 Other Long-Term Debt	765,987	453,351	-
44	**Total long-Term Debt**	$ 5,419,492	$ 5,176,552	$ 4,788,056
45				
46	**CURRENT LIABILITIES**			
47	231 Accounts Payable	$ 558,626	$ 603,234	$ 881,372
48	232 Notes Payable	36,837	-	-
49	233 Accounts Payable to Associated Companies	79,713	40,938	10,038
50	234 Payable to Associated Companies	22,000	-	-
51	235 Customer Deposits	48,500	69,777	55,270
52	236 Accrued Taxes	-	-	-
53	237 Accrued Interest	237,116	133,473	63,626
54	241 Miscellaneous Current Liabilities	1,218,378	825,785	532,252
55	**Total Current Liabilities**	$ 2,201,170	$ 1,673,207	$ 1,542,558
56				
57	**DEFERRED CREDITS**			
58	251 Unamortized Premium on Debt	$ 20,611	$ 21,404	$ 22,196
59	252 Advances in Aid of Construction	5,200,253	5,973,861	5,419,197
60	253 Other Deferred Credits	12,500	37,500	75,000
61	271 Contributions in Aid of Construction	7,284,567	6,285,022	6,064,711
62	272 Accumulated Amortization CIAC	(2,241,407)	(2,098,567)	(1,983,787)
63	281 Accumulated Deferred Income Tax	-	-	-
64	**Total Deferred Credits**	$ 10,276,524	$ 10,219,219	$ 9,597,318
65				
66	**Total Liabilities & Common Equity**	$ 19,327,013	$ 20,553,704	$ 21,624,022
67				

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Balance Sheet

Exhibit: RLJ-RB1
Schedule E-1 - Rebuttal
Page 3
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	$ 74,086,128	$ 53,045,773	$ 51,123,605
4	102 Utility Plant Leased to Others	435,005	435,005	435,005
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	3,584,935	22,152,620	20,371,788
7	108 Less: Accumulated Depreciation	(20,619,994)	(18,351,681)	(16,585,220)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(21,480)	(7,160)	-
9	**Net Plant**	$ 57,464,593	$ 57,274,558	$ 55,345,178
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 7,634	$ (139,132)	$ 54,831
13	132 Special Deposits	1,920,260	1,755,367	1,914,636
14	141 Customer Accounts Receivable	1,067,682	1,000,191	956,101
15	142 Other Accounts Receiveable	4,000	5,100	5,050
16	143 Accumulated Provision for Uncollectable Accounts	(91,462)	-	-
17	146 Notes/Receivables from Associated Companies	528,296	569,156	446,254
18	151 Plant Materials and Supplies	97,570	96,172	91,919
19	162 Prepayments	70,531	65,811	80,234
21	174 Miscellaneous Current and Accrued Assets	-	-	10,638
22	**Total Current Assets**	$ 3,604,510	$ 3,352,665	$ 3,559,663
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 1,020,575	$ 1,059,829	$ 1,099,082
26	186 Deferred Debits	695,960	715,751	749,661
27	190 Accumulated Deferred Income Tax	590,552	247,416	356,000
28	**Total Deferred Debits**	$ 2,307,088	$ 2,022,996	$ 2,204,742
29				
30	**TOTAL ASSETS**	$ 63,376,191	$ 62,650,218	$ 61,109,584
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	9,430,633	9,430,633	9,430,633
36	215 Retained Earnings	(2,764,670)	(2,204,816)	(2,381,979)
37	**Total Capital**	$ 7,565,963	$ 8,125,817	$ 7,948,653
38				
39	**LONG-TERM DEBT**			
40	221 Bonds	24,035,000	24,395,000	24,730,000
41	223 Advances from Associated Companies	-	-	-
42	224 Other Long-Term Debt	2,708,435	2,695,829	-
43	**Total long-Term Debt**	$ 26,743,435	$ 27,090,829	$ 24,730,000
44				
45	**CURRENT LIABILITIES**			
46	231 Accounts Payable	$ 1,562,653	$ 2,301,830	$ 4,704,564
47	232 Notes Payable	624,923	-	-
48	233 Accounts Payable to Associated Companies	88,741	(4,504)	2,024
49	234 Payable to Associated Companies	1,166,257	-	-
50	235 Customer Deposits	74,859	81,864	79,065
51	236 Accrued Taxes	-	-	-
52	237 Accrued Interest	415,563	274,631	182,393
53	241 Miscellaneous Current Liabilities	1,626,246	1,100,940	712,706
54	**Total Current Liabilities**	$ 5,559,241	$ 3,754,762	$ 5,680,751
55				
56	**DEFERRED CREDITS**			
57	251 Unamortized Premium on Debt	$ 106,024	$ 110,102	$ 114,180
58	252 Advances in Aid of Construction	16,015,223	16,843,633	15,823,742
59	253 Other Deferred Credits	1,205,904	1,283,665	1,358,665
60	271 Contributions in Aid of Construction	9,724,735	8,725,189	8,504,878
61	272 Accumulated Amortization CIAC	(3,544,332)	(3,283,779)	(3,051,286)
62	281 Accumulated Deferred Income Tax	-	-	-
63	**Total Deferred Credits**	$ 23,507,553	$ 23,678,811	$ 22,750,179
64				
65	**Total Liabilities & Common Equity**	$ 63,376,191	$ 62,650,218	$ 61,109,584
66				

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

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

Line No.			Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	**Revenues**				
2	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	521	Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536	Other Sewer Revenues	43,064	67,480	180,670
5	541	Metered Reuse Revenue	131,759	103,241	104,537
6	**Total Revenues**		$ 2,239,713	$ 2,209,632	$ 2,132,099
7	**Operating Expenses**				
8	701	Salaries and Wages	$ 683,996	$ 472,735	$ 404,740
9	703	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704	Employee Pension and Benefits	27,421	31,352	33,334
11	710	Purchased Sewer Treatment	-	-	-
12	711	Sludge Removal Expense	55,247	83,830	102,450
13	715	Purchased Power	288,248	251,261	257,010
14	718	Chemicals	219,910	215,788	199,086
15	720	Repairs and Maintenance	181,981	100,337	122,341
16	731	Contractual Services - Engineering	-	-	-
17	732	Contractual Services - Accounting	7,230	105,840	289
18	733	Contractual Services - Legal	43,865	60,038	342,907
19	734	Contractual Services - Management Fees	-	-	-
20	735	Contractual Services - Testing	147,025	109,806	104,008
21	736	Contractual Services - Other	60,716	39,114	12,160
22	741	Rent - Buildings	20,669	20,311	19,292
23	742	Rent - Equipment	45,758	195,574	96,621
24	750	Transportation Expense	129,723	77,407	60,404
25	756	Insurance - Vehicle	12,610	10,767	9,155
26	757	Insurance - General Liability	33,142	39,173	24,445
27	758	Insurance - Workman's Compensation	17,125	13,722	13,726
28	759	Insurance - Other	-	-	9,000
29	760	Advertising Expense	476	284	25
30	766	Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767	Regulatory Expense - Other	-	-	-
33	770	Bad Debt Expense	33,490	-	5,630
34	775	Miscellaneous Expense	30,503	16,741	18,181
35	403	Depreciation Expense	1,165,350	655,457	625,330
36	408	Taxes Other Than Income	74,250	65,731	49,975
37	408.11	Property Taxes	122,350	92,177	79,555
38	409	Income Tax	(492,891)	-	-
39	**Total Operating Expenses**		$ 3,045,196	$ 2,782,352	$ 2,786,863
40	**Operating Income**		$ (805,483)	$ (572,720)	$ (654,764)
41	**Other Income (Expense)**				
42	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ 508,697	$ 41,000
43	415	Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419	Interest and Dividend Income	246	393	2,201
46	420	AFUDC	748,855	933,278	858,409
47	421	Non-Utility Income	-	29,911	551
48	426	Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427	Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428	Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429	Amortization of Premium on Debt	3,285	3,285	3,285
52	434	Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	**Total Other Income (Expense)**		$ (732,714)	$ (257,259)	$ (1,055,279)
54	**Net Income (Loss)**		$ (1,538,197)	$ (829,979)	$ (1,710,043)
55					
56	Supporting Schedules:				Recap Schedules:
57					A-2
58					

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

Exhibit: RLJ-RB1
Schedule E-2 - Rebuttal
Page 2
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	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	461	Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471	Miscellaneous Sevice Revenues	180,755	136,947	139,318
5	474	Other Water Revenues	18,390	3,827	227
6	**Total Revenues**		$ 5,736,321	$ 5,645,361	$ 5,688,822
7	**Operating Expenses**				
8	601	Salaries and Wages	$ 779,073	$ 744,001	$ 695,855
9	603	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604	Employee Pension and Benefits	38,354	44,248	32,816
11	610	Purchased Water	504,953	530,880	672,225
12	615	Purchased Power	417,557	373,540	435,827
13	618	Chemicals	171,859	154,481	146,810
14	620	Repairs and Maintenance	151,953	110,175	172,796
15	621	Office Supplies Expense	-	-	-
16	631	Contractual Services - Engineering	-	-	-
17	632	Contractual Services - Accounting	11,884	29,011	578
18	633	Contractual Services - Legal	3,330	8,012	185
19	634	Contractual Services - Management Fees	-	-	-
20	635	Contractual Services - Testing	27,822	30,516	54,394
21	636	Contractual Services - Other	27,517	45,644	19,145
22	641	Rent - Buildings	46,595	45,998	40,333
23	642	Rent - Equipment	9,629	22,040	2,087
24	650	Transportation Expense	89,523	68,459	53,061
25	656	Insurance - Vehicle	9,264	10,179	8,320
26	657	Insurance - General Liability	26,403	23,929	21,750
27	658	Insurance - Workman's Compensation	11,664	9,860	21,734
28	659	Insurance - Other	-	-	-
29	660	Advertising Expense	8,409	8,184	7,710
30	666	Regulatory Commission Expense - Rate Case	-	-	-
31	667	Regulatory Expense - Other	-	-	-
32	668	Water Resource Conservation Expense	-	-	-
33	670	Bad Debt Expense	57,973	-	16,538
34	675	Miscellaneous Expense	40,389	33,807	19,553
35	403	Depreciation Expense	857,449	889,617	846,294
36	408	Taxes Other Than Income	87,071	97,328	79,514
37	408.11	Property Taxes	239,106	203,310	218,933
38	409	Income Tax	754,044	-	-
39	**Total Operating Expenses**		$ 4,508,819	$ 3,587,719	$ 3,641,227
40	**Operating Income**		$ 1,227,502	$ 2,057,642	$ 2,047,595
41	**Other Income (Expense)**				
42	409	Income Tax - Other Income and Deductions	$ 154,415	$ (617,371)	$ -
43	415	Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419	Interest and Dividend Income	248	689	5,491
46	420	AFUDC	55,096	75,491	90,603
47	421	Non-Utility Income	107	-	11,344
48	426	Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427	Interest Expense	(429,371)	(397,166)	(375,626)
50	428	Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429	Amortization of Premium on Debt	793	793	793
52	434	Extraordinary Deductions	5,939	(101,463)	(198,428)
53	**Total Other Income (Expense)**		$ (249,160)	$ (1,050,499)	$ (551,260)
54	**Net Income (Loss)**		$ 978,342	$ 1,007,143	$ 1,496,336
55					

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Income Statements

Exhibit: RLJ-RB1
Schedule E-2 - Rebuttal
Page 3
Witness: Jones

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

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

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

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Statement of Changes in Stockholder's Equity

Exhibit: RLJ-RB1
Schedule E-4 - Rebuttal
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		$ -	$ 9,639,980	$ (11,315,379)	$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	$ -	$ 13,980,532	$ (11,727,968)	$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	$ -	$ 17,199,039	$ (12,557,947)	$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	$ -	$ 20,232,279	$ (14,096,145)	$ 6,136,135
21						
22						
23	Supporting Schedules:				Recap Schedules:	
24						
25						

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Detail of Utility Plant

Exhibit: RLJ-RB1
Schedule E-5 - Rebuttal
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	351	Organization Cost	$ -	-	$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reserviors	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33				-	
34				-	
35					
36		TOTAL SEWER PLANT	$ 22,034,826	$ 20,570,785	$ 42,605,611
37					
38	Workpapers:				Recap Schedules:
39	FW Rate Case Data.xlsx - Trial Bal Adj				E-1
40					A-4
41					

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

Exhibit: RLJ-RB1
Schedule E-7 - Rebuttal
Page 1
Witness: Jones

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

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

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

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

Recap Schedules:

Line No.	
1	
2	The Company financial statements are reviewed by an independent outside CPA Firm. However
3	the 2011 review is not complete as of the date of this filing. The review will be made available
4	during the processing of this case.
5	
6	The Company uses the NARUC System of Accounts.
7	
8	The Company normalizes Income Tax Expense.
9	
10	
11	Supporting Schedules: Recap Schedules:
12	
13	

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RLJ-RB1
Schedule F-2 - Rebuttal
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	$ (1,538,197)	$ (1,609,513)	$ 505,903
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	1,379,632	1,379,632
6	Deferred Income Tax	-		
7	Other Adjustments	-		
8	Changes in Assets & Liabilities			
9	Customer Accounts Receivable	(27,681)		
10	Notes/Receivables from Associated Companies	(30,446)		
11	Plant Materials and Supplies	(560)		
12	Prepayments	(3,448)		
13	Miscellaneous Current and Accrued Assets	-		
14	Special Deposits	(132,970)		
15	Deferred Debits	(893,173)	(693,173)	-
16	Accounts Payable	(694,569)		
17	Notes Payable	588,085		(588,085)
18	Payable to Associated Companies	1,198,726		
19	Customer Deposits	14,271		
20	Accrued Taxes	-		
21	Accrued Interest	37,289		
22	Miscellaneous Current Liabilities	132,713		
	Deferred Credits	(56,047)		
23	Total From Operations	$ (233,496)	$ (923,054)	$ 1,297,450
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(380,000)	(380,000)
27	Long-Term Debt	(300,030)	0	0
29	Advances in Aid of Construction	(54,802)	(54,802)	(54,802)
30	Contributions in Aid of Construction	-	-	-
31	Paid in Capital	3,033,241	4,000,000	900,000
32	Total From Financing	$ 2,388,104	$ 3,565,198	$ 465,198
33				
34	Application of Funds			
35	Cash Flow from Investing Activities			
36	Capital Expenditures	(2,102,526)	(2,044,670)	(2,044,670)
37	Dividends Paid	-	-	-
38	Other	-	-	-
39	Total From Investing Activities	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
40				
41	Net Increase/(Decrease) in Cash	$ 52,082	$ 597,474	$ (282,022)
42				
43	Cash, Beginning of Year	$ (50,289)	$ 1,794	$ 1,794
44	Cash, End of Year	$ 1,794	$ 599,267	$ (280,228)
45				
46				
47	Supporting Schedules:			Recap Schedules:
48	E-3			A-5
49	F-3			
50				

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

Exhibit: RLJ-RB1
Schedule F-3 - Rebuttal
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	$ 97,553	$ -	$ -	$ -
7	Collection Plant	4,971,423	-	75,000	75,000
9	Treatment Plant	15,395,039	2,024,670	69,500	520,000
11	Reuse Plant	2,310	-	-	-
13	General Plant	104,459	20,000	20,000	20,000
15	Total Plant	$ 20,570,785	$ 2,044,670	$ 164,500	$ 615,000

18 Workpapers:
19 FW Capital Expenditures.xlsx

Recap Schedules:
F-2 A-4

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

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

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

Recap Schedules:

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB2

Ledger: Las Barrancas #1 Mar 05,13

Name	S.LASBAR1	Reconcile R	
Description	Las Barrancas #1	Date	000 00,00
Normal Bal	C	Balance	0.00
Next Ref#	0	Closing Bal	984,196.78
# of Items	4	Opening Bal	0.00

Date	Ref	Description	Amount	Balance	Account	Rec
Dec 31,06		LAS BARRANCAS #1 SEWER LINES	622,518.53	622,518.53	AJES06-00B	
Dec 31,06	50% FWS	LAS BARRANCAS #1 ADMIN DEPOSIT	7,500.00	630,018.53	AJES06-00B	
Dec 31,06	50% FWS	LAS BARRANCAS #1 ADMIN COSTS	113.75-	629,904.78	AJES06-00B	
May 21,07		H&S-LAS BARANC#1-OFFSITE SEWER	354,292.00	984,196.78	13126-02	
Date	Ref	Description	Amount	Balance	Account	Rec

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

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

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB3

Far West Water & Sewer, Inc. - Sewer Division
Test Year Ended December 31, 2011
Lead/Lag Study - Working Cash Requirement

Exhibit: RLJ-RB3

Witness: Jones

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

Weighted Average Lag for Interest Expense 17.5322

EXHIBIT
A-3
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE	DOCKET NO. WS-03478A-12-0307

RATE DESIGN

REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
MARCH 12, 2013

RATE DESIGN

REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
MARCH 12, 2013

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E Miscellaneous Service Charges 11
IV EFFLUENT RATES **11**
V RATE PHASE-IN **12**

EXECUTIVE SUMMARY

Mr. Ray Jones responds to the Rate Design Testimony of Staff (Becker), RUCO (Coley), and the Joint Rate Design Testimony of Robert and Barbara Gilkey and Robert Rist.

Mr. Jones presents the Company's rebuttal rate design for each class of customer. The Company has changed its commercial rate design to closely resemble Staff's proposed commercial rate design and address concerns raised by Robert and Barbara Gilkey and Robert Rist. The Company's RV Park rate has been updated to include a base monthly charge and to increase the RV space rate to 33.33 percent of the residential rate.

Mr. Jones explains why the Company continues to advocate for a market based effluent rate, explaining the long-term benefits to the Company and its customers.

Lastly, Mr. Jones explains why the Company cannot support a phase-in of rates.

I INTRODUCTION

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

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

Q. ARE YOU THE SAME RAY L. JONES WHO PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?

A. Yes.

II PURPOSE OF TESTIMONY

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

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

Q. WHAT IS THE PURPOSE OF YOUR RATE DESIGN REBUTTAL TESTIMONY?

A. I will respond to the direct rate design testimony of Staff and RUCO as well as the joint rate design testimony of Robert Gilkey, Barbara Gilkey, and Robert Rist ("Gilkey/Rist") and will present the Company's position on rate design.

III RATE DESIGN

A OVERVIEW

Q. HAS THE COMPANY UPDATED ITS RATE DESIGN AFTER CONSIDERATION OF THE TESTIMONY PRESENTED BY OTHER PARTIES TO THIS CASE?

A. Yes, the Company has carefully considered the rate design testimony presented by the other parties and has updated its recommended rate design to accommodate their various concerns.

Q. HAVE YOU PROVIDED UPDATED SCHEDULES SHOWING YOUR REBUTTAL RATE DESIGN AND THE IMPACT ON VARIOUS CUSTOMER CLASSES?

A. Yes. A full set of updated H-Schedules are attached as ***Exhibit RLJ-RB4***.

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S REBUTTAL RATE DESIGN.

A. The Company continues to propose flat rate monthly charges for the residential and Recreational Vehicle ("RV") Park classes. The proposed residential rate is $57.77 monthly. The RV Park rate includes a monthly charge of $86.66 with an additional charge per RV space set at 33.33 percent of the residential rate or $19.25 monthly. Commercial customers' sewer charges are based on the customer's water meter size with charges as follows:

5/8" x 3/4" Meters	$86.66
3/4" Meters	$86.66
1" Meters	$144.43
1 1/2" Meters	$216.64
2" Meters	$346.62
3" Meters	$924.32
4" Meters	$1,444.25

6" Meters $2,888.50

The Company continues to propose a market based effluent rate with a price range of $0.20 to $1.00.

B RESIDENTIAL

Q. ARE ALL PARTIES IN AGREEMENT WITH RESPECT TO RESIDENTIAL RATE DESIGN?

A. Yes, all parties are recommending continued use of a flat rate monthly charge for the residential class. Each party's residential charge is different only due to differing revenue requirements and differing treatment of other classes of customers.

C COMMERCIAL

Q. WHAT ISSUES HAVE BEEN RAISED WITH RESPECT TO THE COMMERCIAL CLASS?

A. Staff analyzed the water usage of the commercial class and found significant variations in the water purchases of the individual customers. Some customers with smaller meters were actually purchasing more water than customers with larger meters. Staff states that the wide and overlapping consumption patterns indicate that it is inappropriate to charge the same rate for all meter sizes. Gilkey/Rist state that commercial rates are not equitable or being applied equally. They note that some sewer accounts, which serve multiple individual businesses, pay only one sewer charge. They state that all businesses should be charged equally or a rate structure be adopted that takes into account the type of business or its impact on the sewer system.

Q. WHAT IS THE COMPANY'S RESPONSE TO THESE CONCERNS RAISED BY STAFF AND GILKEY/RIST?

A. The Company agrees that the Company's and RUCO's proposed rate structures do not take into account the variability of sewage flow that may be generated by a particular

commercial business. A flat rate tariff does not consider the type of business being served, the size of the business or the number of different business that may be served by a single service serving a business complex. Far West likes the simplicity of its and RUCO's proposed commercial tariff, but is convinced by Staff and the Gilkey/Rist testimony that some commercial customers should be paying more than other commercial customers because they impacting the wastewater system to a greater degree.

The Company disagrees with the Gilkey/Rist statement that the current system is being "used to benefit" the owners of certain business properties, including affiliates of Far West. Far West is applying its approved commercial tariff in a uniform manner as ordered by the Commission in Decision No. 69335. None of the businesses Far West serves are using the system to their benefit; they are paying the rates required under Far West's approved tariff – nothing more and nothing less.

Q. WHAT IS THE COMPANY'S UPDATED RATE DESIGN FOR COMMERCIAL CUSTOMERS?

A. The Company is proposing commercial flat rates that vary by meter size. The rate is very similar to Staff's rate design, but selects different multipliers for some of the meter sizes. The table below compares the Staff and Company proposed multipliers.

Meter	Staff Multiplier	Standard Multiplier	Company Adjustment Factor	Company Recommended Multiplier
5/8"	1.0	1.0	1.5	1.5
3/4"	1.6	1.5	1.0	1.5
1"	2.6	2.5	1.0	2.5
1 1/2"	5.2	5.0	0.75	3.8
2"	8.2	8.0	0.75	6.0
3"	16.0	16.0	1.0	16.0
4"	25.0	25.0	1.0	25.0
6"	50.0	50.0	1.0	50.0

Q. PLEASE EXPLAIN WHY YOU SELECTED DIFFERENT MULTIPLIERS THAN STAFF.

A. As shown in the table above, Staff multipliers are nearly equivalent to the AWWA standard meter size multipliers. It is my understanding, after reviewing Staff's workpapers, that Staff recommended multipliers that were recently approved in the Pima Utility case (Decision No. 73573). The use of the AWWA standard multipliers or the slightly modified Pima multipliers is conceptually acceptable to the Company. However, after considering the specific percentage increases for specific meter sizes, the Company recommends using the standard multipliers with adjustments to the multipliers for the 5/8" x 3/4", 1 1/2" and 2" meters.

The table below shows the rate-increase percentages using Staff's commercial rate design and the Company's commercial rate design.

Meter Size	Staff Percent Increase	Company Percent Increase
5/8" x 3/4" Meter	28.05%	99.22%
3/4" Meter	99.03%	99.22%
1" Meter	234.18%	232.02%
1 1/2" Meter	560.90%	398.02%
2" Meter	955.22%	696.83%
3" Meter	1,948.60%	2,024.87%
4" Meter	3,100.92%	3,220.11%
6" Meter	6,301.84%	6,540.23%

The Company is recommending that the 5/8" x 3/4" meter use the same multiplier and be at the same rate as the 3/4" meter. This is because the 5/8" x 3/4" meter customer should not receive just a 28.05% increase in rates when all other customers, including residential customers, will receive a much larger increase. The Company also notes that using the same multiplier for 5/8" x 3/4" meters and 3/4" meters is consistent with the treatment of these meter sizes by the Commission in other cases. The Company is recommending that the multiplier for the 1 1/2" and 2" meters be limited to 75 percent of the standard multiplier. This mitigates the very large increases to these meter sizes driven by the switch from flat rates to flat rates by meter size. The Company notes that this is not necessary for the 3", 4" and 6" meter sizes because the Company does not currently have any customers with those sizes of meters (except for Rancho Rialto, which I will discuss below).

Q. DO YOU HAVE ANY COMMENTS ON STAFF'S ALTERNATIVE RATE DESIGN FOR COMMERCIAL CUSTOMERS?

A. The Company appreciates Staff's analysis and thinks a rate design similar to Staff's alternative may potentially be appropriate in some future rate case. However, significantly more study and analysis would be needed before adopting volumetric rates, so the Company cannot support volumetric rates in this current case.

D RECREATIONAL VEHICLE PARKS

Q. HOW MANY RV PARKS AND RV SPACES DID FAR WEST BILL DURING THE TEST YEAR?

A. Far West billed the four RV Parks detailed below:

Park	Spaces
Rancho Rialto[1]	197
Adobe Village	118
Sun Ridge	281
Sunset Palm	117
Total	713

Q. HOW DOES FAR WEST DISTINGUISH AN RV PARK FROM OTHER MOBILE HOME COMMUNITIES OR MODULAR HOME COMMUNITIES?

A. Far West relies on the underlying zoning of each community to determine its classification for billing purposes. Only those communities within Yuma County's Recreational Vehicle Park Zoning District (RVP) are considered RV Parks and eligible to be billed at the RV space rate. The RVP zoning district has been used because living units in that district are limited to 400 square feet or less and must be self-propelled or permanently towable. Other zoning districts in Far West's service area allow mobile homes or manufactured homes and site built homes that are typically larger and more permanent.

Q. ARE THERE ANY ISSUES RELATED TO USING THE YUMA COUNTY ZONING TO DECIDE WHICH PROPERTIES ARE RV PARKS AND SHOULD BE BILLED USING THE RV PARK RATE?

---

[1] Rancho Rialto is a facility consisting of 197 RV Spaces and 271manufactured home sites. The RV Spaces are billed at the RV Park per space rate while the manufactured home lots are billed at the full residential rate.

A. There is one commercial business, the Schechert Family Aquatics & Fitness Center,[2] located in the Manufactured Housing Subdivision (MHS-20) zoning district that has characteristics sufficiently similar to an RV Park that charging the RV Park rate may be appropriate here, even though it is not a traditional RV Park. The Fitness Center is a health and fitness club that also rents RV spaces. There are 49 RV spaces on the property, of which 48 are available for rental[3]. Since the Fitness Center is not in the RVP zoning district and not a traditional RV Park, Far West has been billing the facility under its Commercial tariff.

Q. WHAT ARE YOU RECOMMENDING CONCERNING THE SCHECHERT FITNESS CENTER?

A. I recommend that the facility be billed for 48 RV spaces. Far West should also update the procedure used when evaluating potential facilities eligible to be billed under the RV Park rate. Specifically, in addition to considering a property's zoning classification, Far West should also review the Use Code assigned to a property by Yuma County when evaluating potential facilities eligible to be billed under the RV Park rate. Further, when tariffs are prepared to implement the decision in this case, they should include sufficient detail regarding the applicability and eligibility for each rate to avoid this type of ambiguity in the future.

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[2] The Fitness Center is an affiliate of Far West.
[3] One RV space is not accessible or otherwise useable.

Q. HOW DOES THE ISSUE WITH THE FITNESS CENTER AFFECT THE COMPANY'S RATE DESIGN?

A. The additional RV Spaces increase the number-of-spaces billing determinant for the RV Park class of customers and increase the revenue generated by this class of customer. I have updated the RV space billing determinants to reflect the 48 additional RV spaces.

Q. ARE THERE ANY ISSUES WITH THE OTHER RV CUSTOMERS THAT AFFECT RATE DESIGN?

A. In addition to billing each RV Park for its RV spaces, Far West bills each RV Park separately for its clubhouse and related facilities. My review indicates that Rancho Rialto's clubhouse is billed at the commercial rate while Adobe Village, Sun Ridge and Sunset Palm's clubhouses are billed at the residential rate. All clubhouses should be billed at the commercial rate.

As noted by Staff, Rancho Rialto is served by a 6" master meter[4]. Staff has recommended that this meter be treated as an exception to the commercial billing by meter size so that the clubhouse facility is not overbilled for sewer service. In order to avoid this exception and further clarify RV Park billing, the Company is proposing that RV Park rates include both a base monthly charge of $86.63[5] in addition to the per space rate of $19.25. With this clarification, all RV parks would pay the same base monthly fee for its clubhouse and related facilities, regardless of the meter size serving the park. No exceptions to the Commercial rate will be needed. I have adjusted the billing

---

[4] Staff was not aware of the billings for the three other parks because detailed information was provided for only the commercial class. Since these parks were billed at the residential rate, the data was inadvertently omitted from the informal data request response provided by the Company.
[5] Same as 3/4" Meter.

determinates to remove RV Park clubhouse billings included in the commercial and residential classes and allow for the recommended RV Rate base monthly charge.

Q. HAVE ANY ISSUES BEEN RAISED WITH RESPECT TO THE RV PARK CLASS OF CUSTOMER BY STAFF AND INTERVENORS?

A. Both Staff and Gilkey/Rist consider the RV park rate to be too low as compared to the residential rate. Staff, based on ADEQ design criteria, recommends that each RV space should be billed at 33 percent of the residential rate as opposed to the current 25 percent of the residential rate. Gilkey/Rist contend that a park model on an RV space will produce the same sewage as other residential homes after considering park laundry facilities. They also state that a regular RV will use less than a residential home, but that the uses of chemical deodorants and "slug" loads on treatment plants cause those units to have just as much impact on the treatment facility as a standard house.

Q. HOW DO YOU RESPOND?

A. The Company has investigated the concern put forth by Staff and Gilkey/Rist. My review of water usage by the RV Parks indicates that 33 percent of the residential rate is reasonable for the RV Space rate, so the Company supports Staff's recommendation. The Company notes that it is recommending a base monthly charge for the RV Park rate in addition to the RV space rate, which should relieve some of the concern expressed by Gilkey/Rist.

E MISCELLANEOUS SERVICE CHARGES

Q. DOES FAR WEST AGREE WITH STAFF'S RECOMMENDATIONS REGARDING MISCELLANEOUS SERVICE CHARGES?

A. Far West supports Staff's recommendation for an after-hours service charge and a disconnect-and-reconnect charge at cost for sewer customers that are not Far West water customers.

IV EFFLUENT RATES

Q. HAS THE COMPANY CHANGED ITS POSITION ON EFFLUENT RATES?

A. It has not. The Company continues to advocate for a market rate and does not support the rate proposals of either Staff or RUCO. If a market rate for effluent is not adopted, effluent customers will use less effluent. This is because the golf courses have other lower cost alternatives, primarily pumping groundwater from private wells. Yuma County is not located in an Active Management Area. Groundwater levels are relatively shallow and groundwater rights are not needed to pump groundwater. Because of the ease of access to groundwater there is no significant impediment to golf courses using groundwater instead of effluent. Since groundwater is easily and cheaply accessible, effluent must be priced to compete with inexpensive groundwater or the courses will not buy effluent. Should the Company's golf course customers reduce effluent usage, the Company's cost of disposing of effluent will increase as the Company is forced to drill and use additional vadose zone wells or other disposal facilities to dispose of effluent that golf courses will not buy. The long-term cost to the Company of maintaining or raising the effluent price is greater than the short-term benefit revenue recovery to effluent customers. And increased costs must be borne by customers.

The Company's golf course customers are affiliates. They have not reduced their effluent usage only because they are affiliates. The owners of Far West are marketing the golf courses with the goal of selling the golf courses in the near future. Far West is concerned that new unaffiliated golf course owners will substantially reduce effluent usage and increase Far West's cost of effluent disposal. Those costs will ultimately be passed on to residential and commercial customers. Because the current golf course customers are affiliates, Far West has imputed revenue at the existing effluent rate in its rate design. This holds its customer's harmless from the rate change and is offered to dispel any notion of self-dealing on this matter.

Q. DID STAFF OR RUCO PROVIDE ANY INSIGHT AS TO WHY THEY HAVE REJECTED THE COMPANY'S PROPOSAL?

A. Neither Staff nor RUCO provided an explanation for their effluent rate recommendations.

V <u>RATE PHASE-IN</u>

Q. WHAT IS FAR WEST'S POSITION ON THE RATE PHASE-IN PROPOSED BY STAFF?

A. Far West does not consider a phase in of rates to be feasible considering its deteriorating financial condition. Far West has been struggling financially for many years, and it continues to struggle financially. It has invested over $20.0 million in plant since its last rate case without any recovery in rates and endured significant loss of equity due to regulatory lag associated with the plant investment. Far West continues to recommend implementation of new rates to allow it the opportunity to earn a rate of return on its investment at the earliest date possible.

Q. DOES THIS CONCLUDE YOUR RATE DESIGN – REBUTTAL TESTIMONY?

A. Yes.

Far West Water & Sewer Company, Inc.

Ray Jones Rebuttal Testimony

Exhibit RLJ-RB4

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-RB4
Schedule H-1 - Rebuttal
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	Flat Rate Revenue				
3	Residential	$ 1,844,030	$ 4,895,834	$ 3,051,804	165.50%
4	Commercial	23,186	117,159	93,973	405.31%
5	RV Park (RV Spaces)	46,545	176,224	129,680	278.61%
6	Re-Establihment (Residential)	142,180	377,642	235,463	165.61%
7					
8	Metered Reuse Revenues	131,759	131,759	-	0.00%
9					
10	Other Sewer Revenue	43,064	43,064	-	0.00%
11					
12	Total Sewer Revenues	$ 2,230,763	$ 5,741,683	$ 3,510,920	157.39%
13					
14	Reconciliation				
15	Bill Count Revenue	$ 2,230,763			
16					
17	Water Revenues per G.L.	2,239,713			
18	Revenue Adjustment IS-1	(3,612)			
19	Revenue Adjustment IS-2	(8,119)			
20	Adjusted G.L. Revenue	$ 2,227,982			
21					
22	Unreconciled Difference	$ 2,781			
23	Percentage Difference	0.12%			
24					
25					
26	Supporting Schedules:				Recap Schedules:
27	H-2				A-1
28					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-RB4
Schedule H-2 - Rebuttal
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	Flat Rate Revenue						
3	Residential	7,064	-	$ 1,844,030	$ 4,895,834	3,051,804	165.50%
4	Commercial	42	-	23,186	117,159	93,973	405.31%
5	RV Park (RV Spaces)	761	-	46,545	176,224	129,680	278.61%
6	Re-Establihment (Residential)	545	-	142,180	377,642	235,463	165.61%
7	Subtotal Flat Rate	8,412		$ 2,055,940	$ 5,566,860	$ 3,510,920	170.77%
8							
9	Metered Reuse Revenues	2	5,489,958	$ 131,759	$ 131,759	-	0.00%
10							
11	Other Sewer Revenue			$ 43,064	$ 43,064		0.00%
12							
13	Total	8,414		$ 2,230,763	$ 5,741,683	$ 3,510,920	157.39%
14							
15							
16	Supporting Schedules:					Recap Schedules:	
17						H-1	
18							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Exhibit: RLJ-RB4
Schedule H-3 - Rebuttal
Page 1
Witness: Jones

Line No.	General Sewer Service Rates	Monthly Charge			Volume Charge		
2		Present	Proposed		Present	Proposed	
3	Description	Rate	Rate	Change	Rate	Rate	Change
4							
5	Residential	$ 21.75	$ 57.77	$ 36.02			
6	Commercial:						
7	5/8" x 3/4" Meter	$ 43.50	$ 86.66	$ 43.16			
8	3/4" Meter	$ 43.50	$ 86.66	$ 43.16			
9	1" Meter	$ 43.50	$ 144.43	$ 100.93			
10	1 1/2" Meter	$ 43.50	$ 216.64	$ 173.14			
11	2" Meter	$ 43.50	$ 346.62	$ 303.12			
12	3" Meter	$ 43.50	$ 924.32	$ 880.82			
13	4" Meter	$ 43.50	$ 1,444.25	$ 1,400.75			
14	6" Meter	$ 43.50	$ 2,888.50	$ 2,845.00			
15	RV Park:						
16	RV Park Base Charge	n/a	$ 86.66	$ 86.66			
17	RV Park - Per Space	$ 5.44	$ 19.25	$ 13.81			
18	Effluent Reuse	$ -	$ -	$ -	$ 1.00	Market[1]	$ -
19							
20	[1]Market rate not to exceed $1.00 per 1,000 gallons and not less than $0.20 per 1,000 gallons.						
21							
22	**Other Service Charges**	Present		Proposed			
23		Rates		Rates			
24	Establishment	$ 20.00		$ 40.00			
25	Reconnection (Delinquent)	$ 20.00		$ 30.00			
26	After-Hours Service Charge	n/a		$ 35.00			
27	Deposit Requirement (Residential)	2 times the average bill		2 times the average bill			
28	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill		2-1/2 times the average bill			
29	Deposit Interest	6.0%		6.0%			
30	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			
31	NSF Check	$ 15.00		$ 30.00			
32	Deferred Payment, Per Month	1.5%		1.5%			
33	Late Payment Charge	1.5%		1.5%			
34	Service Line Installation	Cost		Cost			
35	Disconnect and Reconnect (Delinquent)[1]	n/a		Cost			
36							
37	[1] Applicable to sewer customers that are not Far West Water customers.						
38	In addition to the collection of regular rates, the utility will collect from its						
39	customers a proportionate share of any privilege, sales, use, and franchise tax,						
40	per Commission rule A.A.C. 14-2-608(D)(5).						
41							
42	All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.						
43							

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

Exhibit: RLJ-RB4
Schedule H-4 - Rebuttal
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 57.77	$ 36.02	165.61%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 57.77					
6							

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

Exhibit: RLJ-RB4
Schedule H-4 - Rebuttal
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Line No.	Rate Schedules	Monthly Charge	Meter Size	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	Present Rates:						
1	All Meter Sizes	$ 43.50					
2	**Proposed Rates:**						
3	5/8" x 3/4" Meter	$ 86.66	5/8" x 3/4" Meter	$ 43.50	$ 86.66	$ 43.16	99.22%
4	3/4" Meter	$ 86.66	3/4" Meter	$ 43.50	$ 86.66	$ 43.16	99.22%
5	1" Meter	$ 144.43	1" Meter	$ 43.50	$ 144.43	$ 100.93	232.02%
6	1 1/2" Meter	$ 216.64	1 1/2" Meter	$ 43.50	$ 216.64	$ 173.14	398.02%
7	2" Meter	$ 346.62	2" Meter	$ 43.50	$ 346.62	$ 303.12	696.83%
8	3" Meter	$ 880.82	3" Meter	$ 43.50	$ 924.32	$ 880.82	2024.87%
9	4" Meter	$ 1,444.25	4" Meter	$ 43.50	$ 1,444.25	$ 1,400.75	3220.11%
10	6" Meter	$ 2,888.50	6" Meter	$ 43.50	$ 2,888.50	$ 2,845.00	6540.23%
11							

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

Exhibit: RLJ-RB4
Schedule H-4 - Rebuttal
Witness: Jones

Meter Size: All
Class: RV Park
Rate Code: 380

Line No.	Rate Schedules			Park	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**							
2	Monthly Charge:		n/a					
3	Per Space:	$	5.44	Rancho Rialto	$ 1,071.68	$ 3,878.91	$ 2,807.23	261.95%
4				Adobe Village	$ 641.92	$ 2,358.16	$ 1,716.24	267.36%
5				Sun Ridge	$ 1,528.64	$ 5,495.91	$ 3,967.27	259.53%
6	**Proposed Rates:**			Sunset Palm	$ 636.48	$ 2,338.91	$ 1,702.43	267.48%
7	Monthly Charge:	$	86.66	Schechert Aquatics	$ 261.12	$ 1,010.66	$ 749.54	287.05%
8	Per Space:	$	19.25					
9								
10								
11								
12								
13								

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

Exhibit: RLJ-RB4
Schedule H-4 - Rebuttal
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 57.77	$ 36.02	165.61%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 57.77					
6							

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

Exhibit: RLJ-RB4
Schedule H-5 - Rebuttal
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 57.77

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	- - -	84,783	-		84,783	100.00%	-	
2								
3	Totals	84,783		-	84,783		-	
4	Remove RV Bills	(36)						
5	Equivalent Bills	84,747						
6								
7	Average Number of Customers		7,062					
8								
9								
10								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	84,783	$ 1,844,030	84,747	$ 4,895,834
Revenue Totals		$ 1,844,030		$ 4,895,834

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

Exhibit: RLJ-RB4
Schedule H-5 - Rebuttal
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Charges	Present Rates	Proposed Rates
Monthly Charge:		
5/8" x 3/4" Meter	$ 43.50	$ 86.66
3/4" Meter	$ 43.50	$ 86.66
1" Meter	$ 43.50	$ 144.43
1 1/2" Meter	$ 43.50	$ 216.64
2" Meter	$ 43.50	$ 346.62
6" Meter	$ 43.50	$ 2,888.50

Line No.	Meter Size	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
	As Billed:							
1	5/8" x 3/4" Meter	144	-		144	28.57%		
2	3/4" Meter	-	-		144	28.57%		
3	1" Meter	84	-		228	45.24%		
4	1 1/2" Meter	29	-		257	50.99%		
5	2" Meter	264	-		521	103.37%		
6	6" Meter	12	-		533	105.75%		
7		533	-					
8	Adjustments:							
9	6" - Rancho Rialto	(12)	-					
10	1 1/2" - Chase Bank	(5)	-					
11	2" - Schechert Aquat.	(12)	-					
12								
13	Adjusted:							
14	5/8" x 3/4" Meter	144	-		144	28.57%		
15	3/4" Meter	-			144	28.57%		
16	1" Meter	84	-		228	45.24%		
17	1 1/2" Meter	24	-		252	50.00%		
18	2" Meter	252	-		504	100.00%		
19	6" Meter	-			504	100.00%		
20		504	-					
21								
22								
23	Totals	504		-	504			
24								
25	Equivalent Bills	504						

26		Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
27	Average Number of Customers 42 — 5/8" x 3/4" Meter	144	$ 6,264	144	$ 12,479
28	3/4" Meter	-	-	-	-
29	1" Meter	84	3,654	84	12,132
30	1 1/2" Meter	29	1,262	24	5,199
31	2" Meter	264	11,484	252	87,348
32	6" Meter	12	522	-	-
33	Revenue Totals		$ 23,186		$ 117,159
34					

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

Exhibit: RLJ-RB4
Schedule H-5 - Rebuttal
Witness: Jones

Meter Size: All
Class: RV Park
Rate Code: 380

Charges	Present Rates	Proposed Rates
Monthly Charge:	n/a	$ 86.66
Per Space:	$ 5.44	$ 19.25

Line No.	Customer	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	As Billed:		-		2,364	25.89%	-	
2	Rancho Rialto	2,364	-		3,780	41.39%	-	
3	Adobe Village	1,416	-		7,152	78.32%	-	
4	Sun Ridge	3,372	-		8,556	93.69%	-	
5	Sunset Palm	1,404	-		17,112	187.39%	-	#DIV/0!
6		8,556			17,112	187.39%	-	#DIV/0!
7	Adjustments:				17,112	187.39%	-	#DIV/0!
8	Schechert Aquatics	576	-		17,688	193.69%	-	#DIV/0!
2								
3	Totals	9,132		-	9,132		-	
4								
5	Equivalent Bills	9,132						
6						Current Rates		Proposed Rates
						Units	Revenue	Units	Revenue
7	Average Number of Spaces		761		Monthly Charge			5	433.3
8					Per Space	8,556	$ 46,545	9,132	$ 175,791
9					Revenue Totals		$ 46,545		$ 176,224
10									

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

Exhibit: RLJ-RB4
Schedule H-5 - Rebuttal
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 57.77

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	- - -	6,537	-		6,537	100.00%	-	
2								
3	Totals	6,537		-	6,537		-	
4								
5	Equivalent Bills	6,537						

		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
6					
7	Average Number of Customers 545	Base Charge	6,537	$ 142,180	6,537	$ 377,642
8					
9		Revenue Totals		$ 142,180		$ 377,642
10					

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

Exhibit: RLJ-RB4
Schedule H-5 - Rebuttal
Witness: Jones

Meter Size: All
Class: Effluent Reuse
Rate Code: 379

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ -	$ -
Commodity Rate	$ 1.00	Market

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	1,765,000	-	1,765,000	1	1,765,000	1,765,000	1	4.17%	1,765,000	1.34%
3	1,773,000	-	1,773,000	1	1,773,000	1,773,000	2	8.33%	3,538,000	2.69%
4	1,849,000	-	1,849,000	1	1,849,000	1,849,000	3	12.50%	5,387,000	4.09%
5	2,189,000	-	2,189,000	1	2,189,000	2,189,000	4	16.67%	7,576,000	5.75%
6	2,646,000	-	2,646,000	1	2,646,000	2,646,000	5	20.83%	10,222,000	7.76%
7	2,845,000	-	2,845,000	1	2,845,000	2,845,000	6	25.00%	13,067,000	9.92%
8	3,756,000	-	3,756,000	1	3,756,000	3,756,000	7	29.17%	16,823,000	12.77%
9	3,863,000	-	3,863,000	1	3,863,000	3,863,000	8	33.33%	20,686,000	15.70%
10	3,916,000	-	3,916,000	1	3,916,000	3,916,000	9	37.50%	24,602,000	18.67%
11	3,972,000	-	3,972,000	1	3,972,000	3,972,000	10	41.67%	28,574,000	21.69%
12	4,061,000	-	4,061,000	1	4,061,000	4,061,000	11	45.83%	32,635,000	24.77%
13	4,260,000	-	4,260,000	1	4,260,000	4,260,000	12	50.00%	36,895,000	28.00%
14	4,455,000	-	4,455,000	1	4,455,000	4,455,000	13	54.17%	41,350,000	31.38%
15	4,608,000	-	4,608,000	1	4,608,000	4,608,000	14	58.33%	45,958,000	34.88%
16	4,862,000	-	4,862,000	1	4,862,000	4,862,000	15	62.50%	50,820,000	38.57%
17	5,592,000	-	5,592,000	1	5,592,000	5,592,000	16	66.67%	56,412,000	42.81%
18	6,515,000	-	6,515,000	1	6,515,000	6,515,000	17	70.83%	62,927,000	47.76%
19	8,555,000	-	8,555,000	1	8,555,000	8,555,000	18	75.00%	71,482,000	54.25%
20	8,595,000	-	8,595,000	1	8,595,000	8,595,000	19	79.17%	80,077,000	60.78%
21	8,937,000	-	8,937,000	1	8,937,000	8,937,000	20	83.33%	89,014,000	67.56%
22	9,172,000	-	9,172,000	1	9,172,000	9,172,000	21	87.50%	98,186,000	74.52%
23	10,207,000	-	10,207,000	1	10,207,000	10,207,000	22	91.67%	108,393,000	82.27%
24	11,634,000	-	11,634,000	1	11,634,000	11,634,000	23	95.83%	120,027,000	91.10%
25	11,732,000	-	11,732,000	1	11,732,000	11,732,000	24	100.00%	131,759,000	100.00%
26										
27	Totals			24		131,759,000	24		131,759,000	
28										
29	Equivalent Bills			24						
30										
31	Average Number of Customers				2					
32										
33	Average Consumption (gallons)				5,489,958					
34										
35	Median Consumption (gallons)				4,260,000					
36										

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	24	$ -	24	$ -
Commodity Charge	131,759.00	131,759	131,759	131,759
Revenue Totals		$ 131,759		$ 131,759

EXHIBIT
A-4
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
ROBERT BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE	DOCKET NO. WS-03478A-12-0307

REJOINDER TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
APRIL 16, 2013

REJOINDER TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
March 8, 2013

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EXECUTIVE SUMMARY

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

Mr. Jones presents rejoinder testimony regarding expense adjustments proposed by RUCO that the Company is willing to accept. Mr. Jones also summarizes the remaining differences in positions of the parties.

Mr. Jones presents rebuttal testimony regarding cost of capital, agreeing to accept Staff's cost of capital.

Mr. Jones addresses Staff's recommendations that the Company meet certain preconditions before rates in this case are implemented, providing updates on the Company's recommended alternatives.

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

Lastly, Mr. Jones provides Far West's position on the appointment of an interim manager and responds to the March 28, 2012 letter docketed by Commissioner Bitter Smith.

Far West rejoinder position requests a rate increase of $3,485,582, or 156.23%, to allow it to earn a 7.4% rate of return on its adjusted original cost rate base of $20,556,719.

I INTRODUCTION

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

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

Q. ARE YOU THE SAME RAY L. JONES WHO PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?

A. Yes.

II PURPOSE OF TESTIMONY

Q. HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY FILED BY THE INTERVENORS IN THIS CASE?

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

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?

A. I will respond to the direct testimony of the intervenors, including their positions regarding rate base, operating income cost of capital and rate design. I will focus on the significant remaining points of disagreement between Staff and the intervenors. My silence on any particular issue raised by an intervener does not indicate agreement with the intervenor. The Company stands by its positions presented in its Direct and Rebuttal Testimonies unless modified by this Rejoinder Testimony. Additionally, I will sponsor the Company's rejoinder revenue requirement and updated schedules provided with this testimony as ***Exhibit RLJ-RJ1***.

III REJOINDER REVENUE REQUIREMENT

Q. WHAT IS FAR WEST'S REJOINDER REVENUE REQUIREMENT?

A. Far West's rebuttal revenue requirement is shown on Schedule A-1 Rebuttal. Far West is now requesting a revenue increase of $3,485,582, an increase of 156.23% over adjusted test year revenues of $2,231,115. The reduction in revenue requirement, as compared to the Company's rebuttal filing, is attributable to the Company adopting two expense adjustments recommended by RUCO in its Surrebuttal Testimony.

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

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

	Revenue Requirement	Revenue Increase	% Increase
Far West Direct	$6,094,028	$3,866,046	173.52%
Staff Direct	$5,579,404	$3,351,423	150.42%
RUCO Direct	$4,886,944	$2,658,963	119.34%
Far West Rebuttal	$5,742,317	$3,514,335	157.74%
Staff Surrebuttal	$5,521,168	$3,293,186	147.81%
RUCO Surrebuttal	$4,926,330	$2,695,215	120.80%
Far West Rejoinder	$5,716,697	$3,485,582	156.23%

IV RATE BASE

A OVERVIEW

Q. HAS THE COMPANY MADE ANY CHANGES TO ITS RATE BASE ADJUSTMENTS IN THIS REJOINDER FILING?

A. No, the Company's proposed rate base is unchanged from its rebuttal filing except for a very minor reduction in cash working capital due to accepting a minor expense adjustment proposed by RUCO. The Company's rejoinder rate base is $20,556,719.

Q. WHAT ARE THE REMAINING DIFFERENCES BETWEEN THE COMPANY AND STAFF'S RATE BASE POSITION?

A. There are four differences as follows:

- Zenon Treatment Equipment at Seasons – (Staff RBA No.1) – The Company includes this treatment equipment in rate base while Staff recommends removing it from rate base.
- AFUDC Disallowance – (Staff RBA No.3, Company RB-5) – The Company and Staff disagree on the level of AFUDC disallowance that is appropriate because of delays in construction of treatment facilities.
- Management Fee Disallowance – (Staff RBA No. 6, Company RB-8) – The Company and Staff disagree on the amount of management fees paid to Mr. Andrew Capestro that should be included in rate base.
- Working Capital – (Staff RBA No. 7, Company RB-9) – The Company and Staff's propose different working capital amounts due to the impact of the other disputed rate base items on the working capital computation.

Q. WHAT ARE THE REMAINING DIFFERENCES BETWEEN THE COMPANY AND RUCO'S RATE BASE POSITION?

A. There are two differences as follows:

- Excess Treatment Capacity – (RUCO RBA Nos. 1(a) 1(b) 1(c)) – RUCO proposes an across-the-board adjustment to the Company's depreciable wastewater plant balances as an adjustment for unused treatment capacity. However, the Company's proposed rate base includes an adjustment for not used and useful plant at the Section 14 WWTP which the Company and Staff believe is the only treatment plant where an adjustment related to capacity is warranted.
- Working Capital – (RUCO RBA No. 4, Company RB-9) – The Company and RUCO's proposed working capital amounts are different because of the difference in proposed rate base on the working capital computation.

B <u>RESPONSE TO STAFF</u>

Q. DO YOU HAVE ANY RESPONSE TO STAFF'S SURREBUTTAL RATE BASE TESTIMONY?

A. With respect to the remaining disputed rate base issues, Staff held firm on its direct position and did not specifically address the Company's rebuttal arguments. Likewise, the Company stands by its rebuttal arguments and will not repeat them here. I will point out that the testing and startup of the Zenon equipment remains on schedule and the disputed Zenon equipment is expected to be fully tested and returned to service by April 20, 2013, well before rates go into effect in this case.

C RESPONSE TO RUCO

Fish and Duffett Rebuttal Testimonies

Q. HAVE DR. FISH AND MR. DUFFETT CHANGED THEIR POSITION ON EXCESS CAPACITY IN RESPONSE TO YOUR REBUTTAL TESTIMONY?

A. No, they have not. They continue to defend the use of a system-wide capacity analysis based on a treatment plant design capacity of 2,332,500 gallons per day that is mismatched with the test year plant in service and is larger than the total planned capacity of Far West's wastewater system. In addition, Dr. Fish continues to ignore the fact that Company's adjusted test year depreciable plant in service balance has already been reduced by the Company's Rate Base Adjustment RB-1.7 for Section 14 WWTP plant that the Company has determined is not presently used and useful. Dr. Fish continues to remove this plant a second time. In addition, Dr. Fish's continues to remove 30.1% of the cost of all depreciable plant from plant in service, even if the plant is unrelated to treatment capacity.

Q. DO DR. FISH AND MR. DUFFETT PROVIDE ANY ADDITIONAL SUPPORT FOR THEIR POSITION?

A. They provide testimony blaming me for their use of the mismatched treatment capacity and compare the engineering analysis of used and useful wastewater treatment capacity to a junior high math problem.

Q. WHAT IS YOUR RESPONSE?

The testimony is absurd and demonstrates their lack of understanding of what constitutes excess capacity. They link their use of a mismatched wastewater treatment capacity to a schedule from Exhibit RLJ-DT2 of my Direct Testimony. That schedule is an excerpt from the Company's 2011 Annual Report to the Commission listing the ultimate design

capacities of each of the Company's wastewater treatment plants in service at the end of the test year. The total of these ultimate design capacities does equal the 2,332,500 gpd used by Mr. Duffett. However, the ultimate design capacity reported in the Company's Annual Report represents a snap shot of plant capacity information. It is not the actual design capacity in service at the end of the test year and it is not the aggregate ultimate planned design capacity of the Company's treatment plants. Any competent engineering analysis would include reviewing and evaluating the data from the Company's Annual Report and making adjustments as needed to make a valid engineering analysis based on actual design capacity in service at the end of the test year and actual ultimate design capacity after consideration of planned plant closures.

Q. **WAS THIS SCHEDULE THE ONLY INFORMATION AVAILABLE TO DR. FISH AND MR. DUFFETT?**

A. No, of course not. First, my Direct Testimony discusses the Company's wastewater system improvement plan, including the planned closure of two plants (Del Rey and Royale) which Dr. Fish and Mr. Duffett should have excluded from their analysis. I also provided workpapers to all parties that contain a detailed analysis of the cost to construct the Section 14 WWTP and my proposed disallowance for plant that is not presently used and useful at the Section 14 WWTP. This information should have also been incorporated into the analysis. Lastly, various parties, including RUCO, issued data requests regarding treatment capacity. Specifically, RUCO issued Data Request No. 2.5 inquiring about actual in service wastewater treatment capacity at all of the Far West plants through the date of their data request. Mr. Duffett also failed to include this information in his analysis.

Q. IS EVALUATING WASTEWATER TREATMENT CAPACITY AS SIMPLE AS A JUNIOR HIGH MATH PROBLEM?

A. No, that is why an Arizona licensed professional engineer, familiar with Arizona practice, should make their analysis. Mr. Liu for Staff and I are both licensed professional engineers in Arizona with many years' experience in the wastewater treatment field. Each of us independently evaluated Far West's treatment capacity, and each of us concluded that there is no excess capacity in the test year[1].

Each of the wastewater treatment plants serves a separate and distinct service area. They were built at different times and at different costs. Any meaningful analysis must determine which specific plants may have excess capacity and what specific costs should be excluded from rate base because of excess capacity.

Q. DOES DR. FISH PROVIDE ADDITIONAL SUPPORT FOR HIS PLANT DISALLOWANCES?

A. Not in a meaningful way. He simply relies on Mr. Duffett's flawed analysis and makes generalized statements criticizing my positions.

Q. COULD YOU SUMMARIZE YOUR POSITION REGARDING DR. FISH AND MR. DUFFETT'S SURREBUTTAL TESTIMONIES?

A. Yes. My position is unchanged from my Rebuttal Testimony. Mr. Duffett commits three huge errors:

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[1] The Company and Staff are supporting the Company's proposed disallowance of certain plant at the Section 14 WWTP because it is not currently used and useful. That not used and useful plant is the cost of plant facilities installed as part of the Phase I expansion of the Section 14 WWTP that are necessary to provide planned, but not yet fully constructed or permitted, Phase II capacity. In my Rebuttal Testimony, I incorrectly referred to this as excess capacity. It is more precise to refer to this as not used and useful plant associated with future planned capacity rather than excess capacity.

1. Mr. Duffett continues to use a system-wide analysis to reach his conclusions. A valid analysis of wastewater treatment plant capacity should be done on a plant-by-plant basis. Mr. Duffett's failure to evaluate each specific plant is a major flaw in his analysis which renders it largely meaningless.
2. Mr. Duffett continues to mismatch wastewater treatment plant ultimate design capacity with test year plant in service. The mismatch is significant in magnitude, causing Mr. Duffett's analysis to be significantly in error.
3. Mr. Duffett does not follow the Commission's preferred approach for determining used and useful capacity, so he understated the percentage of plant that is used and useful.

Each of these errors in Mr. Duffett's analysis is a significant flaws and each flaw, standing alone, is sufficient to undermine Mr. Duffett's conclusions regarding the used and usefulness of Far West's wastewater treatment plants. The cumulative flaws are fatal to Mr. Duffett's conclusions. His testimony therefore should be given no weight.

Dr. Fish builds his testimony on Mr. Duffett's fatally flawed foundation and compounds the flaws by ignoring the Company's rate base adjustment and applying his proposed adjustment for excess treatment capacity to all wastewater plant accounts, even though those plant accounts that have nothing to do with treatment plant capacity. Dr. Fish's testimony should also be disregarded.

Coley Rebuttal Testimony

Q. DOES MR. COLEY CONTINUE TO RECOMMEND RATE BASE ADJUSTMENTS BASED ON THE TESTIMONY OF MR. FISH AND MR. DUFFETT?

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

Q. HAS YOUR RECOMMENDATION REGARDING THESE PROPOSED ADJUSTMENTS CHANGED?

A. No, they should all be rejected. Mr. Coley merely adopts the flawed recommendations of Dr. Fish and Mr. Duffett.

Q. IS THERE ANY PART OF MR. COLEY'S TESTIMONY YOU WOULD LIKE TO SPECIFICALLY ADDRESS?

A. Yes, there appears to be some confusion regarding the Company's Rate Base Adjustment RB-1.7 and how it relates to RUCO's proposed disallowance. I have testified that RUCOs approach effectively twice removes the plant addressed in the Company's Rate Base Adjustment RB-1.7. Mr. Cooley states that he disagrees with this position, but his testimony provides verification that it is essentially true. This leads me to believe that I have not explained my position adequately.

Mr. Coley's testimony and Surrebuttal Schedule TJC-4(a) clearly indicate that RUCO applies their 30.1 percent proposed adjustment to the Company's proposed plant balance after the Company's $2,165,201 adjustment for not used and useful plant has already been removed. My point is that if RUCO's across the board approach were to be used, it would have to be applied to the unadjusted plant balance, without first removing the Company's $2,165,201 adjustment. The following table shows these two scenarios.

		RUCO as Proposed	RUCO Corrected	Difference
Section 14 Plant In Service		$ 12,583,565	$ 12,583,565	$ -
Company Adjustment RB-1.7		(2,165,201)	-	2,165,201
Adjusted Plant		10,418,364	12,583,565	2,165,201
RUCO Adjustment 1(a)	-30.1%	(3,135,928)	(3,787,653)	(651,725)
Used and Useful Plant		$ 7,282,436	$ 8,795,912	$ 1,513,475

As indicated, the adjustment proposed by RUCO causes the used and useful plant to be $1,513,475 less than it would be if RUCO used the correct plant balance to calculate its adjustment. The resulting additional $1,513,475 in plant disallowance is what I have referred to as removing the plant disallowed by the Company a second time.

V INCOME STATEMENT

Q. HAS THE COMPANY MADE ANY ADDITIONAL ADJUSTMENTS TO OPERATING INCOME IN THIS REJOINDER TESTIMONY?

A. The Company has updated adjustment IS-5 and added adjustment IS-9 to address issues raised in RUCO's Surrebuttal filing. The changes are summarized as follows:

- IS-5 – Salaries and Wages – Officers and Directors. This adjustment was updated to accept RUCO's Operating Income Adjustment No.4 including the removal $4,609 in payroll tax expense for operating expenses which was not previously included in the Company's adjustment.
- IS-9 – Imputed Revenue. This adjustment accepts RUCO Operating Income Adjustment No. 8 adding revenue for 48 unbilled RV lots in the amount of $3,133.

In addition, the Company updated adjustment IS-15 to reflect a change to the Company's proposed cost of capital, and the company updated IS-16 and IS-17 to reflect the impact of the other income statement adjustments on property taxes and income taxes.

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

Q. WHAT IS THE UPDATE TO THE COMPANY'S INCOME STATEMENT ADJUSTMENT IS-5?

A. This adjustment originally accepted Staff Operating Income Adjustment #1 by removing $60,247 of executive salary from test year expenses. In its rebuttal, RUCO agreed to the Staff adjustment but increased the adjustment by $4,609 to remove payroll taxes associated with the underlying payroll adjustment. As a compromise, the Company accepted the original Staff adjustment because it is the larger of two adjustments proposed by Staff and RUCO. Although the Company feels that RUCO's addition of $4,609 to the adjustment is unnecessary and contrary to the nature of the compromise proposed by the Company, the Company will nonetheless accept RUCO's proposal in order to eliminate an immaterial difference in the parties' positions. The Company's updated Income Statement Adjustment IS-5 is shown on Schedule C-2 – Rejoinder.

Income Statement Adjustment IS-9 – Imputed Revenue

Q. PLEASE EXPLAIN THE COMPANY'S RATE BASE ADJUSTMENT IS-9.

A. In the processing of this case, the Company discovered that one commercial business, the Schechert Family Aquatics & Fitness Center, located in the Manufactured Housing Subdivision (MHS-20) zoning district has characteristics sufficiently similar to an RV Park that charging the RV Park rate was appropriate, even though it is not a traditional RV Park. The Company has begun billing the facility for 48 RV spaces in addition to the regular commercial sewer rate. This adjustment imputes $3,133 in revenue for the test year to account for the revenue that would have been generated if the 48 RV spaces had been billed during the test year. The Company's proposed Income Statement Adjustment IS-9 is shown on Schedule C-2 – Rejoinder.

Income Statement Adjustment IS-14 – Interest Expense

Q. DID YOU UPDATE COMPANY ADJUSTMENT IS-14?

A. Yes. The adjustment has been updated to synchronize interest expense considering the Company's change to its proposed cost of capital. This adjustment is necessary to calculate properly the federal and state income taxes (Income Statement Adjustment IS-17) to be included in rates. Income statement adjustment IS-14 results in synchronized interest expense of $1,089,506.

Income Statement Adjustment IS-16 – Property Tax

Q. HAS COMPANY ADJUSTMENT IS-16 BEEN UPDATED?

A. Yes. The Company updated the adjustment to reflect the impact of the other income statement adjustment on property taxes.

Income Statement Adjustment IS-17 – Income Tax

Q. HAS COMPANY ADJUSTMENT IS-17 BEEN UPDATED?

A. Yes. The Company updated the adjustment to reflect the impact of the other income statement adjustment on income taxes.

Q. ARE THE PARTIES NOW IN AGREEMENT ON INCOME STATEMENT ISSUES?

A. For the most part yes. Staff did not adopt RUCO Operating Income Statement adjustments removing $4,609 in payroll tax expense and adding $3,133 in imputed revenue due to the immateriality of these adjustments. The remaining income statement differences are with interest, depreciation, property tax and income tax expenses and are due to the parties differing rate base and cost of capital positions. The parties agree on the methodology to calculate these expenses.

VI COST OF CAPITAL

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

A. Since Staff has addressed most of the capital structure concerns raised in my Rebuttal Testimony, Far West will adopt Staff's recommended cost of capital. These changes have been incorporated into Schedule D-1 – Rejoinder and Schedule D-2 Rejoinder.

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

A. Based upon a capital structure consisting of 74.23 percent long-term debt, 4.95 percent short-term debt and 20.82 percent equity, a long-term debt cost of 6.66 percent, a short-term debt cost of 7.51%, and a cost of equity of 10.0 percent, the weighted cost of capital is 7.4 percent as shown on Schedule D-l.

VII RATE DESIGN

Q. HAVE YOU UPDATED YOUR RATE DESIGN SINCE FILING YOUR REBUTTAL TESTIMONY?

I am proposing the same rate design as proposed in my Rebuttal Testimony. I have updated the actual rates to reflect the Company's rejoinder revenue requirement. I also corrected the RV billing determinates to reflect 60 RV base charges[2].

Q. HAVE YOU PROVIDED UPDATED SCHEDULES SHOWING YOUR REJOINDER RATE DESIGN AND THE IMPACT ON VARIOUS CUSTOMER CLASSES?

A. Yes. A full set of updated H-Schedules is included in ***Exhibit RLJ-RJ1***.

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[2] In my Rebuttal Testimony, I inadvertently used 5 bills, instead of 5 x 12 = 60.

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S REJOINDER RATE DESIGN.

A. The Company continues to propose flat rate monthly charges for the residential and Recreational Vehicle ("RV") Park classes. The proposed residential rate is $57.44 monthly. The RV Park rate includes a monthly charge of $86.16 with an additional charge per RV space set at 33.33 percent of the residential rate or $19.14 monthly. Commercial customers' sewer charges are based on the customer's water meter size with charges as follows:

5/8" x 3/4" Meters	$86.16
3/4" Meters	$86.16
1" Meters	$143.60
1 1/2" Meters	$215.40
2" Meters	$344.64
3" Meters	$919.04
4" Meters	$1,436.00
6" Meters	$2,872.00

The Company continues to propose a market based effluent rate with a price range of $0.20 to $1.00.

Q. ARE ALL PARTIES NOW PROPOSING THE SAME BASIC RATE STRUCTURE?

A. Yes, they are. All parties are proposing a flat rate for residential customers. All parties are proposing a flat rate by meter size for commercial customers. All parties have adopted the Company's proposed RV park rate structure which consists of a flat rate base charge to provide for common facilities (clubhouses, laundries, etc.) plus a flat rate for each RV space within the park. All parties are recommending that effluent be billed on a commodity charge basis.

Q. ARE THERE ANY REMAINING DIFFERENCES IN THE PARTIES RATE DESIGNS FOR THE RESIDENTIAL, COMMERCIAL AND RV PARK CLASSES?

A. With respect to the residential, commercial and RV park classes the difference is in the multiplier used to establish each rate. All of the parties base their rates on the residential rate with multipliers being used to establish commercial and RV rates. The following table summarizes the rate multipliers used by each party.

	Multiplier Used			Percent Increase		
Rate	RUCO	Staff	Company	RUCO	Staff	Company
Residential	1.00	1.00	1.00	125.0%	152.6%	164.1%
Commercial - 5/8"	1.33	1.00	1.50	49.5%	26.3%	98.1%
Commercial - 3/4"	1.66	1.56	1.50	86.9%	97.2%	98.1%
Commercial - 1"	3.32	2.61	2.50	273.9%	229.6%	230.1%
Commercial - 1 1/2"	4.99	5.16	3.75	460.8%	551.7%	395.2%
Commercial - 2"	7.98	8.24	6.00	797.2%	940.6%	692.3%
Commercial - 3"	21.27	16.00	16.00	2292.6%	1920.3%	2012.7%
Commercial - 4"	33.24	25.00	25.00	3638.5%	3056.7%	3201.1%
Commercial - 6"	66.47	50.00	50.00	7377.0%	6213.4%	6502.3%
RV Park - Common Area	2.50	1.56	1.50	181.2%	97.2%	98.1%
RV Park - Per Space	0.33	0.33	0.33	199.8%	236.6%	251.8%
Shading indicates no current customers with meter size						

The text of RUCO's testimony leads me to believe that the multipliers for the Commercial 5/8", 3/4" and 1" meters are 1.00, 1.25 and 2.5, respectively. However, the above multipliers are the multipliers calculated from the provided rate design schedules. I am not certain which multipliers represent RUCO's correct position.

The difference between Staff and the Company's rate design are unchanged from my Rebuttal Testimony. As more fully discussed in my Rebuttal Testimony, after considering the percentage increases for specific meter sizes, the Company recommends adjusting standard multipliers for the 5/8" x 3/4", 1 1/2" and 2" meters. This is the only material difference between the Staff and Company rate designs.

Q. WHAT ABOUT THE EFFLUENT RATE?

A. The parties have not altered their original positions and neither Staff nor RUCO has responded to the Company's position. The Company continues to advocate for a market rate and does not support the rate proposals of either Staff or RUCO. As fully discussed in my Rebuttal Testimony, if a market rate for effluent is not adopted, the Company's cost of disposing of effluent will increase and those increased costs must be borne by customers. Simply put, the long-term cost to the Company of maintaining or raising the effluent price is greater than the short-term benefit revenue recovery to effluent customers. In addition, the current effluent rate has caused affiliates to incur payables to Far West for effluent they do not want and that is in excess of their ability to pay for.

Q. IS THERE ANYTHING YOU WOULD LIKE TO ADD REGARDING THE RV PARK RATE?

A. Yes. As noted in my Rebuttal Testimony it is important that the RV Park tariff contain sufficient detail regarding the applicability and eligibility for the rate to avoid misunderstanding as to which customers are eligible for the rate. To this end, I have developed the following language to clarify which customers are eligible for the RV Park rate, which customers are not eligible for the RV Park rate and how the RV Rate is applied. This language or substantially similar language would be incorporated into the Company's tariffs as appropriate.

The RV Rate shall apply only to a parcel of land under single ownership on which three (3) or more Recreational Vehicles are occupied as temporary residences, regardless of whether or not a charge is collected for such accommodations (RV Park).

A Recreational Vehicle is a vehicle that is built on a single chassis, four hundred (400) square feet or less in size, designed to be self-propelled (motor home) or permanently towed (trailer, fifth wheel, or camper), and designed primarily for use as temporary living quarters for recreational, camping, travel, or seasonal use and not for use as a permanent dwelling. A Recreational Vehicle includes park model trailers, provided that they have not been altered to increase living space beyond 400 square feet. Recreational Vehicles do not include Manufactured Homes (a/k/a Mobile Homes).

Each RV Park shall be assessed a single base charge for the sewer usage at clubhouses, laundries and other common areas. In addition, a fee shall be paid for each RV Park space whether occupied or not.

Combined facilities that include both an RV Park and Manufactured Home Park shall pay the RV Park rate for the RV Park portion of the facility with the residential tariff applying to the Manufactured Home spaces within the facility.

VIII <u>RATE IMPLEMENTATION CONDITIONS</u>

Q. WHAT CAN THE COMPANY REPORT REGARDING ITS EFFORTS TO ADDRESS UNPAID PROPERTY TAXES?

A. The Company has met with the Yuma County Treasurer, Angela Pancrazi Moreno and the Chief Deputy County Attorney, William Kerekes, regarding unpaid property taxes.

The Company and Yuma County have reached an agreement in principal summarized as follows:

- Far West will pay current taxes coming due for 2013 and all subsequent year's taxes in two installments as normally due on November 1st of the tax year and May 1st of the following year.

- Far West shall create a special account and deposit five percent (5%) of the rate increase granted by the Commission into the special account in 12 equal monthly installments, commencing 30 days after new rates take effect. The deposits will continue until all delinquent taxes have been paid.

- Payment of delinquent taxes will commence twelve months after a decision in this case is issued authorizing Far West to implement new rates with payment of the 2008 property taxes including penalties and interest.

- Far West will continue to pay the delinquent taxes, one year at a time, on the anniversary of the rate increase granted by the Commission (every 12 months), for four more years until delinquent taxes for year 2009, 2010, 2011 and 2012 have been fully paid.

- Payments are not contingent upon the deposits into the special account. Far West will pay the full amount due each year regardless of the balance available in the special account.

On April 16, 2013 the Company tendered the letter attached as ***Exhibit RLJ-RJ2*** to the City of Yuma setting forth the Company's understanding of the proposed agreement on delinquent taxes.

The Company recommends that implementation of new rates be based on this agreement for paying past due taxes rather than the precondition recommend by Staff.

Q. WHAT PROGRESS CAN THE COMPANY REPORT REGARDING UNPAID AMOUNTS DUE UNDER MXAS?

Far West has contacted Harry Elliott regarding amounts due to the Development Group in the amount of approximately $84,000. He has advised that he will consider payment of $5,000 a month, commencing 30 days after the rate increase goes into effect. Jacobson is owed about $85,000 for various projects. He has indicated that he will agree to payments. New Sun is owed $20,000, but, to date, Far West has been unable to locate a contact for New Sun, but is checking to see if they have a Phoenix office. The other outstanding amounts are to smaller developers in small amounts.

Based on these commitments, Far West recommends that implementation of new rates be based on Far West agreeing to make monthly payments to developers for unpaid amounts due under MXAs with the condition that all amounts due be fully paid not later than December 31, 2014.

Q. WHAT ABOUT THE AMOUNTS DUE SPARTAN HOMES?

A. Far West continues to seek mechanisms that would allow Mr. Housholder to be paid. However, absent other options becoming available, the Company recommends that the implementation of new rates be based on paying Mr. Housholder in full within 60 days of new rates taking effect.

IX RESPONSE TO GILKEY-RIST SURREBUTTAL TESTIMONY

Q. DID THE COMPANY CLAIM THERE HAVE BEEN NO FAILURES OF THE PALM SHADOWS PUMP STATION OR FORCE MAIN IN ITS RESPONSE TO GILKEY-RIST DR 7.6 OR OTHERWISE?

A. The Company did not make that claim. Gilkey-Rist DR 7.6 asked only about the Palm Shadows Force Main. The Company responded that "there had been no failures of the force main." The question did not ask about, and the Company did not address, any failures of the Palm Shadows Pump Station. In an effort to be fully forthcoming, the Company did, however, refer the questioners to its answer to Gilkey DR 3.4 "for information on failures, other than the force main." When asked specifically about failures of the Palm Shadows Lift Station in RUCO DR 6.2, the Company responded as follows:

> Although outside of the test year and not responsive to this Data Request, the Company acknowledges that the Palm Shadows Lift Station pump header failed in 2012. See the Company's response to Gilkey Data Request 3.4 for information on failure of the pump header at the Palm Shadows Lift Station which occurred in May and June of 2012.

As noted in the Gilkey-Rist Surrebuttal, there were failures at the Palm Shadows Lift Station which have been fully disclosed by the Company in its response to Gilkey DR 3.4, RUCO DR 6.2 and otherwise. The Gilkey-Rist assertion that the Company's response to their DR 7.6 was anything other than accurate and fully forthcoming is simply wrong.

Q. IS YUMA VENTURES AN RV PARK THAT, IF WITHIN THE COMPANY'S CC&N, SHOULD RECEIVE SEWER SERVICE AT THE RV RATE?

A. No. Yuma Ventures is a conventional subdivision within the Recreational Vehicle Subdivision (RVS) zoning district. RVS is the zoning district overlying most of the

Company's service area and the zoning that most of its residential customers are within. The lots/homes within Yuma Venture are individually owned and are not rented. Yuma Ventures is outside the Company's CC&N, it is not an RV Park, and the homeowners should not be eligible for service under the RV Rate if the subdivision were added to the CC&N.

The Gilkey' seem to base their assertions regarding Yuma Ventures on the fact that the housing units within Yuma Ventures appear to have park model trailers as the core of the structure. While this is true, many of the park model trailers have been expanded beyond the 400 square feet limit for a Recreational Vehicle. These permanent expansions have been allowed precisely because the units are installed on privately owned lots within the RVS zoning district.

Q. ARE YOU SPECULATING WHEN YOU TESTIFIED THAT FAR WEST MET WITH THE CITY OF YUMA REGARDING TREATMENT SERVICES?

A. No I am not. Andy Capestro, Paula Capestro and Sandy Braden, along with their attorney Wayne Benesch, met with City of Yuma personnel on April 5, 2006. I have attached the legal bill (***Exhibit RLJ-RJ3***) from Mr. Benesch evidencing the meeting and other contact with the City of Yuma.

X <u>RESPONSE TO HOUSEHOLDER SURREBUTTAL TESTIMONY</u>

Q. MR. HOUSEHOLDER CLAIMS HIS EFFORTS TO NEGOTIATE A MUTUALLY ACCEPTABLE PAYMENT PLAN WERE ALMOST COMPLETELY IGNORED. DO YOU AGREE?

A. Not at all. The Company has attempted, in good faith, to negotiate a mutually acceptable payment plan, but has been unable to reach agreement with Mr. Householder. As

1 documented in the Company's March 30, 2012 Request to Extend Payment Deadline[3], in
2 response to an inquiry from Spartan Homes, Far West's shareholders identified three of
3 their own residential lots then on sale for $55,000 each that could be used to satisfy the
4 Spartan Homes obligation. Far West also offered the alternative of paying Spartan
5 Homes $15,418 with a 5-year note for the balance, at 10.0% annual interest. Spartan
6 Homes did not accept either of these propositions.

7 I personally reiterated Far West's desire to enter into a mutually acceptable payment
8 arrangement with Mr. Householder to his attorney, Mr. Jeff Crockett, on June 8th, 2012.
9 After hearing nothing from Mr. Crockett, I followed up with Mr. Crockett, leaving a
10 voice message on June 15, 2012.

11 On June 18th, Mr. Dean Miller contacted Mr. Crockett to again discuss a payment plan
12 with Mr. Householder. On June 25, 2012 Mr. Miller again contacted Mr. Crockett to
13 discuss Far West's proposed payment plan to Mr. Householder consisting of an initial
14 payment of $47,682 with the remainder being paid at a later date. Mr. Miller again
15 followed up with Mr. Crockett on July 2, 2012 with a written proposal to make a cash
16 payment on July 31, 2012 of $47,682 with the remaining balance to be paid once the
17 Commission approved the Fortuna Commons CC&N Extension.[4] On July 5th, 2012, Mr.
18 Crockett advised Mr. Miller that he had explained the Far West Payment proposal to Mr.
19 Householder.

20 On July 9, 2012, Mr. Crockett advised that he would be communicating a counteroffer
21 from Mr. Householder. On July 16, 2012 Mr. Miller received a written counteroffer from
22 Mr. Crockett. On July 17, 2012, Mr. Miller advised Mr. Crockett that he had received the

[3] See Docket No. WS-03478A-08-0256.
[4] See Docket No. WS-03478A-10-0523.

counteroffer and forwarded it to Far West for consideration. On July 25, 2012, in response to an inquiry from Mr. Crockett, I advised that Far West was considering the counteroffer. On July 26, 2012, Mr. Miller advised Mr. Crockett that Far West had considered the counteroffer and provided Mr. Crockett a proposed term sheet incorporating some of the provisions of the counteroffer. On July 30, 2012, Mr. Capestro issued a letter to Mr. Crockett with a check in the amount of $47,682.00 as first payment to Mr. Householder under the terms of the previously provided term sheet. On July 31, 2012, Mr. Crockett advised Mr. Miller that he had spoken to Mr. Householder and was ready to discuss the term sheet. Mr. Miller and Mr. Crockett subsequently discussed the term sheet. On August 3, 2012, Mr. Miller transmitted an updated term sheet to Mr. Crockett addressing Mr. Crockett's comments. On August 20, 2012, Mr. Crockett transmitted a revised term sheet to Mr. Miller. Mr. Miller considered the revised term sheet prepared by Mr. Crockett substantially inconsistent with previous discussions and considered the response a rejection of the Company's proposal. This communication ended negotiations between the parties.

Ultimately, Mr. Householder never cashed the check provided by Far West and the parties did not agree to a payment plan. However, the failure is not due to Far West ignoring Mr. Householder.

Q. HAS THE COMPANY PROVIDED DOCUMENTATION SUPPORTING AND EXPLAINING PAYMENTS TO AND OTHER TRANSACTIONS WITH AFFILIATES?

A. Staff and RUCO have conducted an extensive investigation of costs and expenses included in the Company's rate base or test year expenses. In fact, I would say that it is the most extensive investigation I have been involved in during my many years of

processing rate cases. During the course of this case, the Company has responded to the numerous data requests from Staff and RUCO specifically investigating affiliate transactions. The Company has provided an extraordinary amount of documentation supporting the transactions investigated by Staff and RUCO. A summary of the data request responses addressing affiliate transactions is as follows.

The Company identified all affiliates and provided a narrative description of the relationships between the affiliates and the Company (Staff GB 2-1). The Company provided schedules showing cash receipts and disbursements between Far West and its related parties (Staff GB 2-1). The Company provided schedules regarding unpaid liabilities and unpaid receivables between Far West and its affiliates (Staff GB 2-1). The Company identified all resources shared between Far West and a related party (Staff GB 2-1).

The Company provided schedules showing amounts charged to or credited from affiliated companies and the basis for those charges (Staff JA 3.5). The Company explained recent changes in practices including discontinuing purchasing construction services from H&S Developers in January 2010 (Staff JA 3.5). The Company disclosed and explained all assets owned by Far West and utilized by affiliates (Staff JA 3.8). The Company disclosed and explained all assets owned by affiliates and utilized by Far West (Staff JA 3.9). The Company fully disclosed any personnel shared between Far West and affiliates and how the time is calculated (Staff JA 3.10, Staff JA 3.11 and Staff GB 2-1).

The Company identified shared office space and how costs are allocated (Staff JA 3.10). The Company provided accounts payable and accounts receivable aging for payables and receivables owed or due from affiliates (Staff JA 3.12 and Staff JA 3.13). The Company verified that none of its benefit programs cover affiliates (Staff JA 3.18). The Company

identified affiliate transactions satisfied by accounting entry offset (Staff JA 3.27). The Company disclosed all repairs and maintenance and contractual services expenses paid to affiliates and provided the supporting invoices (Staff JA 3.37 and RUCO 6.6).

The Company verified that there are no unrecorded affiliate payables or receivables (Staff JA 3.40 and Staff JA 3.41). The Company provided a schedule and supporting valuations for all assets received from or transferred to related parties (Staff GWB 4.2). The Company fully explained the nature of the $3,600 paid to Mr. Capestro for fuel reimbursement (RUCO 5.6). The Company identified the nature of test year payments to Mr. Capestro (RUCO 6.7). The Company provided State Bar approvals permitting Mr. Capestro to appear pro hac vice in Arizona and explained certain legal services provided by Mr. Capestro do not require admission pro hac vice and are appropriately provided to the Company (RUCO 6.8).

The Company provided schedules showing payments made to related parties and charged to capital projects (Staff GWB 5.2 and GWB 7.3). The Company supported payments to Mr. Capestro charged to capital (Staff GWB 7.1). The Company provided a schedule of fees paid by developers to H&S Developers and the ratemaking implications of those payments (Staff GWB 11.1). The Company provided a schedule of amounts paid to H&S Developers for the WWTP projects and explained the competitively bidding procedures applicable to H&S Developers and why the costs were fair and reasonable (Staff GWB 11.2). The Company provided a schedule of expenses owed or paid to H&S Developers during the test year and explained why the costs were reasonable and fair (Staff GWB 11.2). The Company provided copies of contracts with H&S Developers for construction on the WWTP projects (Staff GWB 11.2).

Q. GIVEN THE EXTENSIVE INVESTIGATION CONDUCTED BY STAFF AND RUCO, HOW DO YOU RESPOND TO MR. HOUSEHOLDERS GENERALIZED COMMENTS AND CONCERNS REGARDING FAR WEST'S FINANCES AND AFFILIATE TRANSACTIONS?

A. I can only say that Mr. Householder's concerns are misplaced and refer him to the Company's data request responses noted previously and provided to Mr. Householder during the course of discovery in this case. I also note that after fully considering the evidence provided by the Company, Staff concluded that the ratepayers have not been harmed by the Company's affiliate transactions.

Q. HAS THE COMPANY ADDRESSED FEES PAID BY DEVELOPERS TO H&S CONSTRUCTION?

A. The Company's data request response to Staff GB 11.1addresses this issue. As noted in the response, H&S Developers contributed wastewater treatment plant facilities to Far West and was reimbursed by other developers for the costs contributed to Far West. As noted in the response, this is a normal and routine transaction between developers that is not unusual in the industry. The transactions have no rate making implications because Far West has no investment in the underlying wastewater treatment facilities.

XI FAR WEST'S POSITION ON APPOINTMENT OF INTERIM MANAGER

Q. DOES THE COMPANY HAVE A RESPONSE TO THE MARCH 28, 2013 LETTER DOCKETED BY COMMISSIONER BITTER SMITH?

A. The Company believes that facts and information presented in this case do not support the appointment of an interim manager for Far West. The Company has made remarkable progress since its request for interim rates was rejected by the Commission. As of the end of the 2011 test year, Far West has completed Phase I of the Section 14

Plant expansion, completed the Phase I Del Oro Plant expansion and closed the Palm Shadows wastewater treatment plant, diverting those flows to the Section 14 Plant. The Phase II Del Oro expansion is underway and the Seasons facility expansion is in the final phase of testing and startup.

The Company has submitted and supported a credible request for increase in rates based on actual investment in plant and equipment that is used and useful in the provision of wastewater service to its customers. Based on the Company's application and support, both Commission Staff and RUCO are recommending increases to wastewater rates. The biggest challenge facing the Company at this time is regulatory lag. The Company's investments, which have been in service for approximately 18 months, are large and not included in the Company's current rates. Appointment of an interim manager will not mitigate the financial challenges faced by the Company related to this plant investment and will not alter the amount of increase the Company needs in its wastewater rates.

As noted by Staff, appointment of an interim manager is extraordinary measure that is only appropriate when there is a clear and present danger to public health and safety and when no other options exist. That is not the case with Far West and the appointment of an interim manager is not appropriate or necessary at this time.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ1

Far West Water and Sewer
Test Year Ended December 31, 2011
Index of Standard Filing Schedules

Exhibit: RJ-RJ1
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

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

Exhibit: RLJ-RJ1
Schedule A-1 - Rejoinder
Page 1
Witness: Jones

Line No.				
1	Original Cost Adjusted Rate Base	$	20,556,719	
2				
3	Adjusted Operating Income	$	(576,930)	
4				
5	Current Rate of Return		-2.81%	
6				
7	Required Operating Income	$	1,521,197	
8				
9	Required Rate of Return		7.4%	
10				
11	Operating Income Deficiency	$	2,098,127	
12				
13	Gross Revenue Conversion Factor		1.6613	
14				
15	Increase in Gross Revenue	$	3,485,582	156.23%
16				
17				

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

Exhibit: RLJ-RJ1
Schedule A-2 - Rejoinder
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	$ 2,132,099	$ 2,209,632	$ 2,239,713	$ 2,231,115	$ 2,231,115	$ 5,716,697
2	Revenue Deductions and						
3	Operating Expenses	2,786,863	2,782,352	3,045,196	2,808,045	2,852,916	4,240,371
4	Operating Income	(654,764)	(572,720)	(805,483)	(576,930)	(621,801)	1,476,326
5							
6	Other Income and						
7	Deductions	274,876	1,042,027	790,493	790,493	119,086	119,086
8	Interest Expense	(1,330,155)	(1,299,287)	(1,523,207)	(1,089,506)	(1,089,506)	(1,089,506)
9	Net Income	$ (1,710,043)	$ (829,979)	$ (1,538,197)	$ (875,943)	$ (1,592,221)	$ 505,906
10							
11	Earned Per Average						
12	Common Share						
13							
14	Dividends Per						
15	Common Share						
16							
17	Payout Ratio						
18							
19	Return on Average						
20	Invested Capital	-4.6%	-2.0%	-3.6%	-2.0%	-3.5%	1.1%
21							
22	Return on Year End						
23	Capital	-4.3%	-2.0%	-3.5%	-2.0%	-3.5%	1.1%
24							
25	Return on Average						
26	Common Equity	-592.6%	-24.1%	-28.5%	-13.4%	-24.5%	6.7%
27							
28	Return on Year End						
29	Common Equity	-75.9%	-17.9%	-25.1%	-12.0%	-28.0%	6.5%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	(0.49)	(0.44)	(0.85)	(1.49)	(1.49)	1.65
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	(0.49)	(0.44)	(0.53)	(0.53)	(0.53)	1.40
37							
38	Supplemental Data						
39							
40	Debt Service Coverage (Wastewater Division)			(0.30)			
41							
42	Debt Service Coverage (Entire Company)			0.93			
43							
44	Supporting Schedules:						
45	E-2 F-1						
46	C-1						
47							

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

Exhibit: RLJ-RJ1
Schedule A-3 - Rejoinder
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	-	-	1,732,342	1,145,715
4	Long-Term Debt	19,941,944	21,914,277	21,323,943	25,597,448
5	Total Debt	$ 19,941,944	$ 21,914,277	$ 23,056,285	$ 26,743,163
6					
7	Preferred Stock	-	-	-	-
8	Common Equity	2,252,564	4,641,091	7,285,912	5,693,691
9	Total Capital & Debt	$ 22,194,508	$ 26,555,369	$ 30,342,198	$ 32,436,854
10					
11					
12	Capitalization Ratios:				
13					
14	Short-Term Debt	0.00%	0.00%	5.71%	3.53%
15	Long-Term Debt	89.85%	82.52%	70.28%	78.91%
16	Total Debt	89.85%	82.52%	75.99%	82.45%
17					
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	10.15%	17.48%	24.01%	17.55%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
21					
28	Weighted Cost of				
29	Senior Capital	5.984%	5.496%	5.300%	5.200%
30					
31					
32					
33					
34					
35	Supporting Schedules:				
36	E-1 D-1				
37					

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

Exhibit: RLJ-RJ1
Schedule A-4 - Rejoinder
Page 1
Witness: Jones

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

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

Exhibit: RLJ-RJ1
Schedule A-5 - Rejoinder
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	$ (358,771)	$ (2,684,431)	$ (233,496)	$ (905,762)	$ 1,297,452
3						
4	Outside Financing	4,460,147	5,656,068	2,388,104	3,565,198	465,198
5						
6	Total Funds Provided	$ 4,101,376	$ 2,971,637	$ 2,154,608	$ 2,659,436	$ 1,762,651
7						
8	Application of Funds					
9	Constriction Expenditures	$ (4,101,586)	$ (3,021,716)	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	$ (4,101,586)	$ (3,021,716)	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
16						
17	Net Increase/(Decrease) in Cash	(209)	(50,079)	52,082	614,766	(282,019)
18						
19						
20						
21	Supporting Schedules:					
22	E-3					
23	F-2					
24						

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

Exhibit: RLJ-RJ1
Schedule B-1 - Rejoinder
Page 1
Witness: Jones

Line No.		Original Cost Rate Base*
1		
2	Gross Utility Plant in Service	$ 34,938,233
3		
4	Less: Accumulated Depreciation	4,824,701
5		
6	Net Utility Plant in Service	30,113,532
7		
8	Less:	
9	Advances in Aid of Construction	10,192,451
10		
11	Contributions in Aid of Construction	1,726,854
12	Accumulated Amortization of CIAC	(909,423)
13	Contributions in Aid of Construction - Net	817,431
14		
15	Customer Security Deposits	26,359
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	1,479,427
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	$ 20,556,719
23		
24	* including pro forma adjustments	
25		
26		
27	Supporting Schedules:	Recap Schedules:
28	B-2 B-5	A-1
29	B-3 E-1	
30		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 1
Witness: Jones

Line No.	Acct No.	Description	As Filed: Actual End of Test Year	As Filed: PIS ADJ RB-1	As Filed: A/D ADJ RB-2	As Filed: CIAC ADJ RB-3	Rebuttal: Las Barrancas Not In Servcie ADJ RB-4	Rebuttal: AFUDC Disallow ADJ RB-5	Rebuttal: Interest Dissallow ADJ RB-6	Rebuttal: Legal Other Dissallow ADJ RB-7	Rebuttal: Capestro MF Dissallow ADJ RB-8	Rebuttal: Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Gross Utility Plant in Service	$ 42,605,611	$ (4,854,479)	$ -	$ -	$ (622,519)	$ (1,024,942)	$ (896,463)	$ (168,193)	$ (100,782)	$ -	$ (7,667,378)	$ 34,938,233
3														
4		Accumulated Depreciation	$ 6,870,429	$ -	$ (1,924,696)	$ -	$ (68,477)	$ (23,005)	$ (22,789)	$ (4,267)	$ (2,494)	$ -	$ (2,045,728)	$ 4,824,701
5														
6		Net Utility Plant in Service	35,735,182	(4,854,479)	1,924,696	-	(554,042)	(1,001,937)	(873,674)	(163,926)	(98,288)	-	(5,621,650)	30,113,532
7														
8		Less:												
9		Advances in Aid of Construction	10,814,970				(622,519)						(622,519)	10,192,451
10														
11		Contributions in Aid of Construction	2,440,167			(713,313)							(713,313)	1,726,854
12		Accumulated Amortization of CIAC	(1,302,925)			393,502							393,502	(909,423)
13		Contributions in Aid of Construction - Net	1,137,242	-	-	(319,811)	-	-	-	-	-	-	(319,811)	817,431
14														
15		Customer Security Deposits	26,359										-	26,359
16		Deferred Income Taxes	-										-	-
17														
18		Plus:												
19		Working Capital	1,653,938									(174,510)	(174,510)	1,479,427
20		Net Regulatory Asset / (Liability)											-	-
21														
22		Rate Base	$ 25,410,549	$ (4,854,479)	$ 1,924,696	$ 319,811	$ 68,477	$ (1,001,937)	$ (873,674)	$ (163,926)	$ (98,288)	$ (174,510)	$ (4,853,830)	$ 20,556,719
23														
24		Summary Recap:												
25		Rate Base As Filed	$ 22,800,577											
26		Rebuttal Adjustments	(2,243,858)											
27		Rebuttal Adjusted Rate Base	$ 20,556,719											
28														
29		Supporting Schedules:											Recap Schedules:	
30		E-1											B-1	
31														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments
Supplemental Schedule - Gross Utility Plant In Service by Account

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 1.1

Line No.	Acct No.	Description	As Filed: Actual End of Test Year	As Filed: PIS ADJ RB-1	As Filed: A/D ADJ RB-2	As Filed: CIAC ADJ RB-3	Rebuttal: Las Barrancas Not In Servcie ADJ RB-4	Rebuttal: AFUDC Disallow ADJ RB-5	Rebuttal: Interest Dissallow ADJ RB-6	Rebuttal: Legal Other Dissallow ADJ RB-7	Rebuttal: Capestro MF Dissallow ADJ RB-8	Rebuttal: Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Gross Utility Plant In Service												
3	351	Organization Cost	$ -	$ -				$ -	$ -	$ -	$ -		$ -	$ -
4	352	Franchise Cost	3,076	-				-	-	-	-		-	3,076
5	353	Land and Land Rights	1,560,847	(147,410)				-	-	-	-		(147,410)	1,413,437
6	354	Structures & Improvements	2,633,622	(156,140)				(100,653)	(114,449)	(21,911)	(10,423)		(403,576)	2,230,046
7	355	Power Generating Equipment	68,993	-				(3,267)	(775)	(14)	(1,141)		(5,197)	63,796
8	360	Collection Sewers - Force	3,705,476	(201,148)				(221,090)	(5,243)	(321)	(12,424)		(440,226)	3,265,250
9	361	Collection Sewers - Gravity	8,749,140	(21,563)			$ (622,519)	-	-	-	-		(644,082)	8,105,058
10	362	Special Collecting Structures	-	-				-	-	-	-		-	-
11	363	Sevices to Customers	173,621	-				-	-	-	-		-	173,621
12	364	Flow Measuring Devices	32,468	-				-	-	-	-		-	32,468
13	365	Flow Measuring Installations	16,683	-				-	-	-	-		-	16,683
14	366	Reuse Services	-	-				-	-	-	-		-	-
15	367	Reuse Meters and Meter Installations	2,310	-				(71)	(75)	(14)	(8)		(168)	2,142
16	370	Receiving Wells	92,784	(18,557)				(4,269)	(4,571)	(821)	(493)		(28,711)	64,073
17	371	Pumping Equipment	1,496,705	(101,067)				(38,521)	(34,962)	(6,178)	(6,332)		(187,060)	1,309,645
18	374	Reuse Distribution Reserviors	-	-				-	-	-	-		-	-
19	375	Reuse Transmission and Dist. Sys.	-	-				-	-	-	-		-	-
20	380	Treatment and Disposal Equipment	21,650,302	(3,964,890)				(608,662)	(682,992)	(129,026)	(64,653)		(5,450,223)	16,200,079
21	381	Plant Sewers	736,542	(112,871)				(33,047)	(36,934)	(6,949)	(3,537)		(193,338)	543,204
22	382	Outfall Sewer Lines	2,256	(451)				(104)	(111)	(20)	(12)		(698)	1,558
23	389	Other Plant and Misc. Equipment	418,687	(24,546)				(14,902)	(15,958)	(2,867)	(1,720)		(59,993)	358,694
24	390	Office Furniture & Equipment	257,292	(2,720)				(255)	(285)	(53)	(27)		(3,340)	253,952
25	390	Computers & Software	30,027	(18,670)				-	-	-	-		(18,670)	11,356
26	391	Transportation Equipment	271,810	-				-	-	-	-		-	271,810
27	392	Stores Equipment	-	-				-	-	-	-		-	-
28	393	Tools, Shop & Garage Equipment	27,069	-				-	-	-	-		-	27,069
29	394	Laboratory Equipment	33,710	(16,292)				-	-	-	-		(16,292)	17,418
30	395	Power Operated Equipment	181,667	-				-	-	-	-		-	181,667
31	396	Communications Equipment	17,191	-				(101)	(108)	(19)	(12)		(240)	16,951
32	397	Miscellaneous Equipment	204,504	(68,153)				-	-	-	-		(68,153)	136,351
33	398	Other Tangible Plant	238,828	-				-	-	-	-		-	238,828
34														
35		Total - Gross Utility Plant In Service	$ 42,605,611	$ (4,854,479)	$ -	$ -	$ (622,519)	$ (1,024,942)	$ (896,463)	$ (168,193)	$ (100,782)	$ -	$ (7,667,378)	$ 34,938,233
36														
37														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Original Cost Rate Base Pro forma Adjustments
Supplemental Schedule - Accumulated Depreciation by Account

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 1.2

			As Filed				Rebuttal							
Line No.	Acct No.	Description	Actual End of Test Year	PIS ADJ RB-1	A/D ADJ RB-2	CIAC ADJ RB-3	Las Barrancas Not In Servcie ADJ RB-4	AFUDC Disallow ADJ RB-5	Interest Dissallow ADJ RB-6	Legal Other Dissallow ADJ RB-7	Capestro MF Dissallow ADJ RB-8	Working Capital ADJ RB-9	Total Pro Forma Adjustments	Adjusted End of Test Year
1														
2		Accumulated Depreciation												
3	351	Organization Cost	$ -		$ -			$ -	$ -	$ -	$ -		$ -	$ -
4	352	Franchise Cost	-		-			-	-	-	-		-	-
5	353	Land and Land Rights	-		-			-	-	-	-		-	-
6	354	Structures & Improvements	138,113		(86,844)			(1,676)	(1,906)	(365)	(174)		(90,964)	47,150
7	355	Power Generating Equipment	1,725		-			(82)	(19)	(0)	(29)		(130)	1,595
8	360	Collection Sewers - Force	181,585		(27,458)			(2,211)	(52)	(3)	(124)		(29,849)	151,736
9	361	Collection Sewers - Gravity	1,723,051		(10,564)		$ (68,477)	-	-	-	-		(79,041)	1,644,010
10	362	Special Collecting Structures	-		-			-	-	-	-		-	-
11	363	Sevices to Customers	8,395		(3,697)			-	-	-	-		(3,697)	4,698
12	364	Flow Measuring Devices	29,877		2,591			-	-	-	-		2,591	32,468
13	365	Flow Measuring Installations	13,766		2,918			-	-	-	-		2,918	16,683
14	366	Reuse Services	-		-			-	-	-	-		-	-
15	367	Reuse Meters and Meter Installations	96		-			(3)	(3)	(1)	(0)		(7)	89
16	370	Receiving Wells	1,546		(309)			(71)	(76)	(14)	(8)		(478)	1,068
17	371	Pumping Equipment	397,823		44,393			(2,408)	(2,185)	(386)	(396)		39,019	436,842
18	374	Reuse Distribution Reserviors	-		-			-	-	-	-		-	-
19	375	Reuse Transmission and Dist. Sys.	-		-			-	-	-	-		-	-
20	380	Treatment and Disposal Equipment	3,825,791		(1,741,708)			(15,217)	(17,075)	(3,226)	(1,616)		(1,778,842)	2,046,949
21	381	Plant Sewers	27,488		(8,302)			(826)	(923)	(174)	(88)		(10,313)	17,174
22	382	Outfall Sewer Lines	38		(8)			(2)	(2)	(0)	(0)		(12)	26
23	389	Other Plant and Misc. Equipment	45,316		(30,304)			(497)	(532)	(96)	(57)		(31,486)	13,830
24	390	Office Furniture & Equipment	31,463		(4,279)			(9)	(10)	(2)	(1)		(4,300)	27,163
25	390	Computers & Software	25,306		(21,597)			-	-	-	-		(21,597)	3,709
26	391	Transportation Equipment	125,372		68,655			-	-	-	-		68,655	194,028
27	392	Stores Equipment	-		-			-	-	-	-		-	-
28	393	Tools, Shop & Garage Equipment	3,124		-			-	-	-	-		-	3,124
29	394	Laboratory Equipment	21,263		(20,469)			-	-	-	-		(20,469)	793
30	395	Power Operated Equipment	23,457		-			-	-	-	-		-	23,457
31	396	Communications Equipment	1,182		-			(5)	(5)	(1)	(1)		(12)	1,170
32	397	Miscellaneous Equipment	137,179		(87,714)			-	-	-	-		(87,714)	49,465
33	398	Other Tangible Plant	107,473		-			-	-	-	-		-	107,473
34														
35		Total - Accumulated Depreciation	$ 6,870,429	$ -	$ (1,924,696)	$ -	$ (68,477)	$ (23,005)	$ (22,789)	$ (4,267)	$ (2,494)	$ -	$ (2,045,728)	$ 4,824,701
36														
37														

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 2
Witness: Jones

Plant In Service Balance

Line No.	Acct No.	Description	Actual End of Test Year	Book Adjustments - (Included on Schedule B.2.1) [1.1] Conform to Decision No. 69335	[1.2] 2006 Audit Adjustment[1]	[1.3] Plant Held For Future Use	[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	Adjusted Book End of Test Year[2]	Rate Making Adjustment [1.7] Exclude Section 14 Phase II Costs	Adjusted End of Test Year
4	351	Organization Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	352	Franchise Cost	3,076	-	-	-	-	-	-	3,076	-	3,076
6	353	Land and Land Rights	1,560,847	(334,587)	334,587	(147,410)	-	-	-	1,413,437	-	1,413,437
7	354	Structures & Improvements	2,633,622	(9,581)	-	(75,000)	-	-	(71,559)	2,477,482	-	2,477,482
8	355	Power Generating Equipment	68,993	-	-	-	-	-	-	68,993	-	68,993
9	360	Collection Sewers - Force	3,705,476	(197,379)	-	-	(2,923)	-	-	3,505,174	(846)	3,504,328
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0	-	-	-	-	8,731,500	(3,923)	8,727,577
11	362	*Special Collecting Structures*	-	-	-	-	-	-	-	-	-	-
12	363	Sevices to Customers	173,621	-	-	-	-	-	-	173,621	-	173,621
13	364	Flow Measuring Devices	32,468	-	-	-	-	-	-	32,468	-	32,468
14	365	Flow Measuring Installations	16,683	-	-	-	-	-	-	16,683	-	16,683
15	366	Reuse Services	-	-	-	-	-	-	-	-	-	-
16	367	Reuse Meters and Meter Installations	2,310	-	-	-	-	-	-	2,310	-	2,310
17	370	Receiving Wells	92,784	-	-	-	-	-	-	92,784	(18,557)	74,227
18	371	Pumping Equipment	1,496,705	19,255	-	-	(19,255)	-	-	1,496,705	(101,067)	1,395,638
19	374	Reuse Distribution Reserviors	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-	-
21	380	Treatment and Disposal Equipment	21,650,302	(584,970)	(231,971)	-	(19,867)	-	(1,196,028)	19,617,466	(1,932,055)	17,685,412
22	381	Plant Sewers	736,542	-	-	-	-	-	(4,569)	731,973	(108,302)	623,671
23	382	Outfall Sewer Lines	2,256	-	-	-	-	-	-	2,256	(451)	1,805
24	389	Other Plant and Misc. Equipment	418,687	4,833	-	-	(4,833)	(24,546)	-	394,141	-	394,141
25	390	Office Furniture & Equipment	257,292	-	-	-	-	(2,720)	-	254,572	-	254,572
26	390.1	Computers & Software	30,027	-	-	-	-	(18,670)	-	11,356	-	11,356
27	391	Transportation Equipment	271,810	-	-	-	-	-	-	271,810	-	271,810
28	392	Stores Equipment	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	27,069	-	-	-	-	-	-	27,069	-	27,069
30	394	Laboratory Equipment	33,710	-	-	-	-	(16,292)	-	17,418	-	17,418
31	395	Power Operated Equipment	181,667	-	-	-	-	-	-	181,667	-	181,667
32	396	Communications Equipment	17,191	-	-	-	-	-	-	17,191	-	17,191
33	397	Miscellaneous Equipment	204,504	-	-	-	-	(7,633)	(60,520)	136,351	-	136,351
34	398	Other Tangible Plant	238,828	-	-	-	-	-	-	238,828	-	238,828
37		TOTALS	$ 42,605,611	$ (1,120,069)	$ 102,617	$ (222,410)	$ (46,877)	$ (69,861)	$ (1,332,676)	$ 39,916,333	$ (2,165,201)	$ 37,751,132
38		Equity Adjustments (Schedule D-1)		$ (1,120,069)	$ 102,617		$ (46,877)					

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

Plant In Service per Books	$ 42,605,611
Increase / (Decline) in Plant in Service	$ (4,854,479)

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

[2] Adjusted plant in service balance including all book adjustments. Agrees with 2011 plant in service balance on Schedule B2.1.

Supporting Schedules:
B-2.1

Workpapers:
FW Rate Case Data.xlsx

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-1

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 2.1
Witness: Jones

Used and Useful Adjustment for Section 14 WWTP

Line No.				
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5			Projected	Projected
6		Test Year	5-Yr Increase	12/31/2016
7	Maximum Day Flow (MGD)	0.511	0.181	0.692
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12			Incremental	
13		Phase I	Phase II	
14		Cost	Cost	Total Cost
15				
16	Section 14 WWTP Plant In Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				
20	Workpapers:			
21	FW Rate Case Data.xlsx - Sec 14			
22				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 3
Witness: Jones

Accumulated Depreciation

Line No.	Acct No.	Description	Actual End of Test Year	Book Adjustments - (Included on Schedule B.2.1) [2.1] Unbooked Plant Retirements	[2.2] Unbooked WWTP Retirements	[2.3] Difference From Calc'd on B-2.1	[2.4] Eliminate Rounding Differences	Adjusted Book End of Test Year[1]	Rate Making Adjustment [2.5] Exclude Section 14 Phase II Costs	[2.6] NOT USED	[2.7] NOT USED	Adjusted End of Test Year	
4	351	Organization Cost	$ -	$ -	$ -	$ -		$ -	$ -			$ -	
5	352	Franchise Cost	-	-	-	-		-	-			-	
6	353	Land and Land Rights	-	-	-	-		-	-			-	
7	354	Structures & Improvements	138,113	-	(71,559)	(15,284)		51,270	-			51,270	
8	355	Power Generating Equipment	1,725	-	-	-	-	1,725	-			1,725	
9	360	Collection Sewers - Force	181,585	-	-	(27,450)		154,135	(8)			154,126	
10	361	Collection Sewers - Gravity	1,723,051	-	-	(10,525)		1,712,526	(39)			1,712,487	
11	362	Special Collecting Structures	-	-	-	-		-	-			-	
12	363	Sevices to Customers	8,395	-	-	(3,697)		4,698	-			4,698	
13	364	Flow Measuring Devices	29,877	-	-	2,591		32,468	-			32,468	
14	365	Flow Measuring Installations	13,766	-	-	2,918		16,683	-			16,683	
15	366	Reuse Services	-	-	-	-		-	-			-	
16	367	Reuse Meters and Meter Installations	96	-	-	(0)	0	96	-			96	
17	370	Receiving Wells	1,546	-	-	(2)	2	1,546	(309)			1,237	
18	371	Pumping Equipment	397,823	-	-	50,710		448,533	(6,317)			442,217	
19	374	Reuse Distribution Reserviors	-	-	-	-		-	-			-	
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-		-	-			-	
21	380	Treatment and Disposal Equipment	3,825,791	-	(1,196,028)	(497,379)		2,132,384	(48,301)			2,084,083	
22	381	Plant Sewers	27,488	-	(4,569)	(1,025)		21,894	(2,708)			19,186	
23	382	Outfall Sewer Lines	38	-	-	(0)	0	38	(8)			30	
24	389	Other Plant and Misc. Equipment	45,316	(24,546)	-	(5,758)		15,012	-			15,012	
25	390	Office Furniture & Equipment	31,463	(2,720)	-	(1,559)		27,184	-			27,184	
26	390	Computers & Software	25,306	(18,670)	-	(2,927)		3,709	-			3,709	
27	391	Transportation Equipment	125,372	-	-	68,655		194,028	-			194,028	
28	392	Stores Equipment	-	-	-	-		-	-			-	
29	393	Tools, Shop & Garage Equipment	3,124	-	-	0	(0)	3,124	-			3,124	
30	394	Laboratory Equipment	21,263	(16,292)	-	(4,177)		793	-			793	
31	395	Power Operated Equipment	23,457	-	-	1	(1)	23,457	-			23,457	
32	396	Communications Equipment	1,182	-	-	0	(0)	1,182	-			1,182	
33	397	Miscellaneous Equipment	137,179	(7,633)	(60,520)	(19,561)		49,465	-			49,465	
34	398	Other Tangible Plant	107,473	-	-	-		107,473	-			107,473	
35		Unreconciled Difference	-			-		-				-	
36													
37		TOTALS	$ 6,870,429	$ (69,861)	$ (1,332,676)	$ (464,469)	$ 1	$ 5,003,423	$ (57,690)		$ -	$ 4,945,733	Total Equity Adj.
38		Equity Adjustments (Schedule D-1)				$ 464,469	$ (1)						$ 464,468
39													
40		Accumulated Depreciation per Books										$ 6,870,429	
41													
42		Increase / (Decrease) in Accumulated Depreciation										$ (1,924,696)	
43													

44 [1] Adjusted accumulated depreciation balance including all book adjustments. Agrees with 2011 accumulated depreciation balance on Schedule B2.1.

45

46 Supporting Schedules:
47 B-2.1
48 B-2, Page 3.1

Workpapers:
FW Rate Case Data.xlsx

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-2

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 3.1
Witness: Jones

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
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	$ 1,726,854	$ 909,423
3			
4	Book Balance at 12/31/2011	$ 2,440,167	$ 1,302,925
5			
6	Increase / (Decrease) in CIAC or AA CIAC	$ (713,313)	$ (393,502)
7			
8	Equity Adjustments (Schedule D-1)	$ 713,313	$ (393,502)
9			
10			
11			
12			
13			
14			
15	Supporting Schedules:		
16	B-2, Page 4.1		
17			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 4.1
Witness: Jones

Calculation of CIAC Balances

Line No.		Amort Rate	Decision No. 69335 Balance 12/31/2004	Adjustments Per 2006 Audit Amount	Adjustments Per 2006 Audit Balance	2005 Additions	2005 Balance	2006 Additions	2006 Balance	2007 Additions	2007 Balance
1											
2	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284		20,284		20,284		20,284
3	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570		1,706,570		1,706,570		1,706,570
4											
5	Total CIAC		3,247,057		1,726,854		1,726,854		1,726,854		1,726,854
6											
7	Amortization CIAC (half-yr convention)										
8	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	406	1,420	406	1,826	406	2,231
9	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	85,329	393,598	85,329	478,927	85,329	564,255
10											
11	Accumulated Amortization of CIAC		385,294		309,284		395,018		480,752		566,486
12											
13	Net CIAC		2,861,763		1,417,570		1,331,836		1,246,102		1,160,368
14											
15											
16			2007	2008		2009		2010		2011	
17											
18			Balance	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
19											
20	CIAC - 361 Collection Sewers		20,284		20,284		20,284		20,284		20,284
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570		1,706,570		1,706,570		1,706,570
22											
23	Total CIAC		1,726,854		1,726,854		1,726,854		1,726,854		1,726,854
24											
25	Amortization CIAC (half-yr convention)										
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	406	3,043	406	3,448	406	3,854
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	85,329	734,912	85,329	820,241	85,329	905,569
28											
29	Accumulated Amortization of CIAC		566,486		652,221		737,955		823,689		909,423
30											
31	Net CIAC		1,160,368		1,074,633		988,899		903,165		817,431
32											
33									Composite Amortization Rate		4.9648%
34											
35											
36											
37	Supporting Schedules:										
38											
39	B-2, Page 4.2										
40											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-3

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 4.2
Witness: Jones

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	CIAC Adjustments	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No. 69335	Adjusted Balance Per Decision	2006 Audit Adjustment[1]	2004 Adjusted Balance
4	COLL SEWERS-GRAVITY-CIAC		361C						
5	Payson (Fortuna Rd Ext, 5)	7/1/2000	361C	S2					
6	Swnsn\Ave 10E, Lines & 11 MH	7/1/2001	361C	S2	69,500	(69,500)	-		-
7	Seasons Unit 3 Lines	7/1/2002	361C	S3	73,684	(53,400)	20,284		20,284
8	Palm Shadows Fortuna Rd Ext	7/1/2002	361C		121,515	(77,402)	44,113	(44,113)	-
9					264,699	(200,302)	64,397	(44,113)	20,284
10									
11	TREATMENT, DISPOSAL EQ CIAC		380C						
12	Marwood Sewer Plant-Final	7/1/1999	380C	S8	426,690	(344,910)	81,780		81,780
13	Palm Shdws Treatment Plt	7/1/1999	380C	S2	408,981	(139,756)	269,225		269,225
14	Seasons Treatment Plant	7/1/1999	380C	S3	345,247	(64,698)	280,549		280,549
15	Palm Shadows Additions	7/1/2000	380C	S2	6,864	-	6,864		6,864
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	S5	65,000	-	65,000		65,000
17	Royale Sewer Plant	7/1/2001	380C	S6	65,000	-	65,000		65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	S4	52,000	-	52,000		52,000
19	Palm Shdws Plant Addn	7/1/2001	380C	S2	593,731	(30,937)	562,794		562,794
20	Section 14 WWTP w\ Lift Station	7/1/2003	380C	S7	756,614	(126,069)	630,545	(630,545)	-
21	MDS Plant Upgrade	7/1/2004	380C	S4	333,471	(10,113)	323,358		323,358
22	Del Oro WWTP	7/1/2004	380C	S4	845,545	-	845,545	(845,545)	-
23					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
24									
25	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
26	TOTAL CIAC		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
27	TOTALS				4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854

Accumulated Amortization Adjustments

Line No.	DESCRIPTION	DATE ACQ	RATE	Accumulated Amortization Adjustment 2002	2003	2004	Total
33	COLL SEWERS-GRAVITY-CIAC						
35	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)
36				(441)	(882)	(882)	(2,206)
38	TREATMENT, DISPOSAL EQ CIAC						
40	Section 14 WWTP w\ Lift Station	7/1/2003	5.0%		(15,764)	(31,527)	(31,527)
41	Del Oro WWTP	7/1/2004	5.0%			(21,139)	(42,277)
42				-	(15,764)	(52,666)	(73,805)
44	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)
45	TOTAL Amortization of CIAC			-	(15,764)	(52,666)	(73,805)
46	TOTALS			(441)	(16,646)	(53,548)	(76,010)

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-4

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
Page 5
Witness: Jones

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

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-5

Exhibit: RJ-RJ1
Schedule B-2 - Rejoinder
Page 6
Witness: Jones

AFUDC Disallowance (Staff RBA #3)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed	UPIS	AFUDC Disallowed
1	354	$ 1,425,696	$ 65,596	$ 737,402	$ 35,057		$ -		$ -	$ 2,163,098	$ 100,653
2	355		-		-	68,993	3,267		-	68,993	3,267
3	360	23,849	1,097	156	7	361,203	17,102	2,254,102	202,883	2,639,310	221,090
4	370	92,784	4,269		-		-		-	92,784	4,269
5	371	505,333	23,250	132,358	6,293	189,617	8,978		-	827,308	38,521
6	380	9,660,273	444,467	3,453,701	164,195		-		-	13,113,974	608,662
7	381	541,509	24,915	171,054	8,132		-		-	712,563	33,047
8	382	2,256	104		-		-		-	2,256	104
9	389	323,894	14,902		-		-		-	323,894	14,902
10	390	4,253	196	1,252	60		-		-	5,506	255
11	367	1,532	71		-		-		-	1,532	71
12	396	2,185	101	-	-	-	-	-	-	2,185	101
13		$ 12,583,565	$ 578,967	$ 4,495,923	$ 213,744	$ 619,813	$ 29,347	$ 2,254,102	$ 202,883	$ 19,953,403	$ 1,024,942
14											
15	AFUDC Total	$ 1,757,533		$ 689,039		$ 64,905		$ 401,118		$ 2,912,595	
16	AFUDC Apr. 2009									1,439,423	
17	AFUDC Disallowance - Staff	$ 888,949		$ 348,511		$ 32,829		$ 202,883		$ 1,473,172	
18	Less 1/2 of Late Fees	(309,982)		(134,767)		(3,482)		-		(448,231)	
19	Net AFUDC Disallowance	$ 578,967		$ 213,744		$ 29,347		$ 202,883		$ 1,024,941	
20											
21											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-6

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
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Witness: Jones

Late Fees Disallowance (Staff RBA #4)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed	UPIS	Late Fees Disallowed
1	354	$ 1,425,696	$ 70,240.84	$ 737,402	$ 44,207.80		$ -		$ -	$ 2,163,098	$ 114,449
2	355		-		-	68,993	775		-	68,993	775
3	360	23,849	1,175	156	9	361,203	4,058	2,254,102	-	2,639,310	5,243
4	370	92,784	4,571		-		-		-	92,784	4,571
5	371	505,333	24,897	132,358	7,935	189,617	2,130		-	827,308	34,962
6	380	9,660,273	475,940	3,453,701	207,052		-		-	13,113,974	682,992
7	381	541,509	26,679	171,054	10,255		-		-	712,563	36,934
8	382	2,256	111		-		-		-	2,256	111
9	389	323,894	15,958		-		-		-	323,894	15,958
10	390	4,253	210	1,252	75		-		-	5,506	285
11	367	1,532	75		-		-		-	1,532	75
12	396	2,185	108	-	-		-		-	2,185	108
13		$ 12,583,565	$ 619,964	$ 4,495,923	$ 269,534	$ 619,813	$ 6,964	$ 2,254,102	$ -	$ 19,953,403	$ 896,463
14											
15	Late Fees	$ 619,964		$ 269,534		$ 6,964		$ -		$ 896,462	
16											
17	Disallowance	$ 619,964		$ 269,534		$ 6,964		$ -		$ 896,462	
18											
19											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-7

Exhibit: RLJ-RJ1
Schedule B-2 - Rejoinder
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Witness: Jones

Legal & Other Fees Disallowance (Staff RBA #5)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed	UPIS	Legal & Othr Disallowed
1	354	$ 1,425,696	$ 12,619.95	$ 737,402	$ 9,291.00		$ -		$ -	$ 2,163,098	$ 21,911
2	355		-		-	68,993	14		-	68,993	14
3	360	23,849	211	156	2	361,203	71	2,254,102	37	2,639,310	321
4	370	92,784	821		-		-		-	92,784	821
5	371	505,333	4,473	132,358	1,668	189,617	37		-	827,308	6,178
6	380	9,660,273	85,511	3,453,701	43,515		-		-	13,113,974	129,026
7	381	541,509	4,793	171,054	2,155		-		-	712,563	6,949
8	382	2,256	20		-		-		-	2,256	20
9	389	323,894	2,867		-		-		-	323,894	2,867
10	390	4,253	38	1,252	16		-		-	5,506	53
11	367	1,532	14		-		-		-	1,532	14
12	396	2,185	19	-	-		-		-	2,185	19
13		$ 12,583,565	$ 111,387	$ 4,495,923	$ 56,647	$ 619,813	$ 122	$ 2,254,102	$ 37	$ 19,953,403	$ 168,193
14											
15	Legal & Other Fees	$ 111,387		$ 56,647		$ 122		$ 37		$ 168,193	
16											
17	Disallowance	$ 111,387		$ 56,647		$ 122		$ 37		$ 168,193	
18											
19											

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Rate Base Adjustment RB-8

Exhibit: RJ-RJ1
Schedule B-2 - Rejoinder
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Witness: Jones

Capestro Management Fees Disallowance (Staff RBA #6)

Line		Section 14		Del Oro		Palm Shadows LS		Palm Shadows FM		Total	
No.	Account	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed	UPIS	Mgt. Fees Disallowed
1	354	$ 1,425,696	$ 7,569.17	$ 737,402	$ 2,853.71		$ -		$ -	$ 2,163,098	$ 10,423
2	355		-		-	68,993	1,141		-	68,993	1,141
3	360	23,849	127	156	1	361,203	5,975	2,254,102	6,322	2,639,310	12,424
4	370	92,784	493		-		-		-	92,784	493
5	371	505,333	2,683	132,358	512	189,617	3,137		-	827,308	6,332
6	380	9,660,273	51,287	3,453,701	13,366		-		-	13,113,974	64,653
7	381	541,509	2,875	171,054	662		-		-	712,563	3,537
8	382	2,256	12		-		-		-	2,256	12
9	389	323,894	1,720		-		-		-	323,894	1,720
10	390	4,253	23	1,252	5		-		-	5,506	27
11	367	1,532	8		-		-		-	1,532	8
12	396	2,185	12	-	-		-		-	2,185	12
13		$ 12,583,565	$ 66,808	$ 4,495,923	$ 17,399	$ 619,813	$ 10,253	$ 2,254,102	$ 6,322	$ 19,953,403	$ 100,782
14											
15	Legal & Other Fees	$ 133,615		$ 34,798		$ 20,505		$ 12,644		$ 201,562	
16											
17	Disallowance at 50%	$ 66,808		$ 17,399		$ 10,253		$ 6,322		$ 100,781	
18											
19											

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
Page 1
Witness: Jones

				Per Decision No. 69335 - 02/20/2007							Conform Current Books to 69335			Adjust per Audited Finacial Statement		
				[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
	NARUC		Allowed	Book	Adjustments			Adjusted	Adjusted	Adjusted	Book	Conforming	Adjusted	2006	Adjusted	Adjusted
Line	Account		Deprec.	Plant at	Unsupported	Expensed	Capitalized	Plant at	Accum Depr	Net Plant	Plant at	Plant	Plant at	Audit	Plant at	Net Plant
No.	No.	Description	Rate	12/31/2004[1]	Plant	Plant	Affil. Profit	12/31/2004	12/31/2004[2]	12/31/2004	12/31/2004	Adjustment	12/31/2004	Adjustment[3]	12/31/2004	12/31/2004
				[CSB-4]	[CSB-5]	[CSB-6]	[CSB-7]	[1]+[2]+[3]+[4]	[CSB-9]	[5]-[6]	[FW G/L]	[5]-[8]	[8]+[9]	[FW G/L]	[10]+[11]	[12]-[6]
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	*Franchise Cost*	0.00%	3,076	-	-	-	3,076	-	3,076	3,076	-	3,076	-	3,076	3,076
3	353	Land and Land Rights	0.00%	82,567	-	-	-	82,567		82,567	417,154	(334,587)	82,567	334,587	417,154	417,154
4	354	Structures & Improvements	3.33%	213,157	-	-	(9,581)	203,576	21,707	181,869	213,157	(9,581)	203,576	-	203,576	181,869
5	355	Power Generating Equipment	5.00%	-	-	-	-	-		-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	423,126	(200,302)	2,923	-	225,747	51,906	173,841	423,126	(197,379)	225,747	-	225,747	173,841
7	361	Collection Sewers - Gravity	2.00%	7,689,131	-	-	(17,640)	7,671,491	541,187	7,130,304	7,689,131	(17,640)	7,671,491	0	7,671,491	7,130,304
8	362	Special Collecting Structures	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	25,725	-	-	-	25,725	18,836	6,889	25,725	-	25,725	-	25,725	6,889
11	365	Flow Measuring Installations	10.00%	11,378	-	-	-	11,378	8,331	3,047	11,378	-	11,378	-	11,378	3,047
12	366	Reuse Services	2.00%	-	-	-	-	-		-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-		-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-		-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	192,774	-	19,255	-	212,029	72,264	139,765	192,774	19,255	212,029	-	212,029	139,765
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-		-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-		-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	5,444,879	(716,483)	19,867	(120,324)	4,627,939	675,053	3,952,886	5,212,909	(584,970)	4,627,939	(231,971)	4,395,968	3,720,915
19	381	Plant Sewers	5.00%	20,168	-	-	-	20,168	2,332	17,836	20,168	-	20,168	-	20,168	17,836
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-		-	-	-	-	-	-	-
21	389	*Other Plant and Misc. Equipment*	6.67%	16,044	-	4,833	-	20,877	6,153	14,724	16,044	4,833	20,877	-	20,877	14,724
22	390	Office Furniture & Equipment	6.67%	7,530	-	-	-	7,530	1,395	6,135	7,530	-	7,530	-	7,530	6,135
23	390.1	Computers & Software	20.00%	13,442	-	-	-	13,442	2,490	10,952	13,442	-	13,442	-	13,442	10,952
24	391	Transportation Equipment	20.00%	193,939	-	-	-	193,939	55,437	138,502	193,939	-	193,939	-	193,939	138,502
25	392	Stores Equipment	4.00%	-	-	-	-	-		-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-		-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	4,236	-	-	-	4,236	212	4,024	4,236	-	4,236	-	4,236	4,024
28	395	Power Operated Equipment	5.00%	2,940	-	-	-	2,940	221	2,719	2,940	-	2,940	-	2,940	2,719
29	396	Communications Equipment	10.00%	-	-	-	-	-		-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	93,591	-	-	-	93,591	30,948	62,643	93,591	-	93,591	-	93,591	62,643
31	398	Other Tangible Plant	10.00%	-	-	-	-	-		-	-	-	-	-	-	-
32																
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35		TOTAL		14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395
36																

40 [1] During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
41 [2] Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
42 [3] Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006
43

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
Page 2
Witness: Jones

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

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
Page 3
Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	10,706	-	10,706	-	-	-	-	7,395	227,422	36,100	191,322
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	291,768	-	291,768	-	-	-	-	7,433	517,516	63,854	453,662
7	361	Collection Sewers - Gravity	2.00%	622,519	-	622,519	-	-	-	-	160,047	8,313,615	854,860	7,458,755
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,131	31,313	24,819	6,494
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,138	11,378	10,607	771
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	101,215	-	101,215	-	-	-	-	34,298	324,992	133,800	191,192
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	675,205	-	675,205	-	-	-	-	280,099	5,939,573	1,196,660	4,742,913
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	1,008	20,168	4,349	15,819
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	9,253	-	9,253	-	2,340	2,340	-	1,674	28,553	6,905	21,648
22	390	Office Furniture & Equipment	6.67%	7,836	-	7,836	-	-	-	-	1,033	19,412	3,066	16,347
23	390.1	Computers & Software	20.00%	-	-	-	-	-	-	-	2,144	10,722	4,151	6,571
24	391	Transportation Equipment	20.00%	21,521	-	21,521	110,278	-	110,278	-	29,912	105,183	13,860	91,323
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	1,657	-	1,657	-	-	-	-	3,104	31,865	5,038	26,827
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	778	5,671
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	8,988	-	8,988	-	-	-	-	10,001	104,502	50,404	54,098
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-
32														
33														
34														
35		TOTAL		1,750,670	-	1,750,670	110,278	2,340	112,618	-	542,740	16,112,893	2,409,249	13,703,644
36														

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

Exhibit: RJJ-RJ1
Schedule B-2.1 - Rejoinder
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	125,179	(125,179)	-	-	-	-		-	417,154	-	417,154
4	354	Structures & Improvements	3.33%	75,205	(75,000)	205	-	-	-	-	7,577	227,627	43,676	183,951
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	5,690	(2,923)	2,767	-	-	-	-	10,378	520,283	74,232	446,052
7	361	Collection Sewers - Gravity	2.00%	263,737	-	263,737	-	-	-	-	168,910	8,577,352	1,023,770	7,553,582
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	1,155	-	1,155	-	-	-	-	3,189	32,468	28,008	4,460
11	365	Flow Measuring Installations	10.00%	5,306	-	5,306	-	-	-	-	1,403	16,683	12,010	4,674
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	46,436	(19,255)	27,181	-	-	-	-	42,323	352,173	176,123	176,050
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	1,375,106	(19,867)	1,355,239	-	-	-	-	330,860	7,294,811	1,527,519	5,767,292
19	381	Plant Sewers	5.00%	-	-	-	-	4,569	4,569	-	894	15,599	674	14,925
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	4,833	(4,833)	-	-	12,419	12,419	-	1,490	16,134	(4,024)	20,158
22	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	1,295	19,412	4,361	15,052
23	390.1	Computers & Software	20.00%	5,648	-	5,648	-	-	-	-	2,709	16,369	6,860	9,509
24	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	21,037	105,183	34,896	70,287
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	3,187	31,865	8,224	23,641
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	1,101	5,348
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	75,103	-	75,103	-	-	-	-	14,205	179,605	64,609	114,996
31	398	Other Tangible Plant	10.00%	238,828	-	238,828	-	-	-	-	11,941	238,828	11,941	226,887
32														
33														
34														
35		TOTAL		2,222,224	(247,056)	1,975,168	-	16,988	16,988	-	621,719	18,071,073	3,013,980	15,057,093
36														

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

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Schedule B-2.1 - Rejoinder
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	201,500	-	201,500	-	-	-		-	618,654	-	618,654
4	354	Structures & Improvements	3.33%	25,729	-	25,729	-	-	-	-	8,008	253,356	51,685	201,672
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	21,950	-	21,950	-	-	-	-	10,625	542,233	84,857	457,377
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,195,317	7,382,035
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	3,247	32,468	31,255	1,213
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	13,678	3,005
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	40,191	-	40,191	-	-	-	-	46,534	392,364	222,656	169,707
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	150,102	-	150,102	-	-	-	-	368,493	7,444,914	1,896,013	5,548,901
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	780	15,599	1,454	14,145
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	63,900	-	63,900	-	1,285	1,285	-	3,164	78,749	(2,145)	80,894
22	390	Office Furniture & Equipment	6.67%	(2,928)	-	(2,928)	-	2,720	2,720	-	1,106	13,764	2,747	11,017
23	390.1	Computers & Software	20.00%	7,679	-	7,679	-	6,518	6,518	-	3,390	17,530	3,732	13,798
24	391	Transportation Equipment	20.00%	62,812	-	62,812	-	-	-	-	27,318	167,995	62,214	105,781
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	(4,000)	(4,000)	-	3,387	35,865	15,611	20,254
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	322	6,449	1,423	5,026
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	10,826	-	10,826	-	68,153	68,153	-	15,094	122,278	11,550	110,727
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	35,824	203,004
32														
33														
34														
35		TOTAL		581,761	-	581,761	-	74,676	74,676	-	688,567	18,578,158	3,627,870	14,950,288
36														

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	719,461	-	719,461	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	131,745	-	131,745	-	-	-	-	10,630	385,101	62,315	322,786
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	3,775	-	3,775	-	-	-	-	10,882	546,008	95,739	450,269
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	171,547	8,577,352	1,366,864	7,210,488
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	1,213	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,668	16,683	15,346	1,337
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	19,160	-	19,160	-	-	-	-	50,243	411,524	272,899	138,624
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	126,907	-	126,907	-	25,114	25,114	-	374,791	7,546,707	2,245,690	5,301,018
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	780	15,599	2,234	13,365
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	763	763	-	5,227	77,987	2,320	75,667
22	390	Office Furniture & Equipment	6.67%	330	-	330	-	-	-	-	929	14,094	3,676	10,418
23	390.1	Computers & Software	20.00%	348	-	348	-	4,024	4,024	-	3,138	13,853	2,846	11,007
24	391	Transportation Equipment	20.00%	53,818	-	53,818	-	-	-	-	38,981	221,813	101,195	120,618
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	-	23,664	-	-	-	-	592	23,664	592	23,072
27	394	Laboratory Equipment	10.00%	(4,000)	-	(4,000)	-	16,993	16,993	-	2,537	14,872	1,155	13,718
28	395	Power Operated Equipment	5.00%	166,875	-	166,875	-	-	-	-	4,494	173,324	5,917	167,406
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	12,228	122,278	23,778	98,500
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	59,707	179,121
32														
33														
34														
35		TOTAL		1,242,081	-	1,242,081	-	46,894	46,894	-	713,763	19,773,345	4,294,740	15,478,605
36														

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
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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	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-		-	1,338,115	-	1,338,115
4	354	Structures & Improvements	3.33%	843	-	843	-	-	-	-	12,838	385,943	75,153	310,791
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	348,184	-	348,184	-	-	-	-	14,402	894,192	110,141	784,051
7	361	Collection Sewers - Gravity	2.00%	51,333	-	51,333	-	-	-	-	172,060	8,628,685	1,538,924	7,089,761
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	148,087	-	148,087	-	-	-	-	1,481	148,087	1,481	146,606
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	1,337	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	39,434	-	39,434	-	-	-	-	53,905	450,957	326,804	124,153
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	23,879	-	23,879	-	492	492	-	377,920	7,570,094	2,623,118	4,946,976
19	381	Plant Sewers	5.00%	3,811	-	3,811	-	-	-	-	875	19,410	3,109	16,301
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	7,739	7,739	-	4,944	70,248	(476)	70,723
22	390	Office Furniture & Equipment	6.67%	204,014	-	204,014	-	-	-	-	7,744	218,108	11,420	206,688
23	390.1	Computers & Software	20.00%	4,179	-	4,179	-	179	179	-	3,171	17,853	5,837	12,016
24	391	Transportation Equipment	20.00%	19,291	-	19,291	-	-	-	-	46,292	241,104	147,486	93,617
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,618	-	1,618	-	-	-	-	1,224	25,282	1,815	23,467
27	394	Laboratory Equipment	10.00%	-	-	-	-	1,642	1,642	-	1,405	13,231	918	12,312
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	8,666	173,324	14,584	158,740
29	396	Communications Equipment	10.00%	3,225	-	3,225	-	-	-	-	161	3,225	161	3,064
30	397	Miscellaneous Equipment	10.00%	5,277	-	5,277	-	-	-	-	12,492	127,555	36,270	91,285
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	83,590	155,238
32														
33														
34														
35		TOTAL		853,174	-	853,174	-	10,051	10,051	-	744,799	20,616,468	5,029,487	15,586,981
36														

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

Exhibit: RLJ-RJ1
Schedule B-2.1 - Rejoinder
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Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011 Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	351	Organization Cost	0.00%	-	-	-	-	-	-		-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-		-	3,076	-	3,076
3	353	Land and Land Rights	0.00%	97,553	(22,232)	75,322	-	-	-		-	1,413,437	-	1,413,437
4	354	Structures & Improvements	3.33%	2,163,098	-	2,163,098	-	71,559	71,559	-	47,676	2,477,482	51,270	2,426,212
5	355	Power Generating Equipment	5.00%	68,993	-	68,993	-	-	-	-	1,725	68,993	1,725	67,268
6	360	Collection Sewers - Force	2.00%	2,610,983	-	2,610,983	-	-	-	-	43,994	3,505,174	154,135	3,351,040
7	361	Collection Sewers - Gravity	2.00%	102,815	-	102,815	-	-	-	-	173,602	8,731,500	1,712,526	7,018,974
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-
9	363	Sevices to Customers	2.00%	25,533	-	25,533	-	-	-	-	3,217	173,621	4,698	168,923
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	32,468	32,468	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	16,683	16,683	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-
13	367	Reuse Meters and Meter Installations	8.33%	2,310	-	2,310	-	-	-	-	96	2,310	96	2,214
14	370	Receiving Wells	3.33%	92,784	-	92,784	-	-	-	-	1,545	92,784	1,545	91,239
15	371	Pumping Equipment	12.50%	1,045,747	-	1,045,747	-	-	-	-	121,729	1,496,705	448,533	1,048,172
16	374	Reuse Distribution Reserviors	2.50%	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	13,217,795	-	13,217,795	-	1,170,423	1,170,423	-	679,689	19,617,466	2,132,384	17,485,082
19	381	Plant Sewers	5.00%	712,563	-	712,563	-	-	-	-	18,785	731,973	21,894	710,079
20	382	Outfall Sewer Lines	3.33%	2,256	-	2,256	-	-	-	-	38	2,256	38	2,218
21	389	Other Plant and Misc. Equipment	6.67%	323,894	-	323,894	-	-	-	-	15,487	394,141	15,012	379,129
22	390	Office Furniture & Equipment	6.67%	36,464	-	36,464	-	-	-	-	15,764	254,572	27,184	227,388
23	390.1	Computers & Software	20.00%	(1,448)	-	(1,448)	-	5,049	5,049	-	2,921	11,356	3,709	7,647
24	391	Transportation Equipment	20.00%	35,456	-	35,456	4,750	-	4,750	-	51,291	271,810	194,028	77,783
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,787	-	1,787	-	-	-	-	1,309	27,069	3,124	23,945
27	394	Laboratory Equipment	10.00%	5,844	-	5,844	-	1,657	1,657	-	1,532	17,418	793	16,624
28	395	Power Operated Equipment	5.00%	8,343	-	8,343	-	-	-	-	8,875	181,667	23,458	158,208
29	396	Communications Equipment	10.00%	13,966	-	13,966	-	-	-	-	1,021	17,191	1,182	16,009
30	397	Miscellaneous Equipment	10.00%	8,796	-	8,796	-	-	-	-	13,195	136,351	49,465	86,886
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	23,883	238,828	107,473	131,355
32														
33														
34														
35		TOTAL		20,575,535	(22,232)	20,553,303	4,750	1,248,688	1,253,438	-	1,227,373	39,916,333	5,003,422	34,912,911
36														

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

Exhibit: RLJ-RJ1
Schedule B-5 - Rejoinder
Page 1
Witness: Jones

Line No.		Working Capital
1		
2	Cash Working Capital	$ (101,161)
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	18,440
6		
7	Working Funds and Special Deposits	1,548,498
8		
9	Prepayments	13,641
10		
11	Total Working Capital Allowance	$ 1,479,418
12		
13	Working Capital Allowance - As Filed	1,653,928
14		
15	Working Capital Allowance - Rebuttal Adjustment	$ (174,510)
16		
17		
18	Supporting Schedules:	Recap Schedules:
19	E-1	B-1
20		

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

Exhibit: RLJ-RJ1
Schedule B-5 - Rejoinder
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	$ 877,462	45.5768	12.0000	33.5768	0.0920	$ 80,719
3	Group Insurance	27,421	45.5768	(2.3334)	47.9102	0.1313	$ 3,599
4	Sludge Removal	55,247	45.5768	239.8508	(194.2740)	(0.5323)	$ (29,406)
5	Purchased Power	342,364	45.5768	59.8966	(14.3198)	(0.0392)	$ (13,432)
6	Chemicals	219,910	45.5768	63.9648	(18.3880)	(0.0504)	$ (11,079)
7	Repairs and Maintenance	181,981	45.5768	66.6282	(21.0514)	(0.0577)	$ (10,496)
8	Contractural Services	225,861	45.5768	67.2163	(21.6395)	(0.0593)	$ (13,390)
9	Rent - Buildings	20,669	45.5768	(18.5294)	64.1062	0.1756	$ 3,630
10	Rent - Equipment	45,758	45.5768	25.4922	20.0846	0.0550	$ 2,518
11	Transportation Expense	129,723	45.5768	(11.7634)	57.3402	0.1571	$ 20,379
12	Insurance	62,877	45.5768	20.6635	24.9133	0.0683	$ 4,292
13	Depreciation & Amortization	-	45.5768	-	45.5768	0.1249	$ -
14	Other Operating Expenses[1 3]	64,390	45.5768	30.0000	15.5768	0.0427	$ 2,748
15	TAXES						
16	Taxes Other than Income	71,842	45.5768	15.9481	29.6287	0.0812	$ 5,832
17	Property Taxes[2]	143,986	45.5768	729.6032	(684.0264)	(1.8740)	$ (269,837)
18	Income Tax[2]	271,376	45.5768	37.8750	7.7018	0.0211	$ 5,726
19	INTEREST						
20	Interest Expense	1,523,207	45.5768	17.5322	28.0446	0.0768	$ 117,035
21							
22							
23	WORKING CASH REQUIREMENT						$ (101,161)
24							

25 [1]All other Operating Expenses are assumed to be paid by the 30th of the month following the receipt of goods and services.
26 [2]At proposed rates.
27 [3]Bad Debt at proposed rates.
28 Workpapers:
29 FW Lead Lag Study - Rebuttal.xlsx
30

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

Exhibit: RLJ-RJ1
Schedule C-1 - Rejoinder
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	413	Income Utility Plant Leased to Others	$ 3,612	$ (3,612)	$ -		$ -
3	521	Flat Rate Revenue	2,061,278	(4,986)	2,056,292	3,485,582	5,541,874
4	536	Other Sewer Revenues	43,064	-	43,064		43,064
5	541	Metered Reuse Revenue	131,759	-	131,759	-	131,759
6	**Total Revenues**		$ 2,239,713	$ (8,598)	$ 2,231,115	$ 3,485,582	$ 5,716,697
7	**Operating Expenses**						
8	701	Salaries and Wages	$ 683,996	$ 116,713	$ 800,709		$ 800,709
9	703	Salaries and Wages - Officers and Directors	137,000	(60,247)	76,753		76,753
10	704	Employee Pension and Benefits	27,421	-	27,421		27,421
11	710	Purchased Sewer Treatment	-	-	-		-
12	711	Sludge Removal Expense	55,247	-	55,247		55,247
13	715	Purchased Power	288,248	54,116	342,364		342,364
14	718	Chemicals	219,910	-	219,910		219,910
15	720	Repairs and Maintenance	181,981	-	181,981		181,981
16	731	Contractual Services - Engineering	-	-	-		-
17	732	Contractual Services - Accounting	7,230	-	7,230		7,230
18	733	Contractual Services - Legal	43,865	(32,975)	10,890		10,890
19	734	Contractual Services - Management Fees	-	-	-		-
20	735	Contractual Services - Testing	147,025	-	147,025		147,025
21	736	Contractual Services - Other	60,716	-	60,716		60,716
22	741	Rent - Buildings	20,669	-	20,669		20,669
23	742	Rent - Equipment	45,758	-	45,758		45,758
24	750	Transportation Expense	129,723	-	129,723		129,723
25	756	Insurance - Vehicle	12,610	-	12,610		12,610
26	757	Insurance - General Liability	33,142	-	33,142		33,142
27	758	Insurance - Workman's Compensation	17,125	-	17,125		17,125
28	759	Insurance - Other	-	-	-		-
29	760	Advertising Expense	476	-	476		476
30	766	Regulatory Commission Expense - Rate Case	-	75,000	75,000		75,000
31	767	Regulatory Expense - Other	-	-	-		-
32	770	Bad Debt Expense	33,490	(20,450)	13,040	20,371	33,411
33	775	Miscellaneous Expense	30,503	-	30,503		30,503
34	403	Depreciation Expense	1,165,350	214,282	1,379,632		1,379,632
35	408	Taxes Other Than Income	74,250	(2,408)	71,842		71,842
36	408.11	Property Taxes	122,350	(26,493)	95,858	48,128	143,986
37	409	Income Tax	(492,891)	(554,689)	(1,047,580)	1,318,956	271,376
38	**Total Operating Expenses**		$ 3,045,196	$ (237,151)	$ 2,808,045	$ 1,387,455	$ 4,195,500
39	**Operating Income**		$ (805,483)	$ 228,553	$ (576,930)	$ 2,098,127	$ 1,521,197
40	**Other Income (Expense)**						
41	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ -	$ 449,875		$ 449,875
42	415	Revenue from Jobbing, Contract Work	26,176	-	26,176		26,176
43	416	Expenses from Jobbing, Contract Work	(26,176)	-	(26,176)		(26,176)
44	419	Interest and Dividend Income	246	-	246		246
45	420	AFUDC	748,855	-	748,855		748,855
46	421	Non-Utility Income	-	-	-		-
47	426	Miscellaneous Non-Utility Expenses	(33,219)	-	(33,219)		(33,219)
48	427	Interest Expense	(1,523,207)	433,701	(1,089,506)		(1,089,506)
49	428	Amortization of Debt Discount and Expense	(49,593)	-	(49,593)		(49,593)
50	429	Amortization of Premium on Debt	3,285	-	3,285		3,285
51	434	Extraordinary Deductions	(328,956)	-	(328,956)		(328,956)
52	**Total Other Income (Expense)**		$ (732,714)	$ 433,701	$ (299,013)	$ -	$ (299,013)
53	**Net Income (Loss)**		$ (1,538,197)	$ 662,254	$ (875,943)	$ 2,098,127	$ 1,222,184
54							
55	Supporting Schedules:				Recap Schedules:		
56	E-2	C-2			A-1		

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

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
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Witness: Jones

Line No.			Actual for Test Year Ended 12/31/2011	As Filed ADJ IS-1	ADJ IS-2	ADJ IS-3	ADJ IS-4	Rebuttal Adjustments ADJ IS-5 Staff OIA #1 RUCO OIA #4	ADJ IS-6 Staff OIA #2 RUCO OIA #7	ADJ IS-7 Staff OIA #3 RUCO OIA #9	ADJ IS-8 RUCO OIA #5	Rejoinder Adj. ADJ IS-9 RUCO OIA #8	ADJ IS-10 Not Used	ADJ IS-11 Not Used	ADJ IS-12 Not Used
1	**Revenues**														
2	413	Income Utility Plant Leased to Others	$ 3,612	$ (3,612)											
3	521	Flat Rate Revenue	2,061,278		(8,119)							3,133			
4	536	Other Sewer Revenues	43,064												
5	541	Metered Reuse Revenue	131,759												
6	**Total Revenues**		$ 2,239,713	$ (3,612)	$ (8,119)	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,133	$ -	$ -	$ -
7	**Operating Expenses**														
8	701	Salaries and Wages	$ 683,996				$ 118,075				$ (1,362)				
9	703	Salaries and Wages - Officers and Directors	137,000				(0)	(60,247)							
10	704	Employee Pension and Benefits	27,421												
11	710	Purchased Sewer Treatment	-												
12	711	Sludge Removal Expense	55,247												
13	715	Purchased Power	288,248			54,116									
14	718	Chemicals	219,910												
15	720	Repairs and Maintenance	181,981												
16	731	Contractual Services - Engineering	-												
17	732	Contractual Services - Accounting	7,230												
18	733	Contractual Services - Legal	43,865							(32,975)					
19	734	Contractual Services - Management Fees	-												
20	735	Contractual Services - Testing	147,025												
21	736	Contractual Services - Other	60,716												
22	741	Rent - Buildings	20,669												
23	742	Rent - Equipment	45,758												
24	750	Transportation Expense	129,723												
25	756	Insurance - Vehicle	12,610												
26	757	Insurance - General Liability	33,142												
27	758	Insurance - Workman's Compensation	17,125												
28	759	Insurance - Other	-												
29	760	Advertising Expense	476												
30	766	Regulatory Commission Expense - Rate Case	-												
31	767	Regulatory Expense - Other	-												
32	770	Bad Debt Expense	33,490						(20,450)						
33	775	Miscellaneous Expense	30,503												
34	403	Depreciation Expense	1,165,350												
35	408	Taxes Other Than Income	74,250				2,201	(4,609)							
36	408.11	Property Taxes	122,350												
37	409	Income Tax	(492,891)												
38	**Total Operating Expenses**		$ 3,045,196	$ -	$ -	$ 54,116	$ 120,275	$ (64,856)	$ (20,450)	$ (32,975)	$ (1,362)	$ -	$ -	$ -	$ -
39	**Operating Income**		$ (805,483)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ 64,856	$ 20,450	$ 32,975	$ 1,362	$ 3,133	$ -	$ -	$ -
40	**Other Income (Expense)**														
41	409.20	Income Tax - Other Income and Deductions	$ 449,875												
42	415	Revenue from Jobbing, Contract Work	26,176												
43	416	Expenses from Jobbing, Contract Work	(26,176)												
44	419	Interest and Dividend Income	246												
45	420	AFUDC	748,855												
46	421	Non-Utility Income	-												
47	426	Miscellaneous Non-Utility Expenses	(33,219)												
48	427	Interest Expense	(1,523,207)												
49	428	Amortization of Debt Discount and Expense	(49,593)												
50	429	Amortization of Premium on Debt	3,285												
51	434	Extraordinary Deductions	(328,956)												
52	**Total Other Income (Expense)**		$ (732,714)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
53	**Net Income (Loss)**		$ (1,538,197)	$ (3,612)	$ (8,119)	$ (54,116)	$ (120,275)	$ 64,856	$ 20,450	$ 32,975	$ 1,362	$ 3,133	$ -	$ -	$ -
54															
55	Supporting Schedules:										Recap Schedules:				
56											C-1				

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

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
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Witness: Jones

Line No.		As Filed ADJ IS-13 Rate Case	Updated Adjustments ADJ IS-14 Sync. Int.	ADJ IS-15 Depreciation	ADJ IS-16 Prop. Tax	ADJ IS-17 Income Tax	Total Adjustments	Test Year Adjusted Results
1	**Revenues**							
2	413 Income Utility Plant Leased to Others						$ (3,612)	$ -
3	521 Flat Rate Revenue						(4,986)	2,056,292
4	536 Other Sewer Revenues						-	43,064
5	541 Metered Reuse Revenue						-	131,759
6	**Total Revenues**	$ -	$ -	$ -	$ -	$ -	$ (8,598)	$ 2,231,115
7	**Operating Expenses**							
8	701 Salaries and Wages						$ 116,713	$ 800,709
9	703 Salaries and Wages - Officers and Directors						(60,247)	76,753
10	704 Employee Pension and Benefits						-	27,421
11	710 Purchased Sewer Treatment						-	-
12	711 Sludge Removal Expense						-	55,247
13	715 Purchased Power						54,116	342,364
14	718 Chemicals						-	219,910
15	720 Repairs and Maintenance						-	181,981
16	731 Contractual Services - Engineering						-	-
17	732 Contractual Services - Accounting						-	7,230
18	733 Contractual Services - Legal						(32,975)	10,890
19	734 Contractual Services - Management Fees						-	-
20	735 Contractual Services - Testing						-	147,025
21	736 Contractual Services - Other						-	60,716
22	741 Rent - Buildings						-	20,669
23	742 Rent - Equipment						-	45,758
24	750 Transportation Expense						-	129,723
25	756 Insurance - Vehicle						-	12,610
26	757 Insurance - General Liability						-	33,142
27	758 Insurance - Workman's Compensation						-	17,125
28	759 Insurance - Other						-	-
29	760 Advertising Expense						-	476
30	766 Regulatory Commission Expense - Rate Case	75,000					75,000	75,000
31	767 Regulatory Expense - Other						-	-
32	770 Bad Debt Expense						(20,450)	13,040
33	775 Miscellaneous Expense						-	30,503
34	403 Depreciation Expense			214,282			214,282	1,379,632
35	408 Taxes Other Than Income						(2,408)	71,842
36	408.11 Property Taxes				(26,493)		(26,493)	95,858
37	409 Income Tax					(554,689)	(554,689)	(1,047,580)
38	**Total Operating Expenses**	$ 75,000	$ -	$ 214,282	$ (26,493)	$ (554,689)	$ (237,151)	$ 2,808,045
39	**Operating Income**	$ (75,000)	$ -	$ (214,282)	$ 26,493	$ 554,689	$ 228,553	$ (576,930)
40	**Other Income (Expense)**							
41	409.20 Income Tax - Other Income and Deductions						$ -	$ 449,875
42	415 Revenue from Jobbing, Contract Work						-	26,176
43	416 Expenses from Jobbing, Contract Work						-	(26,176)
44	419 Interest and Dividend Income						-	246
45	420 AFUDC						-	748,855
46	421 Non-Utility Income						-	-
47	426 Miscellaneous Non-Utility Expenses						-	(33,219)
48	427 Interest Expense		433,701				433,701	(1,089,506)
49	428 Amortization of Debt Discount and Expense						-	(49,593)
50	429 Amortization of Premium on Debt						-	3,285
51	434 Extraordinary Deductions						-	(328,956)
52	**Total Other Income (Expense)**	$ -	$ 433,701	$ -	$ -	$ -	$ 433,701	$ (299,013)
53	**Net Income (Loss)**	$ (75,000)	$ 433,701	$ (214,282)	$ 26,493	$ 554,689	$ 662,254	$ (875,943)
54								
55	Supporting Schedules:						Recap Schedules:	
56							C-1	

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-1

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 3
Witness: Jones

Line No.			
1	Adjust Revenue to Eliminate Income From Leased Utility Plant		
2			
3	Revenues received from leased utility plant should be removed from revenue in order		
4	to match revenues to rate base, which excludes leased utility plant.		
5			
6			
7	Book revenue from Leased Utiliy Plant	$	3,612
8			
9	Increase/(Decrease) in Revenue	$	(3,612)
10			
11			
12			
13			

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

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 4
Witness: Jones

Line No.			
1	Adjust Revenue to eliminate unbilled revenue		
2			
3	Revenue is accrued at year-end to account for unbilled revenue based on an estimate		
4	of the usage that has occurred since the December meter reading. The following year the		
5	unbilled revenue entry is reversed. The net of these entries should be eliminated.		
6			
7	Flat Rate Revenue		
8	Reversal of 2010 Unbilled Revenue (Residential)	$ (115,489)	
9	Reversal of 2010 Unbilled Revenue (Commercial)	(1,321)	
10	Reversal of 2010 Unbilled Revenue (RV Parks)	(2,493)	
11	Booked 2011 Unbilled Revenue (Residential)	122,111	
12	Booked 2011 Unbilled Revenue (Commercial)	1,432	
13	Booked 2011 Unbilled Revenue (RV Parks)	3,879	
14	Net Unbooked Revenue	$ 8,119	
15			
16	Increase/(Decrease) in Revenues		$ (8,119)
17			
18			
19			
20			
21			
22	Workpaper		
23	FW Rate Case Data.xlsx - Trial Bal Adj		
24			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-3

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 5
Witness: Jones

Line No.				
1	Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities			
2				
3	The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,			
4	the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded			
5	Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs which is known and measureable and should be included in the Company's expenses.			
6				
7	Del Oro WWTP			
8	Test Year Purchased Power		$ 69,246	
9	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	36,235		
10	Annualized Cost of Purchased Power	divide by (5/12)	86,965	
11				
12	Increase/(Decrease) in Purchased Power		$ 17,719	
13				
14	Section 14 & Palm Shadows			
15	Test Year Purchased Power		$ 102,835	
16	Purchased Power for 5-month period 12/30/2011 - 6/4/2012	58,013		
17	Annualized Cost of Purchased Power	divide by (5/12)	139,232	
18				
19	Increase/(Decrease) in Purchased Power		$ 36,397	
20				
21	Total Increase/(Decrease) in Purchased Power			$ 54,116
22				
26				
27	Workpaper			
28	FW Rate Case Data.xlsx - Power			
29				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-4

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 6
Witness: Jones

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 7
Witness: Jones

Adjust Rate Case Expense

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

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-14

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 8
Witness: Jones

Synchronize Interest Expense with Rate Base

Line No.				
1	Adjusted Rate Base	$	20,556,719	Sch. B-1
2				
3	Weighted Cost of Long-Term Debt		4.900%	Sch. D-1
4	Weighted Cost of Short-Term Debt		0.400%	Sch. D-1
5				
6	Synchronized Long-Term Interest	$	1,007,279	
7	Synchronized Short-Term Interest		82,227	
8	Synchronized Interest Expense		1,089,506	
9				
10	Test Year Interest Expense		1,523,207	
11				
12	Increase / (Decrease) In Interest Expense		(433,701)	
13				
14				
15				
16				
17				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-15

RLJ-RJ1
Schedule C-2 - Rejoinder
Page 9
Witness: Jones

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct	Description	Adjusted Test Year Balance 12/31/2011	Rebuttal Adjustments	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1							
2	351	Organization Cost	$ -	$ -	$ -	0.00%	$ -
3	352	Franchise Cost	3,076	-	3,076	0.00%	-
4	353	Land and Land Rights	1,413,437	-	1,413,437	0.00%	-
5	354	Structures & Improvements	2,477,482	(247,436)	2,230,046	3.33%	74,261
6	355	Power Generating Equipment	68,993	(5,197)	63,796	5.00%	3,190
7	360	Collection Sewers - Force	3,504,328	(239,078)	3,265,250	2.00%	65,305
8	361	Collection Sewers - Gravity	8,727,577	(622,519)	8,105,058	2.00%	162,101
9	362	Special Collecting Structures	-	-	-	2.00%	-
10	363	Sevices to Customers	173,621	-	173,621	2.00%	3,472
11	364	Flow Measuring Devices	32,468	-	32,468	10.00%	3,247
12	365	Flow Measuring Installations	16,683	-	16,683	10.00%	1,668
13	366	Reuse Services	-	-	-	2.00%	-
14	367	Reuse Meters and Meter Installations	2,310	(168)	2,142	8.33%	178
15	370	Receiving Wells	74,227	(10,154)	64,073	3.33%	2,134
16	371	Pumping Equipment	1,395,638	(85,993)	1,309,645	12.50%	163,706
17	374	Reuse Distribution Reserviors	-	-	-	2.50%	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-	2.50%	-
19	380	Treatment and Disposal Equipment	17,685,412	(1,485,333)	16,200,079	5.00%	810,004
20	381	Plant Sewers	623,671	(80,467)	543,204	5.00%	27,160
21	382	Outfall Sewer Lines	1,805	(247)	1,558	3.33%	52
22	389	Other Plant and Misc. Equipment	394,141	(35,447)	358,694	6.67%	23,925
23	390	Office Furniture & Equipment	254,572	(620)	253,952	6.67%	16,939
24	390	Computers & Software	11,356	-	11,356	20.00%	2,271
25	391	Transportation Equipment	271,810	-	271,810	20.00%	54,362
26	392	Stores Equipment	-	-	-	4.00%	-
27	393	Tools, Shop & Garage Equipment	27,069	-	27,069	5.00%	1,353
28	394	Laboratory Equipment	17,418	-	17,418	10.00%	1,742
29	395	Power Operated Equipment	181,667	-	181,667	5.00%	9,083
30	396	Communications Equipment	17,191	(240)	16,951	10.00%	1,695
31	397	Miscellaneous Equipment	136,351	-	136,351	10.00%	13,635
32	398	Other Tangible Plant	238,828	-	238,828	10.00%	23,883
33							
34							
35		TOTALS	$ 37,751,132	$ (2,812,899)	$ 34,938,233		$ 1,465,366
36							
37	Less:	Amortization of CIAC	$ 1,726,854		1,726,854	4.9648%	$ 85,734
38							
39	Adjusted Test Year Depreciation Expense						$ 1,379,632
40							
41	Test Year Depreciation Expense						$ 1,165,350
42							
43	Increase / (Decrease) in Depreciation Expense						$ 214,282
44							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-16

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 10
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	$ 2,231,115	$ 2,231,115
2	Adjusted Test Year Revenue	2,231,115	2,231,115
3	Adjusted Test Year Revenue	2,231,115	
4	Proposed Revenues after Increase		5,716,697
5	Average of three year's of revenue	2,231,115	3,392,976
6	Average of three year's of revenue, times 2	4,462,230	6,785,952
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,628,183	6,951,904
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	925,637	1,390,381
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	$ 95,858	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	$ (26,493)	
20			
21	Property Tax a Proposed Rates		$ 143,986
22	Adjusted Test Year Property Tax		95,858
23	Increase in Property Tax due to Rate Increase		$ 48,128
24			
25	Increase to Property Tax Expense		$ 48,128
26	Increase in Revenue Requirement		$ 3,485,582
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-17

Exhibit: RLJ-RJ1
Schedule C-2 - Rejoinder
Page 11
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			$ 2,231,115	$ 5,716,697
4	Less: Operating Expenses (Excluding Income Taxes)			3,855,624	3,924,124
5	Less: Synchronized Interest			1,089,506	1,089,506
6	Arizona Taxable Income			$ (2,714,016)	$ 703,067
7	Arizona State Income Tax Rate			6.9680%	6.9680%
8	Arizona Income Tax			$ (189,113)	$ 48,990
9	Federal Taxable Income			$ (2,524,903)	$ 654,077
10					
11	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%			$ (7,500)	$ 7,500
12	Federal Tax on Second Income Bracket ($50,001 - 75,000) @ 25%			(6,250)	6,250
13	Federal Tax on Third Income Bracket ($75,001 - 100,000) @ 34%			(8,500)	8,500
14	Federal Tax on Fourth Income Bracket ($100,001 - 335,000) @ 39%			(91,650)	91,650
15	Federal Tax on Fifth Income Bracket ($335,001 - 10,000,000) @ 34%			(744,567)	108,486
16	Total Federal Income Tax			$ (858,467)	$ 222,386
17					
18	Combined Federal and State Income Tax			$ (1,047,580)	$ 271,376
19					
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)				6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)				34.0000%
22					
23	Calculation of Interest Synchronization				
24	Rate Base	$	20,556,719		
25	Weighted Average Cost of Debt		5.300%		
26	Synchronized Interest	$	1,089,506		
27					
28	Income Tax Adjustments				
29	Test Year Income Taxes - Booked			$ (492,891)	
30	Increase / (decrease) in Income Taxes (L24 - L35)			(554,689)	
31					
32	Test Year Income Taxes - Adjusted				$ (1,047,580)
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)				1,318,956
34					
35					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Gross Revenue Conversion Factor

Exhibit: RLJ-RJ1
Schedule C-3 - Rejoinder
Page 1
Witness: Jones

Line No.				
	Calculation of Gross Revenue Conversion Factor			
1	Revenue		100.0000%	
2	Uncollectable Factor (Line 11)		0.3589%	
3	Revenue (L1 - L2)		99.6411%	
4	Combined Income Tax and Property Tax Rate (Line 23)		39.4467%	
5	Operating Income Percentage (L3 -L4)		60.1944%	
6	Gross Revenue Conversion Factor (L1 / L5)		1.661283	
	Calculation of Uncollectable Factor			
7	Unity		100.0000%	
8	Combined Federal and State Tax Rate (Line 17)		38.5989%	
9	One Minus Combined Federal and State Tax Rate (L7 - L8)		61.4011%	
10	Uncollectable Rate (Line 26)		0.5844%	
11	Uncollectable Factor (L9 * L10)		0.3589%	
	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)		34.0000%	
16	Effective Federal Tax Rate (L14 * L15)		31.6309%	
17	Combined Federal and State Tax Rate (L13 + L16)			38.5989%
	Calculation of Effective Property Tax Rate			
18	Unity		100.0000%	
19	Combined Federal and State Tax Rate (Line 17)		38.5989%	
20	One Minus Combined Income Tax Rate (L18 - L19)		61.4011%	
21	Property Tax Factor (from Schedule C-2)		1.3808%	
22	Effective Property Tax Factor (L20 * L21)			0.8478%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)			39.4467%
	Calculation of Uncollectable Rate			
24	Bad Debt Expense (from Schedule C-1)	$ 13,040		
25	Total Revenues (from Schedule C-1)	2,231,115		
26	Uncollectable Rate (L24 / L25)	0.5844%		
27	Revenue Increase (from Schedule C-1)	$ 3,485,582		
28	Uncollectable Rate (Line 26)	0.5844%		
29	Bad Debt Expense due to Increase	$ 20,371		
30	Supporting Schedules:			Recap Schedules:
31				A-1

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

Exhibit: RLJ-RJ1
Schedule D-1 - Rejoinder
Page 1
Witness: Jones

Line No.	Invested Capital	End of Test Year (Adjusted) Amount	Percent of Total	Cost Rate[1]	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	$ 25,977,448	74.23%	6.66%	4.9%	$ 25,597,448	78.91%	6.66%	5.3%	$ 25,597,448	74.12%	6.66%	4.9%
3													
4	Short-Term Debt	1,732,342	4.95%	7.51%	0.4%	1,145,715	3.53%	10.00%	0.4%	1,145,715	3.32%	10.00%	0.3%
5													
6	Adjusted Common Equity	$ 7,285,912	20.82%	10.00%	2.1%	$ 5,693,691	17.55%	10.00%	1.8%	$ 7,791,818	22.56%	10.00%	2.3%
7													
8	Totals	$ 34,995,702	100.00%		7.4%	$ 32,436,854	100.00%		7.5%	$ 34,534,981	100.00%		7.5%
9													

10 [1] Cost of Long-Term Debt Per Projected Year (10% cost of debt for Zenon Loan)

Line No.			
11			
12	Equity Adjustments		
13	Common Equity per Sch. E-1	$ 7,565,963	(Consolidated Basis)
14			
15	PIS Equity Adjustments	$ (1,064,330)	
16	A/D Equity Adjustments	464,468	
17	AIAC Equity Adjustment	-	
18	CIAC Equity Adjustment	713,313	
19	AA CIAC Equity Adjustment	(393,502)	
20			
21	Adjusted Common Equity	$ 7,285,912	
22			
23	Supporting Schedules:		
24	D-2 D-3		
25	D-4 E-1		
26			

Recap Schedules:
A-3

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Long-Term and Short-Term Debt

Exhibit: RLJ-RJ1
Schedule D-2 - Rejoinder
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	IDA Series 2007A - Term 1	$ 2,695,000	$ 175,175	6.50%	$ 2,315,000	$ 175,175	6.500%
6	IDA Series 2007A - Term 2	21,340,000	$ 1,360,425	6.38%	21,340,000	1,360,425	6.375%
7	Zenon / Liberation Capital	1,942,448	$ 194,245	10.00% [1]	-	$ 57,626	10.000%
8	Harry Elliott Trust				1,942,448	$ 145,684	10.000%
9							
10	Total Long-Term Debt	$ 25,977,448	$ 1,729,845	6.66%	$ 25,597,448	$ 1,738,910	6.66%
11							
12							
13	Short-Term Debt						
14	Hardknocks Ltd	$ 75,000	-	0.00%	$ -		
15	Scott Spencer	175,000	$ 12,950	7.40% [2]	-		
16	Harry Elliott	301,248	-	0.00%	-		
17	Gallager & Kennedy	36,837	$ 2,719	7.40% [2]	1,458	2,121	12.00%
18	Schechert Trust	1,144,257	$ 114,426	10.00%	1,144,257	114,426	10.00%
19							
20	Total Short-Term Debt	$ 1,732,342	$ 130,095	7.51%	$ 1,145,715	$ 116,547	10.0%
21							
22							
23	Total All Debt	$ 27,709,790	$ 1,859,939	6.71%	$ 26,743,163	$ 1,855,457	6.80%
24							
25							
26	IDA Debt Detail by Service						
27		Sewer	Water	Total	Sewer	Water	Total
28	Series 2007A - Term 1	$ 2,173,211	$ 521,789	$ 2,695,000	$ 1,866,784	$ 448,216	$ 2,315,000
29	Series 2007A - Term 2	17,208,285	4,131,715	21,340,000	17,208,285	4,131,715	21,340,000
30	Total IDA Debt 12/31/11	$ 19,381,496	$ 4,653,504	$ 24,035,000	$ 19,075,069	$ 4,579,931	$ 23,655,000
31							
32	[1] Actual Test Year Interest Rate 12.0%. Loan was refinanced in 2012 at 10.0% interest.						
33	[2] Actual Test Year Interest Rate 12.0%. Staff's recommendation of 6.4% accepted.						
34							
35	Workpapers:						
36	FW IDA Bond Amortization.xlsx						
37							
38	Supporting Schedules:						Recap Schedules:
39	E-1						D-1
40							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Cost of Preferred Stock

Exhibit: RLJ-RJ1
Schedule D-3 - Rejoinder
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

Line No.		
1		
2	Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony	
3		
4	Supporting Schedules:	Recap Schedules:
5		D-1
6		

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

Exhibit: RLJ-RJ1
Schedule E-1 - Rejoinder
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	$ 42,605,611	$ 22,034,826	$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 38,379,295	$ 37,566,992	$ 35,322,026
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 1,794	$ (50,289)	$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receiveable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	**Total Current Assets**	$ 2,391,631	$ 2,144,444	$ 2,223,444
22				
23	**DEFERRED DEBITS**			
24	181 Unamortized Debt Discount and Expense	$ 836,551	$ 868,726	$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	**Total Deferred Debits**	$ 3,278,252	$ 2,385,079	$ 1,940,092
28				
29	**TOTAL ASSETS**	$ 44,049,178	$ 42,096,515	$ 39,485,562
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31	**CAPITAL ACCOUNTS**			
32	201 Common Stock Issued	$ -	$ -	$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	**Total Capital**	$ 6,136,135	$ 4,641,091	$ 2,252,564
37				
38	**LONG-TERM DEBT**			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	**Total long-Term Debt**	$ 21,323,943	$ 21,914,277	$ 19,941,944
43				
44	**CURRENT LIABILITIES**			
45	231 Accounts Payable	$ 1,004,027	$ 1,698,596	$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	**Total Current Liabilities**	$ 3,358,071	$ 2,081,555	$ 4,138,192
54				
55	**DEFERRED CREDITS**			
56	251 Unamortized Premium on Debt	$ 85,413	$ 88,698	$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	$ 1,193,404	$ 1,246,165	$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	**Total Deferred Credits**	$ 13,231,029	$ 13,459,591	$ 13,152,862
63				
64	**Total Liabilities & Common Equity**	$ 44,049,178	$ 42,096,515	$ 39,485,562
65				
66	Supporting Schedules:			Recap Schedules:
67	E-5			A-3

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

Exhibit: RJJ-RJ1
Schedule E-1 - Rejoinder
Page 2
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	$ 31,480,517	$ 31,010,947	$ 29,941,953
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	1,147,584	1,248,691	1,636,400
7	108 Less: Accumulated Depreciation	(13,749,565)	(12,765,995)	(11,772,704)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	**Net Plant**	$ 19,085,298	$ 19,707,566	$ 20,023,152
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 5,841	$ (88,844)	$ 55,040
13	132 Special Deposits	371,762	339,839	370,674
14	141 Customer Accounts Receivable	630,894	625,173	631,736
15	142 Other Accounts Receiveable	-	500	1,050
16	143 Accumulated Provision for Uncollectable Accounts	(57,973)	-	-
17	146 Notes/Receivables from Associated Companies	126,336	197,642	149,446
18	151 Plant Materials and Supplies	79,130	78,292	74,719
19	162 Prepayments	56,890	55,618	53,555
21	174 Miscellaneous Current and Accrued Assets	-	-	-
22	**Total Current Assets**	$ 1,212,879	$ 1,208,220	$ 1,336,220
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 184,025	$ 191,102	$ 198,180
26	186 Deferred Debits	61,722	64,096	66,470
27	190 Accumulated Deferred Income Tax	(1,216,910)	(617,281)	-
28	**Total Deferred Debits**	$ (971,164)	$ (362,083)	$ 264,650
29				
30	**TOTAL ASSETS**	$ 19,327,013	$ 20,553,704	$ 21,624,022
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	7,087,369	7,087,369	7,087,369
36	211.1 Capital from Water Division	(17,889,015)	(14,855,775)	(11,637,268)
37	215 Retained Earnings	11,331,474	10,353,132	9,345,989
38	**Total Capital**	$ 1,429,828	$ 3,484,726	$ 5,696,089
39				
40	**LONG-TERM DEBT**			
41	221 Bonds	4,653,504	4,723,200	4,788,056
42	223 Advances from Associated Companies	-	-	-
43	224 Other Long-Term Debt	765,987	453,351	-
44	**Total long-Term Debt**	$ 5,419,492	$ 5,176,552	$ 4,788,056
45				
46	**CURRENT LIABILITIES**			
47	231 Accounts Payable	$ 558,626	$ 603,234	$ 881,372
48	232 Notes Payable	36,837	-	-
49	233 Accounts Payable to Associated Companies	79,713	40,938	10,038
50	234 Payable to Associated Companies	22,000	-	-
51	235 Customer Deposits	48,500	69,777	55,270
52	236 Accrued Taxes	-	-	-
53	237 Accrued Interest	237,116	133,473	63,626
54	241 Miscellaneous Current Liabilities	1,218,378	825,785	532,252
55	**Total Current Liabilities**	$ 2,201,170	$ 1,673,207	$ 1,542,558
56				
57	**DEFERRED CREDITS**			
58	251 Unamortized Premium on Debt	$ 20,611	$ 21,404	$ 22,196
59	252 Advances in Aid of Construction	5,200,253	5,973,861	5,419,197
60	253 Other Deferred Credits	12,500	37,500	75,000
61	271 Contributions in Aid of Construction	7,284,567	6,285,022	6,064,711
62	272 Accumulated Amortization CIAC	(2,241,407)	(2,098,567)	(1,983,787)
63	281 Accumulated Deferred Income Tax	-	-	-
64	**Total Deferred Credits**	$ 10,276,524	$ 10,219,219	$ 9,597,318
65				
66	**Total Liabilities & Common Equity**	$ 19,327,013	$ 20,553,704	$ 21,624,022
67				

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Balance Sheet

Exhibit: RLJ-RJ1
Schedule E-1 - Rejoinder
Page 3
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	$ 74,086,128	$ 53,045,773	$ 51,123,605
4	102 Utility Plant Leased to Others	435,005	435,005	435,005
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	3,584,935	22,152,620	20,371,788
7	108 Less: Accumulated Depreciation	(20,619,994)	(18,351,681)	(16,585,220)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(21,480)	(7,160)	-
9	**Net Plant**	$ 57,464,593	$ 57,274,558	$ 55,345,178
10				
11	**CURRENT ASSETS**			
12	131 Cash and Equivalents	$ 7,634	$ (139,132)	$ 54,831
13	132 Special Deposits	1,920,260	1,755,367	1,914,636
14	141 Customer Accounts Receivable	1,067,682	1,000,191	956,101
15	142 Other Accounts Receiveable	4,000	5,100	5,050
16	143 Accumulated Provision for Uncollectable Accounts	(91,462)	-	-
17	146 Notes/Receivables from Associated Companies	528,296	569,156	446,254
18	151 Plant Materials and Supplies	97,570	96,172	91,919
19	162 Prepayments	70,531	65,811	80,234
21	174 Miscellaneous Current and Accrued Assets	-	-	10,638
22	**Total Current Assets**	$ 3,604,510	$ 3,352,665	$ 3,559,663
23				
24	**DEFERRED DEBITS**			
25	181 Unamortized Debt Discount and Expense	$ 1,020,575	$ 1,059,829	$ 1,099,082
26	186 Deferred Debits	695,960	715,751	749,661
27	190 Accumulated Deferred Income Tax	590,552	247,416	356,000
28	**Total Deferred Debits**	$ 2,307,088	$ 2,022,996	$ 2,204,742
29				
30	**TOTAL ASSETS**	$ 63,376,191	$ 62,650,218	$ 61,109,584
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33	**CAPITAL ACCOUNTS**			
34	201 Common Stock Issued	$ 900,000	$ 900,000	$ 900,000
35	211 Paid in Capital	9,430,633	9,430,633	9,430,633
36	215 Retained Earnings	(2,764,670)	(2,204,816)	(2,381,979)
37	**Total Capital**	$ 7,565,963	$ 8,125,817	$ 7,948,653
38				
39	**LONG-TERM DEBT**			
40	221 Bonds	24,035,000	24,395,000	24,730,000
41	223 Advances from Associated Companies	-	-	-
42	224 Other Long-Term Debt	2,708,435	2,695,829	-
43	**Total long-Term Debt**	$ 26,743,435	$ 27,090,829	$ 24,730,000
44				
45	**CURRENT LIABILITIES**			
46	231 Accounts Payable	$ 1,562,653	$ 2,301,830	$ 4,704,564
47	232 Notes Payable	624,923	-	-
48	233 Accounts Payable to Associated Companies	88,741	(4,504)	2,024
49	234 Payable to Associated Companies	1,166,257	-	-
50	235 Customer Deposits	74,859	81,864	79,065
51	236 Accrued Taxes	-	-	-
52	237 Accrued Interest	415,563	274,631	182,393
53	241 Miscellaneous Current Liabilities	1,626,246	1,100,940	712,706
54	**Total Current Liabilities**	$ 5,559,241	$ 3,754,762	$ 5,680,751
55				
56	**DEFERRED CREDITS**			
57	251 Unamortized Premium on Debt	$ 106,024	$ 110,102	$ 114,180
58	252 Advances in Aid of Construction	16,015,223	16,843,633	15,823,742
59	253 Other Deferred Credits	1,205,904	1,283,665	1,358,665
60	271 Contributions in Aid of Construction	9,724,735	8,725,189	8,504,878
61	272 Accumulated Amortization CIAC	(3,544,332)	(3,283,779)	(3,051,286)
62	281 Accumulated Deferred Income Tax	-	-	-
63	**Total Deferred Credits**	$ 23,507,553	$ 23,678,811	$ 22,750,179
64				
65	**Total Liabilities & Common Equity**	$ 63,376,191	$ 62,650,218	$ 61,109,584
66				

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

Exhibit: RLJ-RJ1
Schedule E-2 - Rejoinder
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	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	521	Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536	Other Sewer Revenues	43,064	67,480	180,670
5	541	Metered Reuse Revenue	131,759	103,241	104,537
6	**Total Revenues**		$ 2,239,713	$ 2,209,632	$ 2,132,099
7	**Operating Expenses**				
8	701	Salaries and Wages	$ 683,996	$ 472,735	$ 404,740
9	703	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704	Employee Pension and Benefits	27,421	31,352	33,334
11	710	Purchased Sewer Treatment	-	-	-
12	711	Sludge Removal Expense	55,247	83,830	102,450
13	715	Purchased Power	288,248	251,261	257,010
14	718	Chemicals	219,910	215,788	199,086
15	720	Repairs and Maintenance	181,981	100,337	122,341
16	731	Contractual Services - Engineering	-	-	-
17	732	Contractual Services - Accounting	7,230	105,840	289
18	733	Contractual Services - Legal	43,865	60,038	342,907
19	734	Contractual Services - Management Fees	-	-	-
20	735	Contractual Services - Testing	147,025	109,806	104,008
21	736	Contractual Services - Other	60,716	39,114	12,160
22	741	Rent - Buildings	20,669	20,311	19,292
23	742	Rent - Equipment	45,758	195,574	96,621
24	750	Transportation Expense	129,723	77,407	60,404
25	756	Insurance - Vehicle	12,610	10,767	9,155
26	757	Insurance - General Liability	33,142	39,173	24,445
27	758	Insurance - Workman's Compensation	17,125	13,722	13,726
28	759	Insurance - Other	-	-	9,000
29	760	Advertising Expense	476	284	25
30	766	Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767	Regulatory Expense - Other	-	-	-
33	770	Bad Debt Expense	33,490	-	5,630
34	775	Miscellaneous Expense	30,503	16,741	18,181
35	403	Depreciation Expense	1,165,350	655,457	625,330
36	408	Taxes Other Than Income	74,250	65,731	49,975
37	408.11	Property Taxes	122,350	92,177	79,555
38	409	Income Tax	(492,891)	-	-
39	**Total Operating Expenses**		$ 3,045,196	$ 2,782,352	$ 2,786,863
40	**Operating Income**		$ (805,483)	$ (572,720)	$ (654,764)
41	**Other Income (Expense)**				
42	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ 508,697	$ 41,000
43	415	Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419	Interest and Dividend Income	246	393	2,201
46	420	AFUDC	748,855	933,278	858,409
47	421	Non-Utility Income	-	29,911	551
48	426	Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427	Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428	Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429	Amortization of Premium on Debt	3,285	3,285	3,285
52	434	Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	**Total Other Income (Expense)**		$ (732,714)	$ (257,259)	$ (1,055,279)
54	**Net Income (Loss)**		$ (1,538,197)	$ (829,979)	$ (1,710,043)
55					
56	Supporting Schedules:				Recap Schedules:
57					A-2
58					

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

Exhibit: RLJ-RJ1
Schedule E-2 - Rejoinder
Page 2
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	413	Income Utility Plant Leased to Others	$ 3,612	$ 8,383	$ -
3	461	Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471	Miscellaneous Sevice Revenues	180,755	136,947	139,318
5	474	Other Water Revenues	18,390	3,827	227
6	**Total Revenues**		$ 5,736,321	$ 5,645,361	$ 5,688,822
7	**Operating Expenses**				
8	601	Salaries and Wages	$ 779,073	$ 744,001	$ 695,855
9	603	Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604	Employee Pension and Benefits	38,354	44,248	32,816
11	610	Purchased Water	504,953	530,880	672,225
12	615	Purchased Power	417,557	373,540	435,827
13	618	Chemicals	171,859	154,481	146,810
14	620	Repairs and Maintenance	151,953	110,175	172,796
15	621	Office Supplies Expense	-	-	-
16	631	Contractual Services - Engineering	-	-	-
17	632	Contractual Services - Accounting	11,884	29,011	578
18	633	Contractual Services - Legal	3,330	8,012	185
19	634	Contractual Services - Management Fees	-	-	-
20	635	Contractual Services - Testing	27,822	30,516	54,394
21	636	Contractual Services - Other	27,517	45,644	19,145
22	641	Rent - Buildings	46,595	45,998	40,333
23	642	Rent - Equipment	9,629	22,040	2,087
24	650	Transportation Expense	89,523	68,459	53,061
25	656	Insurance - Vehicle	9,264	10,179	8,320
26	657	Insurance - General Liability	26,403	23,929	21,750
27	658	Insurance - Workman's Compensation	11,664	9,860	21,734
28	659	Insurance - Other	-	-	-
29	660	Advertising Expense	8,409	8,184	7,710
30	666	Regulatory Commission Expense - Rate Case	-	-	-
31	667	Regulatory Expense - Other	-	-	-
32	668	Water Resource Conservation Expense	-	-	-
33	670	Bad Debt Expense	57,973	-	16,538
34	675	Miscellaneous Expense	40,389	33,807	19,553
35	403	Depreciation Expense	857,449	889,617	846,294
36	408	Taxes Other Than Income	87,071	97,328	79,514
37	408.11	Property Taxes	239,106	203,310	218,933
38	409	Income Tax	754,044	-	-
39	**Total Operating Expenses**		$ 4,508,819	$ 3,587,719	$ 3,641,227
40	**Operating Income**		$ 1,227,502	$ 2,057,642	$ 2,047,595
41	**Other Income (Expense)**				
42	409	Income Tax - Other Income and Deductions	$ 154,415	$ (617,371)	$ -
43	415	Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416	Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419	Interest and Dividend Income	248	689	5,491
46	420	AFUDC	55,096	75,491	90,603
47	421	Non-Utility Income	107	-	11,344
48	426	Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427	Interest Expense	(429,371)	(397,166)	(375,626)
50	428	Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429	Amortization of Premium on Debt	793	793	793
52	434	Extraordinary Deductions	5,939	(101,463)	(198,428)
53	**Total Other Income (Expense)**		$ (249,160)	$ (1,050,499)	$ (551,260)
54	**Net Income (Loss)**		$ 978,342	$ 1,007,143	$ 1,496,336
55					

Far West Water & Sewer, Inc.
Test Year Ended December 31, 2011
Comparative Income Statements

Exhibit: RLJ-RJ1
Schedule E-2 - Rejoinder
Page 3
Witness: Jones

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

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

Exhibit: RJJ-RJ1
Schedule E-3 - Rejoinder
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	$ (1,538,197)	$ (829,979)	$ (1,710,043)
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	659,037	625,330
6	Other Adjustments	-	-	-
7	Changes in Assets & Liabilities			
8	Accounts Receivable	(27,681)	(51,253)	(41,357)
9	Notes/Receivables from Associated Companies	(30,446)	(74,705)	(104,537)
10	Plant Materials and Supplies	(560)	(680)	(17,200)
11	Prepayments	(3,448)	16,486	10,371
12	Miscellaneous Current and Accrued Assets	-	10,638	(10,638)
13	Special Deposits	(132,970)	128,435	10,918
14	Deferred Debits	(893,173)	(444,986)	30,781
15	Accounts Payable	(694,569)	(2,124,596)	677,366
16	Notes Payable	588,085	-	-
17	Payable to Associated Companies	1,198,726	(37,427)	(8,015)
18	Customer Deposits	14,271	(11,708)	3,886
19	Accrued Taxes	-	-	-
20	Accrued Interest	37,289	22,392	11,162
21	Miscellaneous Current Liabilities	132,713	94,701	91,490
22	Deferred Credits	(56,047)	(40,785)	71,715
23	Total From Operations	$ (233,496)	$ (2,684,431)	$ (358,771)
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(270,144)	(254,016)
27	Long-Term Debt	(300,030)	2,242,478	-
28	Advances in Aid of Construction	(54,802)	465,228	373,611
29	Contributions in Aid of Construction	-	-	-
30	Paid in Capital	3,033,241	3,218,507	4,340,552
31	Total From Financing	$ 2,388,104	$ 5,656,068	$ 4,460,147
32				
33	Application of Funds			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(2,102,526)	(3,021,716)	(4,101,586)
36	Dividends Paid			
37	Other	-		
38	Total From Investing Activities	$ (2,102,526)	$ (3,021,716)	$ (4,101,586)
39				
40	Net Increase/(Decrease) in Cash	$ 52,082	$ (50,079)	$ (209)
41				
42	Cash, Beginning of Year	$ (50,289)	$ (209)	$ -
43	Cash, End of Year	$ 1,794	$ (50,289)	$ (209)
44				
45				
46				
47	Workpapers:			Recap Schedules:
48				A-5
49				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Statement of Changes in Stockholder's Equity

Exhibit: RLJ-RJ1
Schedule E-4 - Rejoinder
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		$ -	$ 9,639,980	$ (11,315,379)	$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	$ -	$ 13,980,532	$ (11,727,968)	$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	$ -	$ 17,199,039	$ (12,557,947)	$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	$ -	$ 20,232,279	$ (14,096,145)	$ 6,136,135
21						
22						
23	Supporting Schedules:				Recap Schedules:	
24						
25						

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Detail of Utility Plant

Exhibit: RLJ-RJ1
Schedule E-5 - Rejoinder
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	351	Organization Cost	$ -	-	$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reserviors	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33				-	
34				-	
35					
36		TOTAL SEWER PLANT	$ 22,034,826	$ 20,570,785	$ 42,605,611
37					
38	Workpapers:				Recap Schedules:
39	FW Rate Case Data.xlsx - Trial Bal Adj				E-1
40					A-4
41					

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

Exhibit: RLJ-RJ1
Schedule E-7 - Rejoinder
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	Total Wastewater Treated	275,467,000	269,368,000	267,231,000
3				
4	Average Number of Customers			
5				
6	Residential	7,064	6,819	6,849
7	Commercial	42	44	44
8	RV Park (Customers)	4	4	4
9	Total Customers	7,110	6,867	6,897
10				
11	RV Park (RV Spaces)	761	713	713
12				
13				
14	Wastewater Treated Per Customer	38,744	39,228	38,744
15				
16	Revenue Per Residential Customer	$ 284	$ 291	$ 279
17				

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

Exhibit: RLJ-RJ1
Schedule E-8 - Rejoinder
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	(402,095)	-	-
4	State Income Tax	(90,796)	-	-
5	Payroll Tax	63,196	47,050	38,864
6	Property Tax	122,350	92,177	79,555
7				
8	Totals	(307,345)	139,227	118,419
9				
10				Recap Schedules:
11				
12				

Line No.

1
2 The Company financial statements are reviewed by an independent outside CPA Firm. However
3 the 2011 review is not complete as of the date of this filing. The review will be made available
4 during the processing of this case.
5
6 The Company uses the NARUC System of Accounts.
7
8 The Company normalizes Income Tax Expense.
9
10
11 Supporting Schedules: Recap Schedules:
12
13

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

Exhibit: RLJ-RJ1
Schedule F-1 - Rejoinder
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	413	Income Utility Plant Leased to Others	$ 3,612	$ -	$ -
3	521	Flat Rate Revenue	2,061,278	2,056,292	5,541,874
4	536	Other Sewer Revenues	43,064	43,064	43,064
5	541	Metered Reuse Revenue	131,759	131,759	131,759
6	**Total Revenues**		$ 2,239,713	$ 2,231,115	$ 5,716,697
7	**Operating Expenses**				
8	701	Salaries and Wages	$ 683,996	$ 824,730	$ 824,730
9	703	Salaries and Wages - Officers and Directors	137,000	76,753	76,753
10	704	Employee Pension and Benefits	27,421	28,243	28,243
11	710	Purchased Sewer Treatment	-	-	-
12	711	Sludge Removal Expense	55,247	55,247	55,247
13	715	Purchased Power	288,248	347,499	347,499
14	718	Chemicals	219,910	223,209	223,209
15	720	Repairs and Maintenance	181,981	184,711	184,711
16	731	Contractual Services - Engineering	-	-	-
17	732	Contractual Services - Accounting	7,230	7,338	7,338
18	733	Contractual Services - Legal	43,865	11,053	11,053
19	734	Contractual Services - Management Fees	-	-	-
20	735	Contractual Services - Testing	147,025	149,231	149,231
21	736	Contractual Services - Other	60,716	61,627	61,627
22	741	Rent - Buildings	20,669	20,979	20,979
23	742	Rent - Equipment	45,758	46,445	46,445
24	750	Transportation Expense	129,723	131,669	131,669
25	756	Insurance - Vehicle	12,610	12,799	12,799
26	757	Insurance - General Liability	33,142	33,640	33,640
27	758	Insurance - Workman's Compensation	17,125	17,382	17,382
28	759	Insurance - Other	-	-	-
29	760	Advertising Expense	476	483	483
30	766	Regulatory Commission Expense - Rate Case	-	76,125	76,125
31	767	Regulatory Expense - Other	-	-	-
33	770	Bad Debt Expense	33,490	13,040	33,411
34	775	Miscellaneous Expense	30,503	30,960	30,960
35	403	Depreciation Expense	1,165,350	1,379,632	1,379,632
36	408	Taxes Other Than Income	74,250	71,842	71,842
37	408	Property Taxes	122,350	95,858	143,986
38	409	Income Tax	(492,891)	(1,047,580)	271,376
39	**Total Operating Expenses**		$ 3,045,196	$ 2,852,916	$ 4,240,371
40	**Operating Income**		$ (805,483)	$ (621,801)	$ 1,476,326
41	**Other Income (Expense)**				
42	409.20	Income Tax - Other Income and Deductions	$ 449,875	$ (176,061)	$ (176,061)
43	415	Revenue from Jobbing, Contract Work	26,176	26,176	26,176
44	416	Expenses from Jobbing, Contract Work	(26,176)	(26,176)	(26,176)
45	419	Interest and Dividend Income	246	246	246
46	420	AFUDC	748,855	374,428	374,428
47	421	Non-Utility Income	-	-	-
48	426	Miscellaneous Non-Utility Expenses	(33,219)	(33,219)	(33,219)
49	427	Interest Expense	(1,523,207)	(1,089,506)	(1,089,506)
50	428	Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429	Amortization of Premium on Debt	3,285	3,285	3,285
52	434	Extraordinary Deductions	(328,956)	(0)	(0)
53	**Total Other Income (Expense)**		$ (732,714)	$ (970,421)	$ (970,421)
54	**Net Income (Loss)**		$ (1,538,197)	$ (1,592,221)	$ 505,906
55					
56	Supporting Schedules:				Recap Schedules:
57	E-2				A-2
58					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RLJ-RJ1
Schedule F-2 - Rejoinder
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	$ (1,538,197)	$ (1,592,221)	$ 505,906
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	1,379,632	1,379,632
6	Deferred Income Tax	-		
7	Other Adjustments	-		
8	Changes in Assets & Liabilities			
9	Customer Accounts Receivable	(27,681)		
10	Notes/Receivables from Associated Companies	(30,446)		
11	Plant Materials and Supplies	(560)		
12	Prepayments	(3,448)		
13	Miscellaneous Current and Accrued Assets	-		
14	Special Deposits	(132,970)		
15	Deferred Debits	(893,173)	(693,173)	-
16	Accounts Payable	(694,569)		
17	Notes Payable	588,085		(588,085)
18	Payable to Associated Companies	1,198,726		
19	Customer Deposits	14,271		
20	Accrued Taxes	-		
21	Accrued Interest	37,289		
22	Miscellaneous Current Liabilities	132,713		
	Deferred Credits	(56,047)		
23	Total From Operations	$ (233,496)	$ (905,762)	$ 1,297,452
24				
25	Cash Flow from Financing:			
26	Bonds	(290,304)	(380,000)	(380,000)
27	Long-Term Debt	(300,030)	0	0
29	Advances in Aid of Construction	(54,802)	(54,802)	(54,802)
30	Contributions in Aid of Construction	-	-	-
31	Paid in Capital	3,033,241	4,000,000	900,000
32	Total From Financing	$ 2,388,104	$ 3,565,198	$ 465,198
33				
34	Application of Funds			
35	Cash Flow from Investing Activities			
36	Capital Expenditures	(2,102,526)	(2,044,670)	(2,044,670)
37	Dividends Paid	-	-	-
38	Other	-	-	-
39	Total From Investing Activities	$ (2,102,526)	$ (2,044,670)	$ (2,044,670)
40				
41	Net Increase/(Decrease) in Cash	$ 52,082	$ 614,766	$ (282,019)
42				
43	Cash, Beginning of Year	$ (50,289)	$ 1,794	$ 1,794
44	Cash, End of Year	$ 1,794	$ 616,560	$ (280,226)
45				
46				
47	Supporting Schedules:			Recap Schedules:
48	E-3			A-5
49	F-3			
50				

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

Exhibit: RLJ-RJ1
Schedule F-3 - Rejoinder
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	$ 97,553	$ -	$ -	$ -
7	Collection Plant	4,971,423	-	75,000	75,000
9	Treatment Plant	15,395,039	2,024,670	69,500	520,000
11	Reuse Plant	2,310	-	-	-
13	General Plant	104,459	20,000	20,000	20,000
15	Total Plant	$ 20,570,785	$ 2,044,670	$ 164,500	$ 615,000

18 Workpapers:
19 FW Capital Expenditures.xlsx
20

Recap Schedules:
F-2 A-4

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

Exhibit: RLJ-RJ1
Schedule F-4 - Rejoinder
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		

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-RB4
Schedule H-1 - Rejoinder
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	Flat Rate Revenue				
3	Residential	$ 1,844,030	$ 4,867,868	$ 3,023,837	163.98%
4	Commercial	23,186	116,488	93,303	402.42%
5	RV Park (RV Spaces)	46,545	179,956	133,411	286.63%
6	Re-Establihment (Residential)	142,180	375,485	233,306	164.09%
7					
8	Metered Reuse Revenues	131,759	131,759	-	0.00%
9					
10	Other Sewer Revenue	43,064	43,064	-	0.00%
11					
12	Total Sewer Revenues	$ 2,230,763	$ 5,714,620	$ 3,483,857	156.17%
13					
14	Reconciliation				
15	Bill Count Revenue	$ 2,230,763			
16					
17	Water Revenues per G.L.	2,239,713			
18	Revenue Adjustment IS-1	(3,612)			
19	Revenue Adjustment IS-2	(8,119)			
20	Adjusted G.L. Revenue	$ 2,227,982			
21					
22	Unreconciled Difference	$ 2,781			
23	Percentage Difference	0.12%			
24					
25					
26	Supporting Schedules:				Recap Schedules:
27	H-2				A-1
28					

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Analysis of Revenue by Detailed Class

Exhibit: RLJ-RB4
Schedule H-2 - Rejoinder
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	Flat Rate Revenue						
3	Residential	7,064	-	$ 1,844,030	$ 4,867,868	3,023,837	163.98%
4	Commercial	42	-	23,186	116,488	93,303	402.42%
5	RV Park (RV Spaces)	761	-	46,545	179,956	133,411	286.63%
6	Re-Establihment (Residential)	545	-	142,180	375,485	233,306	164.09%
7	Subtotal Flat Rate	8,412		$ 2,055,940	$ 5,539,797	$ 3,483,857	169.45%
8							
9	Metered Reuse Revenues	2	5,489,958	$ 131,759	$ 131,759	-	0.00%
10							
11	Other Sewer Revenue			$ 43,064	$ 43,064		0.00%
12							
13	Total	8,414		$ 2,230,763	$ 5,714,620	$ 3,483,857	156.17%
14							
15							
16	Supporting Schedules:					Recap Schedules:	
17						H-1	
18							

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Changes in Representative Rate Schedules

Exhibit: RLJ-RB4
Schedule H-3 - Rejoinder
Page 1
Witness: Jones

Line No.	**General Sewer Service Rates**	Monthly Charge			Volume Charge		
2		Present	Proposed		Present	Proposed	
3	Description	Rate	Rate	Change	Rate	Rate	Change
4							
5	Residential	$ 21.75	$ 57.44	$ 35.69			
6	Commercial:						
7	5/8" x 3/4" Meter	$ 43.50	$ 86.16	$ 42.66			
8	3/4" Meter	$ 43.50	$ 86.16	$ 42.66			
9	1" Meter	$ 43.50	$ 143.60	$ 100.10			
10	1 1/2" Meter	$ 43.50	$ 215.40	$ 171.90			
11	2" Meter	$ 43.50	$ 344.64	$ 301.14			
12	3" Meter	$ 43.50	$ 919.04	$ 875.54			
13	4" Meter	$ 43.50	$ 1,436.00	$ 1,392.50			
14	6" Meter	$ 43.50	$ 2,872.00	$ 2,828.50			
15	RV Park:						
16	RV Park Base Charge	n/a	$ 86.16	$ 86.16			
17	RV Park - Per Space	$ 5.44	$ 19.14	$ 13.70			
18	Effluent Reuse	$ -	$ -	$ -	$ 1.00	Market[1]	$ -
19							
20	[1]Market rate not to exceed $1.00 per 1,000 gallons and not less than $0.20 per 1,000 gallons.						
21							
22	**Other Service Charges**	Present		Proposed			
23		Rates		Rates			
24	Establishment	$ 20.00		$ 40.00			
25	Reconnection (Delinquent)	$ 20.00		$ 30.00			
26	After-Hours Service Charge	n/a		$ 35.00			
27	Deposit Requirement (Residential)	2 times the average bill		2 times the average bill			
28	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill		2-1/2 times the average bill			
29	Deposit Interest	6.0%		6.0%			
30	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			
31	NSF Check	$ 15.00		$ 30.00			
32	Deferred Payment, Per Month	1.5%		1.5%			
33	Late Payment Charge	1.5%		1.5%			
34	Service Line Installation	Cost		Cost			
35	Disconnect and Reconnect (Delinquent)[1]	n/a		Cost			
36							
37	[1] Applicable to sewer customers that are not Far West Water customers.						
38	In addition to the collection of regular rates, the utility will collect from its						
39	customers a proportionate share of any privilege, sales, use, and franchise tax,						
40	per Commission rule A.A.C. 14-2-608(D)(5).						
41							
42	All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.						
43							

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

Exhibit: RLJ-RB4
Schedule H-4 - Rejoinder
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 57.44	$ 35.69	164.09%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 57.44					
6							

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

Exhibit: RLJ-RB4
Schedule H-4 - Rejoinder
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Line No.	Rate Schedules		Monthly Charge	Meter Size	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
	Present Rates:							
1	All Meter Sizes		$ 43.50					
2	**Proposed Rates:**							
3		5/8" x 3/4" Meter	$ 86.16	5/8" x 3/4" Meter	$ 43.50	$ 86.16	$ 42.66	98.07%
4		3/4" Meter	$ 86.16	3/4" Meter	$ 43.50	$ 86.16	$ 42.66	98.07%
5		1" Meter	$ 143.60	1" Meter	$ 43.50	$ 143.60	$ 100.10	230.11%
6		1 1/2" Meter	$ 215.40	1 1/2" Meter	$ 43.50	$ 215.40	$ 171.90	395.17%
7		2" Meter	$ 344.64	2" Meter	$ 43.50	$ 344.64	$ 301.14	692.28%
8		3" Meter	$ 875.54	3" Meter	$ 43.50	$ 919.04	$ 875.54	2012.74%
9		4" Meter	$ 1,436.00	4" Meter	$ 43.50	$ 1,436.00	$ 1,392.50	3201.15%
10		6" Meter	$ 2,872.00	6" Meter	$ 43.50	$ 2,872.00	$ 2,828.50	6502.30%
11								

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

Exhibit: RLJ-RB4
Schedule H-4 - Rejoinder
Witness: Jones

Meter Size: All
Class: RV Park
Rate Code: 380

Line No.	Rate Schedules			Park	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**							
2	Monthly Charge:		n/a					
3	Per Space:	$	5.44	Rancho Rialto	$ 1,071.68	$ 3,856.74	$ 2,785.06	259.88%
4				Adobe Village	$ 641.92	$ 2,344.68	$ 1,702.76	265.26%
5				Sun Ridge	$ 1,528.64	$ 5,464.50	$ 3,935.86	257.47%
6	**Proposed Rates:**			Sunset Palm	$ 636.48	$ 2,325.54	$ 1,689.06	265.38%
7	Monthly Charge:	$	86.16	Schechert Aquatics	$ 261.12	$ 1,004.88	$ 743.76	284.83%
8	Per Space:	$	19.14					
9								
10								
11								
12								
13								

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

Exhibit: RLJ-RB4
Schedule H-4 - Rejoinder
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Line No.	Rate Schedules		Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	**Present Rates:**						
2	Monthly Charge:	$ 21.75					
3			All	$ 21.75	$ 57.44	$ 35.69	164.09%
4	**Proposed Rates:**						
5	Monthly Charge:	$ 57.44					
6							

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

Exhibit: RLJ-RB4
Schedule H-5 - Rejoinder
Witness: Jones

Meter Size: All
Class: Residential
Rate Code: 351

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 57.44

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	- - -	84,783	-		84,783	100.00%	-	
2								
3	Totals	84,783		-	84,783		-	
4	Remove RV Bills	(36)						
5	Equivalent Bills	84,747						

		Current Rates		Proposed Rates	
6		Units	Revenue	Units	Revenue
7	Average Number of Customers 7,062 — Base Charge	84,783	$ 1,844,030	84,747	$ 4,867,868
8					
9	Revenue Totals		$ 1,844,030		$ 4,867,868
10					

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

Exhibit: RLJ-RB4
Schedule H-5 - Rejoinder
Witness: Jones

Meter Size: All
Class: Commercial
Rate Code: 350

Charges	Present Rates	Proposed Rates
Monthly Charge:		
5/8" x 3/4" Meter	$ 43.50	$ 86.16
3/4" Meter	$ 43.50	$ 86.16
1" Meter	$ 43.50	$ 143.60
1 1/2" Meter	$ 43.50	$ 215.40
2" Meter	$ 43.50	$ 344.64
6" Meter	$ 43.50	$ 2,872.00

Line No.	Meter Size	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
	As Billed:							
1	5/8" x 3/4" Meter	144	-		144	28.57%		
2	3/4" Meter	-	-		144	28.57%		
3	1" Meter	84	-		228	45.24%		
4	1 1/2" Meter	29	-		257	50.99%		
5	2" Meter	264	-		521	103.37%		
6	6" Meter	12	-		533	105.75%		
7		533	-					
8	Adjustments:							
9	6" - Rancho Rialto	(12)	-					
10	1 1/2" - Chase Bank	(5)	-					
11	2" - Schechert Aquat.	(12)	-					
12								
13	Adjusted:							
14	5/8" x 3/4" Meter	144	-		144	28.57%		
15	3/4" Meter	-			144	28.57%		
16	1" Meter	84	-		228	45.24%		
17	1 1/2" Meter	24	-		252	50.00%		
18	2" Meter	252	-		504	100.00%		
19	6" Meter	-			504	100.00%		
20		504	-					
21								
22								
23	Totals	504		-	504			
24								
25	Equivalent Bills	504						

26			Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
27	Average Number of Customers	42	5/8" x 3/4" Meter	144	$ 6,264	144	$ 12,407
28			3/4" Meter	-	-	-	-
29			1" Meter	84	3,654	84	12,062
30			1 1/2" Meter	29	1,262	24	5,170
31			2" Meter	264	11,484	252	86,849
32			6" Meter	12	522	-	-
33			Revenue Totals		$ 23,186		$ 116,488
34							

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

Exhibit: RLJ-RB4
Schedule H-5 - Rejoinder
Witness: Jones

Meter Size: All
Class: RV Park
Rate Code: 380

Charges	Present Rates	Proposed Rates
Monthly Charge:	n/a	$ 86.16
Per Space:	$ 5.44	$ 19.14

Line No.	Customer	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	As Billed:		-					
2	Rancho Rialto	2,364	-		2,364	25.89%		
3	Adobe Village	1,416	-		3,780	41.39%		
4	Sun Ridge	3,372	-		7,152	78.32%		
5	Sunset Palm	1,404	-		8,556	93.69%		
6		8,556						
7	Adjustments:							
8	Schechert Aquatics	576	-		9,132	100.00%		
9								
10	Totals	9,132		-	9,132		-	
11								
12	Equivalent Bills	9,132						

		Current Rates		Proposed Rates	
13		Units	Revenue	Units	Revenue
14	Average Number of Spaces 761	Monthly Charge		60	5,170
15	Per Space	8,556	$ 46,545	9,132	$ 174,786
16	Revenue Totals		$ 46,545		$ 179,956
17					

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

Exhibit: RLJ-RB4
Schedule H-5 - Rejoinder
Witness: Jones

Meter Size: All
Class: Residential Re-Establishment
Rate Code: 381-392

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ 21.75	$ 57.44

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	- - -	6,537	-		6,537	100.00%	-	
2								
3	Totals	6,537		-	6,537		-	
4								
5	Equivalent Bills	6,537						
6								
7	Average Number of Customers		545					
8								
9								
10								

	Current Rates Units	Current Rates Revenue	Proposed Rates Units	Proposed Rates Revenue
Base Charge	6,537	$ 142,180	6,537	$ 375,485
Revenue Totals		$ 142,180		$ 375,485

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

Exhibit: RLJ-RB4
Schedule H-5 - Rejoinder
Witness: Jones

Meter Size: All
Class: Effluent Reuse
Rate Code: 379

Charges	Present Rates	Proposed Rates
Monthly Charge:	$ -	$ -
Commodity Rate	$ 1.00	Market

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	1,765,000	-	1,765,000	1	1,765,000	1,765,000	1	4.17%	1,765,000	1.34%
3	1,773,000	-	1,773,000	1	1,773,000	1,773,000	2	8.33%	3,538,000	2.69%
4	1,849,000	-	1,849,000	1	1,849,000	1,849,000	3	12.50%	5,387,000	4.09%
5	2,189,000	-	2,189,000	1	2,189,000	2,189,000	4	16.67%	7,576,000	5.75%
6	2,646,000	-	2,646,000	1	2,646,000	2,646,000	5	20.83%	10,222,000	7.76%
7	2,845,000	-	2,845,000	1	2,845,000	2,845,000	6	25.00%	13,067,000	9.92%
8	3,756,000	-	3,756,000	1	3,756,000	3,756,000	7	29.17%	16,823,000	12.77%
9	3,863,000	-	3,863,000	1	3,863,000	3,863,000	8	33.33%	20,686,000	15.70%
10	3,916,000	-	3,916,000	1	3,916,000	3,916,000	9	37.50%	24,602,000	18.67%
11	3,972,000	-	3,972,000	1	3,972,000	3,972,000	10	41.67%	28,574,000	21.69%
12	4,061,000	-	4,061,000	1	4,061,000	4,061,000	11	45.83%	32,635,000	24.77%
13	4,260,000	-	4,260,000	1	4,260,000	4,260,000	12	50.00%	36,895,000	28.00%
14	4,455,000	-	4,455,000	1	4,455,000	4,455,000	13	54.17%	41,350,000	31.38%
15	4,608,000	-	4,608,000	1	4,608,000	4,608,000	14	58.33%	45,958,000	34.88%
16	4,862,000	-	4,862,000	1	4,862,000	4,862,000	15	62.50%	50,820,000	38.57%
17	5,592,000	-	5,592,000	1	5,592,000	5,592,000	16	66.67%	56,412,000	42.81%
18	6,515,000	-	6,515,000	1	6,515,000	6,515,000	17	70.83%	62,927,000	47.76%
19	8,555,000	-	8,555,000	1	8,555,000	8,555,000	18	75.00%	71,482,000	54.25%
20	8,595,000	-	8,595,000	1	8,595,000	8,595,000	19	79.17%	80,077,000	60.78%
21	8,937,000	-	8,937,000	1	8,937,000	8,937,000	20	83.33%	89,014,000	67.56%
22	9,172,000	-	9,172,000	1	9,172,000	9,172,000	21	87.50%	98,186,000	74.52%
23	10,207,000	-	10,207,000	1	10,207,000	10,207,000	22	91.67%	108,393,000	82.27%
24	11,634,000	-	11,634,000	1	11,634,000	11,634,000	23	95.83%	120,027,000	91.10%
25	11,732,000	-	11,732,000	1	11,732,000	11,732,000	24	100.00%	131,759,000	100.00%
26										
27	Totals			24		131,759,000	24		131,759,000	
28										
29	Equivalent Bills			24						

			Current Rates		Proposed Rates	
30			Units	Revenue	Units	Revenue
31	Average Number of Customers	2	Base Charge	24	$ -	24	$ -
32			Commodity Charge	131,759.00	131,759	131,759	131,759
33	Average Consumption (gallons)	5,489,958	Revenue Totals		$ 131,759		$ 131,759
34						
35	Median Consumption (gallons)	4,260,000				
36						

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ2

FAR WEST WATER & SEWER, INC.

April 16, 2013

Angela Pancrazi Moreno
Yuma County Treasurer
410 Maiden Lane, Suite C
Yuma, Arizona 85364

Re: Far West Water and Sewer, Inc.
Centrally Valued Account 55-503
Account Number U000005

Dear Ms. Moreno,

First of all, I want to thank you and Mr. Kerekes for meeting with me to discuss the property taxes owed by Far West Water and Sewer, Inc. (Far West). By this letter, it is my intention to put into writing the proposal that I made to you at that meeting.

Far West acknowledges that it owes property taxes on account number U000005 from those taxes due November 1, 2008 to the present. Far West intends to pay those delinquent taxes, including accrued interest and any penalties, as well as the property taxes coming due, in the following manner:

Far West agrees to pay the current taxes coming due for 2013, one half on November 1, 2013, and the remaining half on or before May 1, 2014. Thereafter, Far West shall pay the current year property taxes as those taxes become due.

For the delinquent taxes owed, Far West shall pay the oldest year of taxes first, with the payment for the oldest year's taxes, including interest and penalties, being paid twelve months after the Arizona Corporation Commission concludes the rate case filed by Far West, Docket No. WS-03478A-12-0307, and a decision has been made and entered by the Commission. To facilitate that payment, Far West shall create a special account for the deposit of funds to pay those taxes. A deposit shall be made monthly, which shall equal to five percent (5%) of the increase granted by the Commission, divided by twelve (12), commencing thirty days after those rates go into effect, and continuing that deposit each and every month until the payment of delinquent taxes has been made.

Thereafter, Far West shall continue to make such deposits into the tax account each month for the payment of the next oldest tax year due. The next payment shall be made from that account twenty four months after the approved rates from the

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aforementioned case go into effect. In the event the deposits into that account are insufficient to pay that prior year's taxes in full, Far West will pay any shortage that may occur.

Far West will continue to pay the delinquent taxes on each subsequent anniversary of the new rates going into effect until all delinquent taxes owed on this account have been paid in full.

If the proposal set forth above meets with your approval, please sign a copy of this letter and return it to the undersigned. If you require a formal agreement in addition to this letter, please advise and I will prepare that agreement.

Sincerely,

Andrew J. Capestro

CC: William J. Kerekes
Chief Civil Deputy County Attorney

The proposal of Far West Water and Sewer, Inc. set forth herein is accepted by the Yuma County Treasurer.

_____

Angela Pancrazi Moreno, Treasurer

Far West Water & Sewer Company, Inc.

Ray Jones Rejoinder Testimony

Exhibit RLJ-RJ3

LAW OFFICES OF
BYRNE, BENESCH & VILLARREAL, P.C.
P.O. Box 6446
Yuma, Arizona 85366-6446
(928) 782-1805
Fax: (928) 782-1808

Far West Water & Sewer, Inc.
P.O. Box 791
Rancho Santa Fe CA 92067
Attn: Paula Capestro

Apr 30,2006

Those who have paid a law firm more than $600.00 in a tax year are requested to file a 1099 with Internal Revenue Service. Our tax payer identification number is: 86-0940251

Client No. 06-067
Invoice No. 11090

RE:

Miscellaneous General Matters.

Professional Services Rendered from March 26, 2006 through April 25, 2006

ATTORNEYS' FEES:

Date	Lawyer/Paralegal	Work Performed	Time	Fee
Mar-28-06	WCB	Telephone conference with Paula Capestro(.20)/Telephone conference with Mark Watson(.20)/Telephone call to Paula Capestro-leave message(N/C)	0.40	$110.00
Mar-29-06	WCB	Telephone conference with Paula Capestro(.30)/Telephone conference with Mark Watson confirming meeting and attendees(.15)	0.45	$123.75
Apr-05-06	WCB	Prepare for and attend meeting with City Administrator, Assistant City Administrator, City Attorney and Sewer Dept director, Paula and Andy Capestro, Sandy Braden, Dusty Thomas and Mark Kavanee-discuss development in Foothills, annexation, water and sewer needs and systems of City and Far West, mutual aid, temporary assistance from City and long term prospects for buy-out(2.50)/Telephone conference with Mark Watson re meeting(.20)	2.70	$742.50
Apr-06-06	WCB	Review notes and make memo to file(.10)	0.10	$27.50
Apr-08-06	WCB	Telephone conference with Paula and Andy Capestro; Discussed meeting with City; Discussed their expert's visit on sewer plants, and expansion of plants (.50)	0.50	$137.50
Apr-13-06	WCB	Telephone conference with Andy Capestro	0.10	$27.50

EXHIBIT
A-5
ADMITTED

Far West Customer Counts
Wastewater

	YE 2002	YE 2003	YE 2004	YE 2005	YE 2006	YE 2007	YE 2008	YE 2009	YE 2010	YE 2011
Docket No. WS-03478A-05-0801										
Schedule E-7	3,340	4,823	5,537							
Schedule H-2			5,539							
Testimony Crystal Brown			5,537							
Docket No. WS-03478A-08-0454										
Application						7,200				
Schedule E-7				6,280	8,418	8,328				
Schedule H-2						7,237				
Docket No. WS-03478A-08-0608										
Schedule H-2						7,237				
Staff Report						7,237				
Decision No. 71447 (approximately)						7,300				
ACC Annual Reports							7,166	7,341	7,382	7,463
Customer Count Summary	3,340	4,823	5,537	6,280	6,759	7,237	7,166	7,341	7,382	7,463
Growth		1,483	714	743	479	479	(71)	175	41	81
Percent Growth		44.4%	14.8%	13.4%	7.6%	7.1%	-1.0%	2.4%	0.6%	1.1%

EXHIBIT
A-6
ADMITTED

STATE OF ARIZONA
AQUIFER PROTECTION PERMIT NO. P-105014
PLACE ID NO. 15108, LTF NO. 44366
SIGNIFICANT AMENDMENT

1.0 AUTHORIZATION

In compliance with the provisions of Arizona Revised Statutes (A.R.S.) Title 49, Chapter 2, Articles 1, 2 and 3, Arizona Administrative Code (A.A.C.) Title 18, Chapter 9, Articles 1 and 2, A. A. C. Title 18, Chapter 11, Article 4 and amendments thereto, and the conditions set forth in this permit, Far West Water & Sewer, Inc. is hereby authorized to operate the Far West Water & Sewer, Inc. Section 14 WWTP, located at Yuma, Yuma County, Arizona, over groundwater of the Yuma Basin, in Township 9 South, Range 21 West, Section 14, NW ¼, SW ¼, of the Gila and Salt River Base Line and Meridian.

This permit becomes effective on the date of the Water Quality Division Director's signature and shall be valid for the life of the facility (operational, closure, and post-closure periods), provided that the facility is constructed, operated, and maintained:

1. Following all the conditions of this permit including the design and operational information documented or referenced below, and
2. Such that Aquifer Water Quality Standards are not violated at the applicable point(s) of compliance set forth below.

1.1 PERMITTEE INFORMATION

Facility Name: Far West Water & Sewer, Inc. Section 14 WWTP

Permittee:	**Mailing Address:**	**Facility's Street Address:**
Far West Water & Sewer, Inc.	12486 South Foothills Boulevard Yuma, Arizona 85367	12651 S. Avenue 14E Yuma, AZ 85367

Facility Contact: Andrew J. Capestro, Legal Counsel

Emergency Telephone Number: 520-342-3344

Latitude: 32° 38' 48" **Longitude:** 114° 23' 32"

Legal Description: Township 9 South, Range 21 West, Section 14, NW ¼ , SW ¼

1.2 AUTHORIZING SIGNATURE

Joan Card, Director
Water Quality Division
Arizona Department of Environmental Quality
Signed this 4th day of Sept., 2008
THIS PERMIT SUPERSEDES ALL PREVIOUS PERMITS

2.0 SPECIFIC CONDITIONS [A.R.S. §§ 49-203(4), 49-241(A)]

2.1 Facility / Site Description [A.R.S. § 49-243(K)(8)]

The permittee is authorized to operate a 1.30 million gallons per day (mgd) wastewater treatment plant (WWTP), constructed in phases. The treatment process consists of an influent pump station; rotary drum screen; influent flow meter; equalization tanks; transfer pump station; biologic nutrient removal (BNR) membrane bioreactor (MBR) process with pre-anoxic, aeration and post-anoxic tanks for BOD reduction, TSS reduction, turbidity reduction, and nitrification/denitrification; chemical feed facility for turbidity reduction, ultraviolet (UV) disinfection; and effluent flow metering. The WWTP will utilize the effluent as the direct reuse of Class "A+" reclaimed water under a Reclaimed Water Permit, and/or recharge using vadose zone recharge well(s).

The new WWTP will be constructed in phases. The first phase (Phase I) shall be authorized to operate up to 0.681 mgd with five (5) membrane cassettes and vadose zone recharge well VZ-1 in service. Future phases will be authorized to operate up to the flowrate determined by the capacities of vadose zone recharge wells VZ-1, VZ-2 (future), VZ-3 (future), and by the addition of 0.1625 mgd-capacity membrane cassettes up to a maximum of eight (8) cassettes for a total WWTP capacity of 1.30 mgd. The permittee shall obtain approval for each phase of construction.

The depth to groundwater is approximately 236 feet below ground surface. Groundwater flow is south to southwest. Ambient concentration of nitrate in groundwater is less than 1 mg/l.

The WWTP is classified as generating Class "A+" reclaimed water. Discharge limitations are specified in Section 4.0, TABLE IA. Discharge monitoring shall be performed after disinfection at a sample port in the discharge line.

The site includes the following permitted discharging facilities:

No.	Facility	Latitude	Longitude
1	Far West Water & Sewer, Inc. Section 14 site	32° 38' 48"	114° 23' 31"
2	Effluent Discharge at Storage Pond	32° 38' 48"	114° 23' 26"
3	Vadose Zone Recharge Well VZ-1	32° 38' 49"	114° 23' 30"
4	Vadose Zone Recharge Well VZ-2 (Future)	32° 38' 49"	114° 23' 31"
5	Vadose Zone Recharge Well VZ-3 (Future)	32° 38' 49"	114° 23' 32"

2.1.1 Annual Registration Fee [A.R.S. § 49-242(D)

The Annual Registration Fee for this permit is established by A.R.S. § 49-242(D) and is payable to ADEQ each year. The ultimate design flow is 1.30 mgd.

2.1.2 Financial Capability [A.R.S. § 49-243(N) and A.A.C. R18-9-A203]

The permittee has demonstrated financial capability under A.R.S. § 49-243(N) and A.A.C. R18-9-A203 by submitting copies of three certificates of deposit at Foothills Bank. The permittee shall maintain financial capability throughout the life of the facility. Closure costs are estimated to be $75,000.

2.2 Best Available Demonstrated Control Technology [A.R.S. § 49-243(B) and A.A.C. R18-9-A202(A)(5)]

The incoming wastewater is nitrified, denitrified, filtered by a membrane process, and UV disinfected. All wastewater will be reused under a Reclaimed Water Permit or recharged using vadose zone recharge well(s). All wastewater is contained in structures that are made of fiberglass or steel. The wastewater treatment plant shall be designed, operated, and maintained, to meet the treatment performance criteria for new facilities as specified in Arizona Administrative Code R18-9-B204(A)(7).

A-6

3.0 COMPLIANCE SCHEDULE [A.R.S. § 49-243(K)(5) and A.A.C. R18-9-A208]

For each compliance schedule item listed below, the permittee shall submit the required information, including a cover letter that lists the compliance schedule items, to the Groundwater Permits Section. A copy of the cover letter must also be submitted to the Water Quality Compliance Section, Data/Enforcement Unit.

No.	Compliance Item	Schedule
1	The permittee shall submit a well installation report for each new vadose zone recharge well. That notification shall include, at a minimum, the ADWR Registration Report for each well, the as-built diagram, and the drilling log.	Notify the Groundwater Permits Section within 90 days of the completion of the construction of each well.
2	The permittee shall collect data related to the volume of effluent flows in gpd to the renovated Section 14 facility, volume recharged in gpd through each vadose zone recharge well, and the volume of water delivered (metered) in gpd to the golf course.	This data will be collected via a SCADA system via totalizing meters that will be tabulated/calculated monthly. The capacity of the well will be defined on an annual basis before the winter recharge season. This will be defined as the capacity for the year and reported annually to ADEQ. Within 90 days after the monthly plant effluent flows are equal to 80% of the monthly irrigation requirement (metered flows to the golf course) plus annual well capacity(ies), the applicant shall submit plans and install the next vadose zone recharge well.
3	The permittee shall install five (5) membrane cassettes at a capacity of 0.1625 mgd each (0.8125 mgd total capacity) for the first phase of the WWTP.	Within 90 days after the monthly plant effluent flows are equal to 80% of the current membranes' capacity, the permittee shall submit plans and install additional membrane cassettes (0.1625 mgd each), up to a maximum of eight (8) cassettes (1.30 mgd maximum capacity).
4	The permittee shall submit a signed, dated, and sealed Engineer's Certificate of Completion in a format approved by the Department that confirms that the facility is constructed according to the Department-approved design report or plans and specifications, as applicable. This Certificate of Completion is required upon completion of each plant expansion.	Prior to discharging under this permit and within 90 days of completion of construction.
5	The facility shall commence ambient monitoring of groundwater according to Section 4.0, Table IIA to determine the Alert Levels (ALs) and Aquifer Water Quality Levels (AQLs)	Within 30 days of the issuance of this permit. A minimum of eight samples shall be taken and reported within one calendar year.
6	The ambient monitoring results, and proposed ALs and AQLs shall be submitted to ADEQ with an application for an APP Other Amendment, with the appropriate fees to establish the permit ALs and AQLs for groundwater monitoring in Table IIB	Within 60 days of the final ambient sampling event.

Could you avoid Vadose zones wells?

4.0 TABLES OF MONITORING REQUIREMENTS

4.1 PRE-OPERATIONAL MONITORING

Not applicable at permit issuance.

4.2 COMPLIANCE (or OPERATIONAL) MONITORING

TABLE IA
ROUTINE DISCHARGE MONITORING—PHASE I

Sampling Point Number	Sampling Point Identification		Latitude		Longitude
1	Effluent metering point downstream of ultraviolet disinfection		32° 38' 49"		114° 23' 31"
Parameter	**AL[1]**	**DL[2]**	**Units**	**Sampling Frequency**	**Reporting Frequency**
Total Effluent Flow: Daily	Reserved	Reserved	MGD [3]	Daily [4]	Quarterly
Total Effluent Flow: Average Monthly	0.544	0.681[5]	MGD	Monthly	Quarterly
Flow: Reuse Daily	Reserved	Reserved	MGD	Daily	Quarterly
Flow: Reuse Average Monthly	Reserved	Reserved	MGD	Monthly[6]	Quarterly

TABLE IA
ROUTINE DISCHARGE MONITORING—PHASE II

Sampling Point Number	Sampling Point Identification		Latitude		Longitude
1	Effluent metering point downstream of ultraviolet disinfection		32° 38' 49"		114° 23' 31"
Parameter	**AL**	**DL**	**Units**	**Sampling Frequency**	**Reporting Frequency**
Total Effluent Flow: Daily	Reserved	Reserved	MGD	Daily	Quarterly
Total Effluent Flow: Average Monthly	0.784	0.98	MGD	Monthly	Quarterly
Flow: Reuse Daily	Reserved	Reserved	MGD	Daily	Quarterly
Flow: Reuse Average Monthly	Reserved	Reserved	MGD	Monthly	Quarterly

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1 AL = Alert Level.
2 DL = Discharge Limit.
3 MGD = Million Gallons per Day.
4 Flow shall be measured using a continuous recording flow meter.
5 Flow based upon month of lowest irrigation requirement for the reuse site (December; 0.350 MGD) plus the capacity of vadose zone recharge well No. 1 (VZ-1; 0.33 MGD). 0.350 MGD + 0.331 MGD = 0.681 MGD.
6 Monthly=Calculated value=Average of daily flows in a month

TABLE IA
ROUTINE DISCHARGE MONITORING—PHASE III

Sampling Point Number	Sampling Point Identification		Latitude		Longitude
1	Effluent metering point downstream of ultraviolet disinfection		32° 38' 49"		114° 23' 31"
Parameter	**AL**	**DL**	**Units**	**Sampling Frequency**	**Reporting Frequency**
Total Effluent Flow: Daily	Reserved	Reserved	MGD	Daily	Quarterly
Total Effluent Flow: Average Monthly	1.04	1.30	MGD	Monthly	Quarterly
Flow: Reuse Daily	Reserved	Reserved	MGD	Daily	Quarterly
Flow: Reuse Average Monthly	Reserved	Reserved	MGD	Monthly	Quarterly

EXHIBIT A-7 ADMITTED

4/22/2013

Far West Water
Cost Benefit Analysis
Effluent Sales vs. Disposal

Cost of Effluent Disposal			1	2	3	4	5	10	15
Vadose Zone Well			$ 323,894	$ 302,301	$ 280,708	$ 259,115	$ 237,522	$ 129,558	$ 21,593
		Rate							
Depreciation		6.67%	$ 21,593	$ 21,593	$ 21,593	$ 21,593	$ 21,593	$ 21,593	$ 21,593
Debt	80.0%	6.6%	17,102	15,961	14,821	13,681	12,541	6,841	1,140
Equity	20.0%	10.0%	6,478	6,046	5,614	5,182	4,750	2,591	432
Taxes		1.66	4,284	3,998	3,713	3,427	3,141	1,713	286
Total Revenue Requirement			$ 49,456	$ 47,599	$ 45,741	$ 43,883	$ 42,026	$ 32,738	$ 23,450
Average Revenue Requirement			$ 36,453						
2011 Total Flow Del Oro			55,746,000						
Disposal Cost per 1,000 gallons			$ 0.65						

Cost of Groundwater

Cost to Pump Groundwater	$ 0.18

Cost Benefit Analysis

Effluent Charge		Sales Profile	Revenue Require	
Tariff Rate	$ -	100%	$ -	Lowest Cost Option[1]
Tariff Rate	0.05	95%	33,805	
Tariff Rate	0.10	90%	31,436	
Tariff Rate	0.15	85%	29,346	
Tariff Rate	0.18	80%	28,426	
Tariff Rate	0.20	75%	28,091	Optimal Rate[2]
Tariff Rate	0.25	50%	29,485	
Tariff Rate	0.30	25%	32,272	
Tariff Rate	0.35	10%	34,502	
Tariff Rate	0.40	0%	36,453	

[1] Assumes that golf course has a "must take" contract and utility not required to construct any disposal facilities

[2] Rate at which overall revenue requirement is minimized when golf couse has alternative groundwater supply available

EXHIBIT
A-8
ADMITTED

RATE INCREASE CONDITIONS

1. ADEQ Compliance. Any increase in rates and charges approved in this proceeding shall not become effective until Far West files documentation from ADEQ that Far West's wastewater treatment plants are in compliance with ADEQ's Consent Judgment as it may be amended.

2 Spartan Homes. Any increase in rates and charges approved in this proceeding shall not become effective until Far West makes the payments and files the CC&N extension required by Decision No. 72594.

3 Rate Phase-In. Any new rates approved in this proceeding will be phased in with 50 percent of the increase becoming effective for bills rendered on or after the first day of the month after the Company achieves compliance with both Conditions Nos. 1 and 2, above, with the remaining 50 percent becoming effective six months later. There will be no recovery of lost revenue or interest associated with the phase-in period.

4 Property Taxes. Far West shall submit a payment plan for the full payment of all delinquent property taxes and penalties for years 2008, 2009, 2010, 2011, and 2012 that is acceptable to Yuma County for Staff review and Commission approval in this docket .

5 MXAs. Far West will make monthly payments to developers for unpaid amounts due under Main Extension Agreements with the condition that all amounts due be fully paid not later than June 30, 2015.

6 Collections from Related Parties. Far West will collect all amounts owed by related parties no later than 12 months from the date when Phase I of new rates are effective in this proceeding, or December 31, 2014, whichever is sooner.

7 Effluent Rates. Effluent rates should be set at a rate equal to the greater of $0.25 per thousand gallons and local market rate.

8 RV Tariff Language. The following language should be added to Far West's tariff:

1. *The RV Rate shall apply only to a parcel of land under single ownership on which three (3) or more Recreational Vehicles are occupied as temporary residences, regardless of whether or not a charge is collected for such accommodations (RV Park).*
2. *A Recreational Vehicle is a vehicle that is built on a single chassis, four hundred (400) square feet or less in size, designed to be self-propelled (motor home) or permanently towed (trailer, fifth wheel, or camper), and designed primarily for use as temporary living quarters for recreational, camping, travel, or seasonal use and not for use as a permanent dwelling. A Recreational Vehicle includes park model trailers, provided that they have not been altered to increase living space beyond 400 square feet. Recreational Vehicles do not include Manufactured Homes (a/k/a Mobile Homes).*
3. *Each RV Park shall be assessed a single base charge for the sewer usage at clubhouses, laundries and other common areas. In addition, a fee shall be paid for each RV Park space whether occupied or not.*
4. *Combined facilities that include both an RV Park and Manufactured Home Park shall pay the RV Park rate for the RV Park portion of the facility with the residential tariff applying to the Manufactured Home spaces within the facility.*

9. Affiliate Transaction Policy. Far West will formulate and adopt a formal written policy concerning affiliate transactions. The policy will address the specific steps that Far West will take to demonstrate that the transactions between Far West and its affiliates and related parties are arms-length, transparent and well documented. Further, the policies will include a competitive bidding process and require that Far West maintain evidence of competitive biddings for all major construction projects. Far West will submit such a policy for Staff's review and approval.

EXHIBIT
A-9

Far West Water & Sewer, Inc.
Docket No. WS-03478A-12-0307
Response to Staff's Second Set of Data Requests

Response provided by: **Sheryl Ferro**

Title: **Accounting Analyst**

Address: **12486 S Foothills Blvd, Yuma, AZ 85367**

Data Request Number: **GB 2-2**

Q. Realted to Decision No. 72594, Finding of Facts 307 - Please provide a schedule of activity of all Main Extension Agreements ("MXA's") beginning with the last test year. Please describe the repayment requirement of each MXA, as provided for in the related agreements. Please describe and quantify the original amounts of the MXA's and any past due amounts.

A. See attached file GB 2-2 MXA Schedule of Activity.xlsx.

Schedule of Activity for Far West Water & Sewer Main Line Extension Agreements (MXA)

Name of MXA	Terms	Original Amount of MXA	Balance 12/31/2007	Past Due 12/31/2007	Revenue 7/1/07 to 6/30/08	Amount Due 8/1/2008	Amount Paid	Date Paid	Past Due 12/31/2008
Estrella 1	5% - 20 Yrs	$ 223,527.00	$ 220,600.00	$ 1,745.52	$ 37,845.00	$ 1,892.25			$ 3,637.77
Seasons Unit 2	5% - 20 Yrs	$ 87,600.00	$ 85,095.00	$ 1,338.31	$ 29,449.50	$ 1,472.48			$ 2,810.79
Seasons Unit 3	5% - 20 Yrs	$ 78,000.00	$ 75,872.00	$ 1,157.32	$ 25,469.25	$ 1,273.46			$ 2,430.78
Seasons Unit 4	5% - 20 Yrs	$ 106,950.00	$ 104,896.00	$ 1,565.15	$ 34,212.75	$ 1,710.64			$ 3,275.80
Seasons Unit 5	5% - 20 Yrs	$ 192,429.00	$ 190,425.00	$ 1,243.09	$ 27,470.25	$ 1,373.51			$ 2,616.60
Estrella 2	5% - 20 Yrs	$ 170,326.00	$ 169,542.00	$ 1,410.90	$ 32,864.25	$ 1,643.21			$ 3,054.11
Arroyo De Fortuna 1	5% - 20 Yrs	$ 455,495.60	$ 196,577.87	$ -	$ 6,655.50	$ 332.78			$ 332.78
Mesa Del Sol #12-2	5% - 20 Yrs	$ 223,240.00	$ 222,710.41	$ -	$ 3,262.50	$ 163.13			$ 163.13
Seasons 1	5% - 20 Yrs	$ 103,716.00	$ 100,719.00	$ 1,586.91	$ 35,561.25	$ 1,778.06			$ 3,364.97
Sierra Ridge	5% - 20 Yrs	$ 119,092.47	$ 119,092.47	$ 445.20	$ 16,051.50	$ 802.58			$ 1,247.78
Yuma East Estates Unit 2, Phase 1	5% - 20 Yrs	$ 134,012.00	$ 133,277.00	$ 718.16	$ 15,942.75	$ 797.14			$ 1,515.30
Yuma East Estates Unit 2, Phase 2	5% - 20 Yrs	$ 120,150.00	$ 117,716.00	$ 875.86	$ 19,270.50	$ 963.53			$ 1,839.39
Yuma East Estates Unit 3 & Unit 4	5% - 20 Yrs	$ 143,297.00	$ 139,707.71	$ 1,207.29	$ 26,491.50	$ 1,324.58			$ 2,531.87
Yuma East Estates Unit 5 & Unit 6	5% - 20 Yrs	$ 144,818.00	$ 143,147.00	$ 1,195.78	$ 26,622.00	$ 1,331.10			$ 2,526.88
Yuma East Estates Unit 7 & Unit 8	5% - 20 Yrs	$ 212,175.00	$ 210,700.00	$ 1,441.74	$ 32,277.00	$ 1,613.85			$ 3,055.59
Chapparel Unit 1	5% - 20 Yrs	$ 174,070.00	$ 171,779.00	$ 1,234.17	$ 26,904.75	$ 1,345.24			$ 2,579.41
Chapparel Unit 2	5% - 20 Yrs	$ 58,255.00	$ 57,339.00	$ 575.32	$ 12,897.75	$ 644.89			$ 1,220.21
Chapparel Unit 3	5% - 20 Yrs	$ 167,905.00	$ 166,341.00	$ 1,461.53	$ 32,320.50	$ 1,616.03			$ 3,077.56
Vista Del Sol #1	5% - 20 Yrs	$ 120,600.00	$ 118,310.00	$ 1,182.63	$ 26,339.25	$ 1,316.96			$ 2,499.59
Vista Del Sol #2	5% - 20 Yrs	$ 87,900.00	$ 85,623.00	$ 1,183.73	$ 26,600.25	$ 1,330.01			$ 2,513.74
Vista Del Sol #3	5% - 20 Yrs	$ 77,000.00	$ 74,894.00	$ 1,099.98	$ 24,555.75	$ 1,227.79			$ 2,327.77
Vista Del Sol #4	5% - 20 Yrs	$ 93,440.00	$ 91,459.00	$ 1,112.29	$ 24,903.75	$ 1,245.19			$ 2,357.48
Mesa Del Sol Commercial #1	5% - 20 Yrs	$ 122,500.00	$ 122,452.00	$ 24.00	$ 522.00	$ 26.10	$ 26.10	8/31/2008	$ 24.00
Mesa Del Sol Units 10 & 11	5% - 20 Yrs	$ 134,300.00	$ 131,877.00	$ 1,233.98	$ 26,578.50	$ 1,328.93			$ 2,562.91
Mountain View Unit 1	5% - 20 Yrs	$ 74,700.00	$ 71,704.94	$ -	$ 21,597.75	$ 1,079.89	$ 1,079.89	8/31/2008	$ (0.00)
Mountain View Unit 2	5% - 20 Yrs	$ 159,150.00	$ 154,474.04	$ -	$ 34,365.00	$ 1,718.25	$ 1,718.25	8/31/2008	$ -
Mountain View Unit 3	5% - 20 Yrs	$ 222,385.00	$ 216,152.87	$ -	$ 46,436.25	$ 2,321.81	$ 2,321.81	8/31/2008	$ 0.00
Yuma Meadows 1 & 2	5% - 20 Yrs	$ 88,000.00	$ 85,398.00	$ 1,297.63	$ 28,318.50	$ 1,415.93			$ 2,713.56
Yuma Meadows III	5% - 20 Yrs	$ 15,200.00	$ 13,811.00	$ 676.78	$ 14,485.50	$ 724.28			$ 1,401.06
Yuma Meadows 4	5% - 20 Yrs	$ 75,255.00	$ 73,381.00	$ 1,064.82	$ 23,598.75	$ 1,179.94			$ 2,244.76
Rancho Del Oro	5% - 20 Yrs	$ 132,050.00	$ 132,050.00	$ 24.11	$ 522.00	$ 26.10			$ 50.21
Sienna @ Mesa Del Sol	5% - 20 Yrs	$ 88,775.00	$ 85,334.00	$ 719.43	$ 15,681.75	$ 784.09			$ 1,503.52
Sunridge RV	5% - 20 Yrs	$ 12,986.00	$ 11,666.72	$ -	$ 5,091.84	$ 254.59	$ 254.59	8/31/2008	$ 0.00
Villa Royale	5% - 20 Yrs	$ 46,200.00	$ 45,826.00	$ 931.46	$ 8,526.00	$ 426.30	$ 426.30	8/31/2008	$ 931.46
Estrella 3	5% - 20 Yrs	$ 396,727.00	$ 393,101.21	$ 384.55	$ 12,136.50	$ 606.83			$ 991.38
Villa Del Rey #3	5% - 20 Yrs	$ 48,350.00	$ 47,980.00	$ -	$ 7,895.25	$ 394.76	$ 197.38	8/31/2008	$ 197.38
Dominos Lift Station	5% - 20 Yrs	$ 10,000.00	$ 9,927.34	$ -	$ 522.00	$ 26.10	$ 13.05	8/31/2008	$ 13.05
Foothills Hardware Lift Station	5% - 20 Yrs	$ 8,000.00	$ 7,297.34	$ -	$ 522.00	$ 26.10	$ 13.05	8/31/2008	$ 13.05
Foothills Restaurant Lift Station	5% - 20 Yrs	$ 10,000.00	$ 9,934.43	$ -	$ 478.50	$ 23.93	$ 11.96	8/31/2008	$ 11.97
Desert Foothills Estate #7	5% - 20 Yrs	$ 104,663.00	$ 102,517.78	$ -	$ 15,594.75	$ 779.74	$ 389.87	8/31/2008	$ 389.87
Desert Foothills Estate #8	5% - 20 Yrs	$ 24,500.00	$ 23,720.37	$ -	$ 6,220.50	$ 311.03	$ 155.51	8/31/2008	$ 155.52
HS 15	5% - 20 Yrs	$ 171,886.00	$ 164,670.68	$ -	$ 53,722.50	$ 2,686.13	$ 1,343.06	8/31/2008	$ 1,343.07
FME 16	5% - 20 Yrs	$ 171,280.00	$ 166,259.31	$ -	$ 36,257.25	$ 1,812.86	$ 906.43	8/31/2008	$ 906.43
FME 17	5% - 20 Yrs	$ 188,000.00	$ 179,628.08	$ -	$ 64,206.00	$ 3,210.30	$ 1,605.15	8/31/2008	$ 1,605.15
FME 18	5% - 20 Yrs	$ 128,050.00	$ 121,058.28	$ -	$ 53,679.00	$ 2,683.95	$ 1,341.98	8/31/2008	$ 1,341.97
FME 19	5% - 20 Yrs	$ 70,000.00	$ 65,916.43	$ -	$ 31,167.75	$ 1,558.39	$ 779.19	8/31/2008	$ 779.20
HS 20	5% - 20 Yrs	$ 146,190.00	$ 139,114.09	$ -	$ 53,787.75	$ 2,689.39	$ 1,344.69	8/31/2008	$ 1,344.70
FME 21	5% - 20 Yrs	$ 155,025.00	$ 150,100.57	$ -	$ 36,518.25	$ 1,825.91	$ 912.96	8/31/2008	$ 912.95
FME 22	5% - 20 Yrs	$ 131,250.00	$ 126,563.56	$ -	$ 35,539.50	$ 1,776.98	$ 888.49	8/31/2008	$ 888.49
FME 23	5% - 20 Yrs	$ 25,260.00	$ 24,052.91	$ -	$ 9,439.50	$ 471.98	$ 236.19	8/31/2008	$ 235.79
FME 24	5% - 20 Yrs	$ 109,300.00	$ 103,435.79	$ -	$ 45,435.75	$ 2,271.79	$ 1,135.89	8/31/2008	$ 1,135.90
FME 25	5% - 20 Yrs	$ 223,900.00	$ 215,731.86	$ -	$ 59,747.25	$ 2,987.36	$ 1,493.68	8/31/2008	$ 1,493.68
FME 26	5% - 20 Yrs	$ 170,000.00	$ 162,530.34	$ -	$ 55,745.25	$ 2,787.26	$ 1,393.63	8/31/2008	$ 1,393.63
FME 27	5% - 20 Yrs	$ 262,000.00	$ 256,448.52	$ -	$ 44,457.00	$ 2,222.85	$ 1,111.43	8/31/2008	$ 1,111.42
FME 28	5% - 20 Yrs	$ 219,000.00	$ 213,120.41	$ -	$ 48,986.25	$ 2,449.31	$ 1,224.66	8/31/2008	$ 1,224.65
FME 29	5% - 20 Yrs	$ 326,900.00	$ 319,262.04	$ -	$ 66,881.25	$ 3,344.06	$ 1,627.03	8/31/2008	$ 1,717.03
FME 30	5% - 20 Yrs	$ 472,025.00	$ 465,656.17	$ -	$ 60,508.50	$ 3,025.43	$ 1,512.71	8/31/2008	$ 1,512.72
FME 31 The Ravines	5% - 20 Yrs	$ 201,955.00	$ 201,511.24	$ -	$ 8,112.75	$ 405.64	$ 202.82	8/31/2008	$ 202.82
Ocotillo Plaza Lift Station	5% - 20 Yrs	$ 12,000.00	$ 11,908.02	$ -	$ 1,170.57	$ 58.53	$ 29.26	8/31/2008	$ 29.27
The Grocery Store Lift Station	5% - 20 Yrs	$ 10,000.00	$ 9,927.34	$ -	$ 522.00	$ 26.10			$ 26.10
Rancho Rialto	5% - 20 Yrs	$ 147,600.00	$ 144,783.87	$ -	$ 23,216.69	$ 1,160.83	$ 580.42	8/31/2008	$ 580.41
Schechert Estates	5% - 20 Yrs	$ 31,440.00	$ 31,280.71	$ -	$ 1,696.50	$ 84.83	$ 42.41	8/31/2008	$ 42.42
Comfort Inn	None	$ 64,394.30	$ 64,577.75	$ -	Capacity Fees Only				
Estrella #4	None	$ 3,531.67	$ -	$ -	No Income				
Las Barrancas #1	None	$ 983,459.23	$ 984,196.78	$ -	No Building/No Income				
La Residencia	None	$ 4,426.46	$ 4,470.41	$ -	No Construction/No Income				
Mountain Vista	None	$ 1,970.41	$ 1,970.41	$ -	No Construction/No Income				
MDS Commerical 2009	None	$ 191,606.59	$ -	$ -	No Construction/No Income				
Section 14 WWTP	10% - 20 Yrs	$ 756,614.89	$ 756,614.89	$ 40,978.93	$ 186,185.25	$ 18,618.53			$ 59,597.46
El Rancho Encantado #1	5% - 20 Yrs	$ 466,320.84	$ -	$ -					
Estrella #4	None	$ 3,531.67	$ 3,750.00	$ -	No Construction/No Income				
Foothills Blvd Sewer Main	None	NOT IN USE	$ 133,707.00	$ -	No Construction/No Income				
Palm Shadows	None	NOT IN USE	$ 201,388.00	$ -	No Construction/No Income				
Villa Del Rey #1 & #2	None	NOT IN USE	$ 73,949.00	$ -	No Construction/No Income				

Name of MXA	Revenue 7/1/08 to 6/30/09	Amount Due 8/1/2009	Amount Paid	Date Paid	Past Due 12/31/2009	Revenue 7/1/09 to 6/30/10	Amount Due 8/1/2010	Amount Paid	Date Paid	Past Due 12/31/2010	Revenue 7/1/10 to 6/30/11	Amount Due 8/1/2011	Amount Paid	Date Paid	Past Due 12/31/2011
Estrella 1	$ 38,323.50	$ 1,916.18			$ 5,553.95	$ 39,171.75	$ 1,958.59			$ 7,512.53	$ 39,128.25	$ 1,956.41			$ 9,468.95
Seasons Unit 2	$ 29,449.50	$ 1,472.48			$ 4,283.26	$ 28,927.50	$ 1,446.38			$ 5,729.64	$ 33,342.75	$ 1,667.14			$ 7,396.77
Seasons Unit 3	$ 25,665.00	$ 1,283.25			$ 3,714.03	$ 26,404.50	$ 1,320.23			$ 5,034.26	$ 30,145.50	$ 1,507.28			$ 6,541.53
Seasons Unit 4	$ 34,191.00	$ 1,709.55			$ 4,985.35	$ 33,973.50	$ 1,698.68			$ 6,684.02	$ 34,530.11	$ 1,726.51			$ 8,410.53
Seasons Unit 5	$ 28,557.75	$ 1,427.89			$ 4,044.49	$ 29,079.75	$ 1,453.99			$ 5,498.48	$ 32,037.75	$ 1,601.89			$ 7,100.37
Estrella 2	$ 32,886.00	$ 1,644.30			$ 4,698.41	$ 32,712.00	$ 1,635.60			$ 6,334.01	$ 32,820.08	$ 1,641.00			$ 7,975.02
Arroyo De Fortuna 1	$ 17,226.00	$ 861.30			$ 1,194.08	$ 23,968.50	$ 1,198.43			$ 2,392.50	$ 26,448.00	$ 1,322.40	$ 2,392.51	7/26/2011	$ 1,322.39
Mesa Del Sol #12-2	$ 4,263.00	$ 213.15			$ 376.28	$ 5,502.75	$ 275.14			$ 651.42	$ 8,199.75	$ 409.99	$ 1,061.41	12/2/2011	$ (0.01)
Seasons 1	$ 34,930.50	$ 1,746.53			$ 5,111.50	$ 34,539.00	$ 1,726.95			$ 6,838.45	$ 39,232.99	$ 1,961.65			$ 8,800.10
Sierra Ridge	$ 15,834.00	$ 791.70			$ 2,039.48	$ 15,964.50	$ 798.23			$ 2,837.70	$ 15,964.50	$ 798.23			$ 3,635.93
Yuma East Estates Unit 2, Phase 1	$ 15,725.25	$ 786.26			$ 2,301.56	$ 16,138.50	$ 806.93			$ 3,108.49	$ 16,203.73	$ 810.19			$ 3,918.67
Yuma East Estates Unit 2, Phase 2	$ 18,922.50	$ 946.13			$ 2,785.51	$ 19,053.00	$ 952.65			$ 3,738.16	$ 19,096.50	$ 954.83			$ 4,692.99
Yuma East Estates Unit 3 & Unit 4	$ 26,491.50	$ 1,324.58			$ 3,856.44	$ 14,333.25	$ 716.66			$ 4,573.10	$ 14,224.50	$ 711.23			$ 5,284.33
Yuma East Estates Unit 5 & Unit 6	$ 26,361.00	$ 1,318.05			$ 3,844.93	$ 26,687.25	$ 1,334.36			$ 5,179.29	$ 26,752.50	$ 1,337.63			$ 6,516.52
Yuma East Estates Unit 7 & Unit 8	$ 31,994.25	$ 1,599.71			$ 4,655.30	$ 32,277.00	$ 1,613.85			$ 6,269.15	$ 32,442.02	$ 1,622.10			$ 7,891.25
Chapparel Unit 1	$ 26,883.00	$ 1,344.15			$ 3,923.56	$ 27,274.50	$ 1,363.73			$ 5,287.28	$ 28,536.00	$ 1,426.80			$ 6,714.08
Chapparel Unit 2	$ 12,636.75	$ 631.84			$ 1,852.05	$ 12,810.75	$ 640.54			$ 2,492.58	$ 12,375.75	$ 618.79			$ 3,111.37
Chapparel Unit 3	$ 32,385.75	$ 1,619.29			$ 4,696.84	$ 32,472.75	$ 1,623.64			$ 6,320.48	$ 33,190.50	$ 1,659.53			$ 7,980.01
Vista Del Sol #1	$ 26,361.00	$ 1,318.05			$ 3,817.64	$ 26,317.60	$ 1,315.88			$ 5,133.52	$ 25,958.78	$ 1,297.94			$ 6,431.46
Vista Del Sol #2	$ 26,578.50	$ 1,328.93			$ 3,842.67	$ 26,796.00	$ 1,339.80			$ 5,182.47	$ 26,673.34	$ 1,333.67			$ 6,516.13
Vista Del Sol #3	$ 24,512.25	$ 1,225.61			$ 3,553.38	$ 24,055.50	$ 1,202.78			$ 4,756.16	$ 23,563.24	$ 1,178.16			$ 5,934.32
Vista Del Sol #4	$ 24,316.50	$ 1,215.83			$ 3,573.30	$ 23,990.25	$ 1,199.51			$ 4,772.82	$ 23,033.25	$ 1,151.66			$ 5,924.48
Mesa Del Sol Commercial #1	$ 522.00	$ 26.10			$ 50.10	$ 522.00	$ 26.10			$ 76.20	$ 522.00	$ 26.10			$ 102.30
Mesa Del Sol Units 10 & 11	$ 26,100.00	$ 1,305.00			$ 3,867.91	$ 26,383.75	$ 1,319.19			$ 5,187.09	$ 26,397.03	$ 1,319.85			$ 6,506.94
Mountain View Unit 1	$ 21,467.25	$ 1,073.36	$ 1,073.36	8/31/2009	$ -	$ 21,532.50	$ 1,076.63			$ 1,076.63	$ 21,489.00	$ 1,074.45			$ 2,151.08
Mountain View Unit 2	$ 33,516.75	$ 1,675.84	$ 1,675.84	8/31/2009	$ (0.00)	$ 33,908.25	$ 1,695.41			$ 1,695.41	$ 33,864.41	$ 1,693.22			$ 3,388.63
Mountain View Unit 3	$ 46,044.75	$ 2,302.24	$ 2,302.24	8/31/2009	$ -	$ 46,371.00	$ 2,318.55			$ 2,318.55	$ 45,926.00	$ 2,296.30			$ 4,614.85
Yuma Meadows 1 & 2	$ 28,296.75	$ 1,414.84			$ 4,128.39	$ 28,666.50	$ 1,433.33			$ 5,561.72	$ 28,750.92	$ 1,437.55			$ 6,999.26
Yuma Meadows III	$ 14,507.25	$ 725.36			$ 2,126.42	$ 15,159.75	$ 757.99			$ 2,884.41	$ 14,833.14	$ 741.66			$ 3,626.06
Yuma Meadows 4	$ 23,620.50	$ 1,181.03			$ 3,425.78	$ 23,707.50	$ 1,185.38			$ 4,611.16	$ 23,142.00	$ 1,157.10			$ 5,768.26
Rancho Del Oro	$ 522.00	$ 26.10			$ 76.31	$ 522.00	$ 26.10			$ 102.41	$ 522.00	$ 26.10			$ 128.51
Sienna @ Mesa Del Sol	$ 15,747.00	$ 787.35			$ 2,290.87	$ 15,747.00	$ 787.35			$ 3,078.22	$ 15,660.00	$ 783.00			$ 3,861.22
Sunridge RV	$ 7,637.76	$ 381.89			$ 381.89	$ 7,637.76	$ 381.89			$ 763.78	$ 636.48	$ 31.82			$ 795.60
Villa Royale	$ 8,613.00	$ 430.65			$ 1,362.11	$ 8,417.25	$ 420.86			$ 1,782.97	$ 9,113.95	$ 455.70			$ 2,238.67
Estrella 3	$ 21,934.07	$ 1,096.70			$ 2,088.08	$ 32,429.25	$ 1,621.46	$ 3,324.99	7/26/2011	$ 384.55	$ 31,167.75	$ 1,558.39			$ 1,942.94
Villa Del Rey #3	$ 7,743.00	$ 387.15			$ 584.53	$ 7,764.75	$ 388.24	$ 972.77	12/31/2010	$ -	$ 7,982.25	$ 399.11	$ 399.11	8/31/2011	$ 0.00
Dominos Lift Station	$ 522.00	$ 26.10			$ 39.15	$ 522.00	$ 26.10	$ 65.25	12/31/2010	$ -	$ 478.50	$ 23.93	$ 23.93	8/31/2011	$ (0.00)
Foothills Hardware Lift Station	$ 522.00	$ 26.10			$ 39.15	$ 522.00	$ 26.10	$ 65.25	12/31/2010	$ -	$ 478.50	$ 23.93	$ 23.93	8/31/2011	$ (0.00)
Foothills Restaurant Lift Station	$ 435.00	$ 21.75			$ 33.72	$ 522.00	$ 26.10	$ 59.81	12/31/2010	$ 0.01	$ 522.00	$ 26.10	$ 26.10	8/31/2011	$ 0.01
Desert Foothills Estate #7	$ 15,551.25	$ 777.56			$ 1,167.43	$ 15,507.75	$ 775.39	$ 1,942.82	12/31/2010	$ (0.00)	$ 14,681.25	$ 734.06	$ 734.06	8/31/2011	$ -
Desert Foothills Estate #8	$ 6,198.75	$ 309.94			$ 465.45	$ 6,046.50	$ 302.33	$ 767.79	12/31/2010	$ (0.01)	$ 5,698.50	$ 284.93	$ 284.93	8/31/2011	$ (0.02)
HS 15	$ 54,070.50	$ 2,703.53			$ 4,046.59	$ 54,309.75	$ 2,715.49	$ 6,762.08	12/31/2010	$ (0.00)	$ 62,052.75	$ 3,102.64	$ 3,102.64	8/31/2011	$ (0.00)
FME 16	$ 33,495.00	$ 1,674.75			$ 2,581.18	$ 38,236.50	$ 1,911.83	$ 4,493.01	12/31/2010	$ (0.00)	$ 41,151.00	$ 2,057.55	$ 2,057.55	8/31/2011	$ (0.00)
FME 17	$ 64,684.50	$ 3,234.23			$ 4,839.38	$ 65,076.00	$ 3,253.80	$ 8,093.18	12/31/2010	$ (0.01)	$ 72,360.95	$ 3,618.05	$ 3,618.05	8/31/2011	$ (0.01)
FME 18	$ 53,831.25	$ 2,691.56			$ 4,033.53	$ 53,461.50	$ 2,673.08	$ 6,706.62	12/31/2010	$ (0.01)	$ 65,126.82	$ 3,256.34	$ 3,256.34	8/31/2011	$ (0.01)
FME 19	$ 32,320.50	$ 1,616.03			$ 2,395.22	$ 31,885.50	$ 1,594.28	$ 3,989.50	12/31/2010	$ (0.00)	$ 35,365.50	$ 1,768.28	$ 1,768.28	8/31/2011	$ (0.01)
HS 20	$ 53,809.50	$ 2,690.48			$ 4,035.17	$ 53,613.75	$ 2,680.69	$ 6,715.86	12/31/2010	$ -	$ 62,466.04	$ 3,123.30	$ 3,123.30	8/31/2011	$ 0.00
FME 21	$ 38,040.75	$ 1,902.04			$ 2,814.99	$ 38,497.50	$ 1,924.88	$ 4,739.88	12/31/2010	$ (0.02)	$ 45,826.90	$ 2,291.35	$ 2,291.35	8/31/2011	$ (0.02)
FME 22	$ 35,061.00	$ 1,753.05			$ 2,641.54	$ 35,931.75	$ 1,796.59	$ 4,438.13	12/31/2010	$ (0.01)	$ 40,433.25	$ 2,021.66	$ 2,021.66	8/31/2011	$ (0.00)
FME 23	$ 9,483.00	$ 474.15			$ 709.94	$ 9,374.25	$ 468.71	$ 1,178.65	12/31/2010	$ (0.00)	$ 11,005.50	$ 550.28	$ 550.28	8/31/2011	$ (0.01)
FME 24	$ 45,022.50	$ 2,251.13			$ 3,387.02	$ 45,414.00	$ 2,270.70	$ 5,657.72	12/31/2010	$ 0.00	$ 50,394.75	$ 2,519.74	$ 2,519.74	8/31/2011	$ -
FME 25	$ 56,528.25	$ 2,826.41			$ 4,320.10	$ 60,225.75	$ 3,011.29	$ 7,331.38	12/31/2010	$ 0.00	$ 70,078.50	$ 3,503.93	$ 3,503.93	8/31/2011	$ (0.00)
FME 26	$ 53,026.50	$ 2,651.33			$ 4,044.96	$ 56,985.00	$ 2,849.25	$ 6,894.21	12/31/2010	$ (0.00)	$ 69,360.75	$ 3,468.04	$ 3,468.04	8/31/2011	$ (0.00)
FME 27	$ 45,675.00	$ 2,283.75			$ 3,395.17	$ 45,566.25	$ 2,278.31	$ 5,673.49	12/31/2010	$ (0.01)	$ 56,437.52	$ 2,821.88	$ 2,821.88	8/31/2011	$ (0.01)
FME 28	$ 52,765.50	$ 2,638.28			$ 3,862.93	$ 53,505.00	$ 2,675.25	$ 6,538.19	12/31/2010	$ (0.01)	$ 61,364.61	$ 3,068.23	$ 3,068.23	8/31/2011	$ (0.01)
FME 29	$ 70,731.00	$ 3,536.55			$ 5,253.58	$ 72,884.25	$ 3,644.21	$ 8,897.81	12/31/2010	$ (0.01)	$ 82,128.00	$ 4,106.40	$ 4,106.40	8/31/2011	$ (0.01)
FME 30	$ 63,183.75	$ 3,159.19			$ 4,671.90	$ 66,011.25	$ 3,300.56	$ 7,972.46	12/31/2010	$ 0.01	$ 80,344.50	$ 4,017.23	$ 4,017.23	8/31/2011	$ -
FME 31 The Ravines	$ 8,221.50	$ 411.08			$ 613.89	$ 8,156.25	$ 407.81	$ 1,021.71	12/31/2010	$ (0.00)	$ 8,569.50	$ 428.48	$ 428.48	8/31/2011	$ (0.01)
Ocotillo Plaza Lift Station	$ 1,044.00	$ 52.20			$ 81.47	$ 1,044.00	$ 52.20	$ 133.66	12/31/2010	$ 0.01	$ 957.00	$ 47.85	$ 47.85	8/31/2011	$ 0.01
The Grocery Store Lift Station	$ 522.00	$ 26.10			$ 52.20	$ 522.00	$ 26.10	$ 78.30	12/31/2010	$ -	$ 478.50	$ 23.93	$ 23.93	8/31/2011	$ (0.00)
Rancho Rialto	$ 27,628.41	$ 1,381.42			$ 1,961.84	$ 28,150.41	$ 1,407.52	$ 3,369.36	12/31/2010	$ (0.00)	$ 16,514.18	$ 825.71	$ 825.71	8/31/2011	$ (0.01)
Schechert Estates	$ 1,870.50	$ 93.53			$ 135.94	$ 2,088.00	$ 104.40	$ 240.34	12/31/2010	$ -	$ 2,175.00	$ 108.75	$ 108.75	8/31/2011	$ -
Comfort Inn		$ -			$ -		$ -			$ -		$ -			$ -
Estrella #4															
Las Barrancas #1															
La Residencia															
Mountain Vista															
MDS Commerical 2009															
Section 14 WWTP	$ 196,772.25	$ 19,677.23			$ 79,274.68	$ 202,644.75	$ 20,264.48	$ 27,180.83	Various	$ 72,358.33	$ 234,581.61	$ 23,458.16	$ 88,639.17	Various	$ 7,177.32
El Rancho Encantado #1	$ 652.50	$ 32.63			$ 32.63	$ 2,305.50	$ 115.28			$ 147.90	$ 6,155.25	$ 307.76			$ 455.66
Estrella #4															
Foothills Blvd Sewer Main															
Palm Shadows															
Villa Del Rey #1 & #2															