0000148260

Transcript Exhibit(s)

Docket #(s): W-01212A-12-0309

SW-20445A-12-0310

W-03720A-12-0311

W-2450A-12-0312

W-02451A-12-0313

W-20446A-12-0314

W-01732A-12-0315

Exhibit #: A36-A49, WVCA1, R1-R3

PART 6 OF 8. FOR PART 1 PLEASE SEE BARCODE 0000148255, FOR PART 2 SEE 0000148256, FOR PART 3 SEE BARCODE 0000148257, FOR PART 4 SEE BARCODE 0000148258, FOR PART 5 SEE BARCODE 0000148259, FOR PART 7 SEE BARCODE 0000148261 FOR PART 8 SEE BARCODE 000148262

EXHIBIT
A-34
ADMITTED

Planning & Development Department

ONE STOP SHOP

DMP, MAJOR AMENDMENT APPLICATION and MODIFICATION OF STIPULATION(S)

APPLICATION MUST BE COMPLETED IN FULL

☐ Development Master Plan ☐ DMP Amendment ☒ DMP Modification of Stipulation(s)

ALL FEES ARE DUE AT TIME OF APPLICATION AND ARE NON-REFUNDABLE

REQUEST

Project Name: Silver Water Ranch

Description of Request: DMP (2006-012) Modification of Stipulation

Current Land Use: Vacant Land / Rural R-43

Proposed Land Use: Residential, Commercial, Mixed Use

Supervisor District: 4 (Wilson)

PROPERTY INFORMATION

General Location (include nearest City/Town): 387th Avenue between I-10 and Camelback Road (Tonopah area)

Gross Acres: approx 528

Legal Description: See attached

Section: 21, 28, 29 Township: 2 North Range: 6 West

Assessor's Parcel Number/s: See below

OWNER'S AUTHORIZED AGENT INFORMATION

Name: Withey Morris, P.L.C. Contact: Jason Morris

Address: 2525 E Arizona Biltmore Cir, Suite A-212

City: Phoenix State: AZ Zip: 85016

Phone #: 602.230.0600 Fax#: 602.212.1787

E-mail Address: Jason@WitheyMorris.com

PROPERTY OWNER INFORMATION

Name: Sierra Negra Ranch LLC Contact: Bryan O'Reilly or Barry W. Becker

Address: 50 S. Jones Blvd, Suite 101

City: Las Vegas State: NV Zip: 89107

Phone #: Bryan - 702.812.3332 / Barry - 702.870.0212 Fax#: Bryan - 702.880.7994 / Barry - 702.870.1228

E-mail Address: Bryan - bor@SNRLLC.net / Barry - barrybecker@beckerrealty.net

PROPERTY OWNER AND OWNER'S AGENT AUTHORIZATION

I (property owner) Barry W. Becker authorize (owner's agent) Withey Morris, PLC to file this application on all matters relating to this request with Maricopa County. By signing this form as the property owner I hereby agree to abide by any and all conditions that may be assigned by the Maricopa County Board of Supervisors, Maricopa County Planning and Zoning Commission, or Maricopa County Planning and Development Department staff as applicable, as part of any approval of this request, including stipulations, development agreements, and/or any other requirement that may encumber or otherwise affect the use of my property.

PROPOSITION 207 WAIVER

The property owner acknowledges that the approval being sought by this application may cause a reduction in the existing rights to use, divide, sell or posses the private property that is the subject of this application. The property owner further acknowledges that it is the property owner who has requested the action sought by the filing of this application. Therefore, with full knowledge of all rights granted to the property owner pursuant to A.R.S.§§12-1132 through 1138, the property owner does hereby waive any and all claims for diminution in value of the property with regard to any action taken by Maricopa County as result of the filing of this application.

Property Owner Signature: Sierra Negra Ranch LLC By: SNR Management By: Becker SNR LLC Barry W. Becker, Manager Date: January 15, 2013

VERIFICATION OF APPLICATION INFORMATION

I certify that the above statements are true. If any of the above statements is willfully false, I understand that I am subject to punishment and that any approvals or permits granted by Maricopa County in reliance upon the truthfulness of the above statements may be revoked or rescinded.

Property Owner Signature: Sierra Negra Ranch LLC By: SNR Management By: Becker SNR LLC Barry W. Becker, Manager Date: January 15, 2013

CASE INACTIVITY

Cases which are not active within six (6) months will be considered inactive and closed by staff. A letter addressing the inactivity will be sent to the owner's authorized agent or property owner with notification of the case to be closed within thirty (30) days. To pursue entitlement after the closing of the case, a new application and associated fees will need to be filed.

APNs: 506-36-029A
506-45-017, 022A, 032J, 032L, 032N, 032P, and 032R

RECEIVED JAN 2 7 2013

DMP2013001

1

May 1, 2006

LEGAL DESCRIPTION FOR
SILVER WATER RANCH

PARCEL NO. 1:

The West Half of Section 21, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT the East 200 acres thereof.

PARCEL NO. 2:

The Northwest Quarter of Section 28, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO. 3:

The Northeast Quarter of Section 29, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT that portion of the South Half of the Northeast Quarter of Section 29, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona, which lies within a strip of land 308 feet in width, being 154 feet wide on each side of the following described line:

BEGINNING at a point on the West line of said Section 29, which point bears South 0 degrees 00 minutes 38 seconds West, 1476.85 feet from the Northwest corner of said Section 29;

Thence South 75 degrees 04 minutes 23 seconds East, 5470.76 feet to a point on the East line of said Section 29, which point bears South 0 degrees 03 minutes 23 seconds West, 243.12 feet from the East Quarter Corner of said Section 29, as conveyed to State of Arizona by and through its Highway Commission by Warranty Deed recorded in Docket 6586, Page 69.

PARCEL NO. 4:

The West Half of the Southwest Quarter of the Northeast Quarter; and

The West Half of the Southeast Quarter of the Southwest Quarter of the Northeast Quarter; and

Legal Description for
Silver Water Ranch
May 1, 2006

The West Half of the Northeast Quarter of the Southwest Quarter of the Northeast Quarter of Section 28, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO. 5:

The Southeast Quarter of the Northeast Quarter; and

The Southeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 28, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO. 6:

The Northeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 28, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO.7:

The East Half of the Southeast Quarter of the Southwest Quarter of the Northeast Quarter; and

The East Half of the Northeast Quarter of the Southwest Quarter of the Northeast Quarter of Section 28, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 5/2/06
ARIZONA, U.S.A.

CVL

3

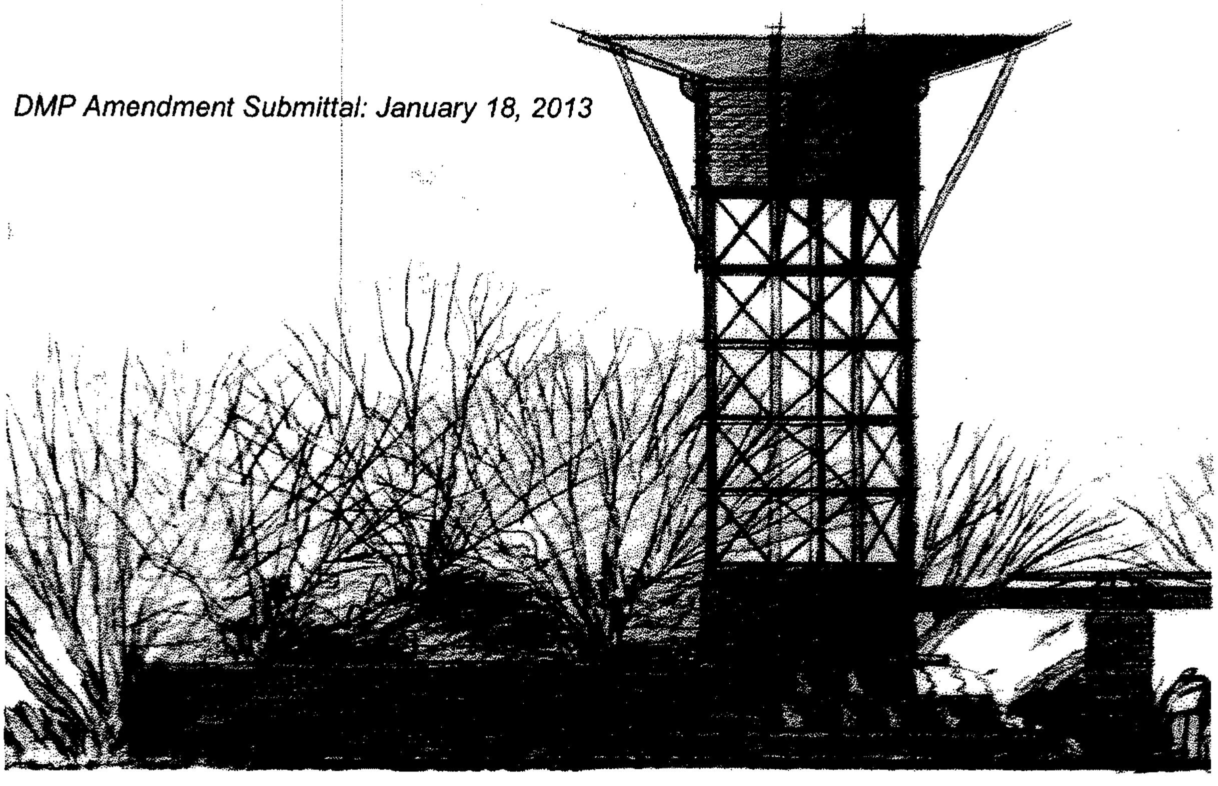
Silver Water Ranch

Development Master Plan
(Amendment/Stipulation Modification Request)

387[TH] AVENUE AND INDIAN SCHOOL

DMP2006-012

DMP Amendment Submittal: January 18, 2013



Prepared For:
Sierra Negra LLC
50 S. Jones Blvd, Suite 101
Las Vegas, NV 89107

Prepared By:
Withey Morris, PLC
2525 E. AZ Biltmore Cir., Suite A-212
Phoenix, Az 85016

DMP2013001

RECEIVED JAN 2 7 2013

4

Development Team

Developer/Landowner:
Bryan O'Reilly
Sierra Negra LLC
50 S. Jones, Suite 100
Las Vegas, Nevada 89107
(702) 812-3332
(702) 880-7994 fax
bor@snrllc.net

Project Manager:
Rick Jellies
The Lead Group
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Tempe, Arizona 85282
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(480) 557-7772 fax
rjellies@citytocitycre.com

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(480) 277-4228 fax
khowell@taskeng.net

Planning, Engineering, & Landscaping:
Steve Kellogg
Coe & Van Loo Consultants, Inc.
4550 N. 12th St.
Phoenix, Arizona 85014
(602) 222-2816
(602) 279-4665 fax
skellogg@cvlci.com

Table of Contents

DMP AMENDMENT (STIPULATION MODIFICATON) NARRATIVE

I DMP Amendment Request

Silver Water Ranch, a 529-acre Development Master Plan Community ("DMP") planned for the Tonopah area in western central Maricopa County, was approved by the Maricopa County Board of Supervisors on February 28, 2008, subject to Stipulations "a" through "jj" (Case No. DMP2006-012). The purpose of this DMP Amendment/Stipulation Modification Application is to request an amendment to stipulation "c.". Stipulation "c." currently states:

c. *The initial final plat for the Silver Water Ranch Development Master Plan shall be approved by the Board of Supervisors within five (5) years of approval of this development master plan. If the initial final plat has not been approved within this time frame, this development master plan shall be scheduled for public hearing by the Maricopa County Board of Supervisors, upon recommendation by the Maricopa County Planning and Development Department, for possible revocation of this development master plan. If revoked, all zoning and other entitlement changes approved that are associated with the Silver Water Ranch Development Master Plan shall also be considered for revocation by the Board of Supervisors, upon recommendation of the Commission, to the previous entitlements.*

A time extension of sixty (60) months from the date this request is ruled upon by the Board of Supervisors, is being requested. The requested stipulation modification is as follows:

c. *The initial final plat for the Silver Water Ranch Development Master Plan shall be approved by the Board of Supervisors within five (5) years of approval of this development master plan* ***modification of stipulation****. If the initial final plat has not been approved within this time frame, this development master plan shall be scheduled for public hearing by the Maricopa County Board of Supervisors, upon recommendation by the Maricopa County Planning and Development Department, for possible revocation of this development master plan. If revoked, all zoning and other entitlement changes approved that are associated with the Silver Water Ranch Development Master Plan shall also be considered for revocation by the Board of Supervisors, upon recommendation of the Commission, to the previous entitlements.*

II. Justification of Request

This request is justified for several reasons, primarily: (1) because of the continued appropriateness of the proposed development, (2) the commitment and competency of the development entity, and (3) because the conditions leading to the delay of the project (and thus this request) were universal in nature and not caused by negligence on behalf of the developer.

Appropriateness

Even today, the development remains not only viable, but also appropriate for the future development of the Tonopah area. Notwithstanding the economic downturn, the appropriateness and beneficial nature of the DMP is just as evident today as it was to the Board of Supervisors in 2008. The proposal is still in conformance with the stated goals of the 2020 Comprehensive Plan as previously outlined, and is still an appropriate use of land for the future of the area. The layout, mix of uses, provisions of open space, proposed development standards, and plans for public facilities are all still appropriate. Enabling this high-quality planning document to remain in place enables the County to prepare in advance for future development.

Dedication of Developer

With the drastic downturn in the economy, numerous developers and large property owners have gone under and/or been forced to give property back to lending institutions. Sierra Negra Ranch LLC however has always contemplated this project as a long term endeavor and is committed for the long run.

Over $23 million dollars was committed to the purchase of this project (along with the companion project Silver Springs Ranch). Unlike many other speculative entities, this was an all cash purchase. Even with the strain of a recession unlike any in our lifetimes, Sierra Negra Ranch LLC has managed to, not only maintain this assemblage in its entirety, but to make progressive strides towards making this project a reality.

In addition to the work associated with the DMP, advances in excess of $4 million dollars have been paid to Global Water to assist with the purchase of Water Utility of Greater Tonopah and as prepaid interest on water, waste water, and re-claimed water services for the site. Additionally, the Developer has cooperated with others to obtain a change of access from ADOT and the Federal Highway Administration for 395th Avenue.

True, progess has not been made at the pace prefered by either the Developer or the County. However, while the timeline for specifics of the development is still dependent upon market conditions, Sierra Negra Ranch LLC has proven their absolute longterm commitment and competency to successfully see this project through its fruition.

Factors Outside the Control of Developer

The drastic changes in our national, state, and local economies significantly delayed the timeline in which a final plat could be approved in anticipation of breaking ground on this development. This, of course, was a condition outside of the control of the development entity. The approval of this DMP occurred just prior to the "crash". They were a victim, as many of us have been, of this downturn. They have not breached other stipulations of the approval and are in fact still agreeable to all of the other stipulations in place. As the housing market recovers, we believe it is appropriate for Maricopa County to allow for adjustments in time stipulations attached to master planned communities.

We strongly believe that our application for a time extension is both warranted and appropriate and request that our proposed modification to Stipulation "c." be placed on the next available hearing schedule for the Planning and Zoning Commission and Board of Supervisors.

Attachment A

(Narrative Report Notarized Statement)

SIERRA NEGRA RANCH LLC

SNR MANAGEMENT LLC

January 14, 2013

Maricopa County
Planning and Development Department
501 North 44th Street Suite 200
Phoenix, AZ 85008

Re: Authorization / Verification

I, Barry W. Becker, being owner or owner's authorized agent for the Development Master Plan, Development Master Plan Amendment, or stipulation modification recognize and acknowledge that this Narrative Report will become a part of the application to which it applies and that the truth of its contents will be relied upon by the Maricopa County Planning and Development Department, the Maricopa County Planning and Zoning Commission and the Maricopa County Board of Supervisors.

I certify that all of the information in this Narrative Report is complete and true. If any of the statements in the Narrative Report is willfully false or incomplete, I understand that I am subject to punishment and that any approvals or permits granted by Maricopa County in reliance upon the truthfulness of the above statements may be revoked or rescinded.

Sierra Negra Ranch LLC, a Nevada limited liability company
By: SNR Management LLC, a Nevada limited liability company, Manager
By: Becker SNR LLC, a Nevada limited liability company, Manager

Owner/Owner's authorized agent signature: ______________
Barry W. Becker, Manager

SUBSCRIBED AND SWORN before me this 15th day of January, 2013.

Bunny J. Reiman
Notary Public

My Commission Expires: April 25, 2016

NOTARY PUBLIC
BUNNY J. REIMAN
STATE OF NEVADA - COUNTY OF CLARK
MY APPOINTMENT EXP. APR. 25, 2016
No: 08-6529-1

Attachment B

(Approved Land Use Exhibit)

Planning & Development Department

DMP, MAJOR AMENDMENT APPLICATION and MODIFICATION OF STIPULATION(S)

APPLICATION MUST BE COMPLETED IN FULL

ONE STOP SHOP

☐ Development Master Plan ☐ DMP Amendment ☒ DMP Modification of Stipulation(s)

ALL FEES ARE DUE AT TIME OF APPLICATION AND ARE NON-REFUNDABLE

REQUEST

Project Name: Silver Springs Ranch

Description of Request: DMP (2006-011) Modification of Stipulation

Current Land Use: Vacant Land / Rural R-43

Proposed Land Use: Residential, Commercial, Mixed Use

Supervisor District: 4 (Wilson)

PROPERTY INFORMATION

General Location (include nearest City/Town): 395th Avenue between Thomas and Salome Hwy (Tonopah area)

Gross Acres: approx 2230

Legal Description: See attached

Section: 6, 7 / 31, 32, 33 Township: 1North / 2 North Range: 6 West

Assessor's Parcel Number/s: See below

OWNER'S AUTHORIZED AGENT INFORMATION

Name: Withey Morris, P.L.C. Contact: Jason Morris

Address: 2525 E Arizona Biltmore Cir. Suite A-212

City: Phoenix State: AZ Zip: 85016

Phone #: 602.230.0600 Fax#: 602.212.1787

E-mail Address: Jason@WitheyMorris.com

PROPERTY OWNER INFORMATION

Name: Sierra Negra Ranch LLC Contact: Bryan O'Reilly or Barry W. Becker

Address: 50 S. Jones Blvd. Suite 101

City: Las Vegas State: NV Zip: 89107

Phone #: Bryan - 702.812.3332 / Barry 702.870.0212. Fax#: Bryan - 702.880.7994 / Barry 702.870.1228

E-mail Address: Bryan - bor@SNRLLC.net / Barry - barrybecker@beckerrealty.net

PROPERTY OWNER AND OWNER'S AGENT AUTHORIZATION

I (property owner) Barry W. Becker authorize (owner's agent) Withey Morris, PLC to file this application on all matters relating to this request with Maricopa County. By signing this form as the property owner I hereby agree to abide by any and all conditions that may be assigned by the Maricopa County Board of Supervisors, Maricopa County Planning and Zoning Commission, or Maricopa County Planning and Development Department staff as applicable, as part of any approval of this request, including stipulations, development agreements, and/or any other requirement that may encumber or otherwise affect the use of my property.

PROPOSITION 207 WAIVER

The property owner acknowledges that the approval being sought by this application may cause a reduction in the existing rights to use, divide, sell or posses the private property that is the subject of this application. The property owner further acknowledges that it is the property owner who has requested the action sought by the filing of this application. Therefore, with full knowledge of all rights granted to the property owner pursuant to A.R.S.§§12-1132 through 1138, the property owner does hereby waive any and all claims for diminution in value of the property with regard to any action taken by Maricopa County as result of the filing of this application.

Property Owner Signature: Sierra Negra Ranch LLC By: SNR Management By: Becker SNR LLC Barry W. Becker, Manager Date: January 15, 2013

VERIFICATION OF APPLICATION INFORMATION

I certify that the above statements are true. If any of the above statements is willfully false, I understand that I am subject to punishment and that any approvals or permits granted by Maricopa County in reliance upon the truthfulness of the above statements may be revoked or rescinded.

Property Owner Signature: Sierra Negra Ranch LLC By: SNR Management By: Becker SNR LLC Barry W. Becker, Manager Date: January 15, 2013

CASE INACTIVITY

Cases which are not active within six (6) months will be considered inactive and closed by staff. A letter addressing the inactivity will be sent to the owner's authorized agent or property owner with notification of the case to be closed within thirty (30) days. To pursue entitlement after the closing of the case, a new application and associated fees will need to be filed.

APNs: 506-44-009, 010, 011A, 011B, 011C, and 012A
506-45-010, 011, 012, 013, 014, 015, 024, 025, 026, 027, 030, 031, and 033

DMP2013002

RECEIVED JAN 2 7 2013

May 1, 2006

LEGAL DESCRIPTION FOR
SILVER SPRINGS RANCH

PARCEL NO. 1:

The West Half of the Northeast Quarter and the North Half of the Southeast Quarter of Section 7, Township 1 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT that portion of the following described parcel of land lying within a 200 foot strip, being 100 feet on each side of the following described centerline:

BEGINNING at a point North 07 degrees 7 minutes 30 seconds East, 1223.03 feet from the Southeast Corner of Section 16, Township 1 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

Thence North 56 degrees 07 minutes 30 seconds West, 1783.55 feet to the Point of Curve of a 0 degrees 15 minutes curve to the right, having a radius of 22,918.3 feet;

Thence along the arc of said curve, a distance of 433.33 feet to the Point of Tangent of said curve;

Thence North 55 degrees 02 minutes 30 seconds West, 9949.29 feet to the Point of Curve of a 4 degrees 00 minutes curve to the left, having a radius of 1432.69 feet;

Thence along the arc of said curve, 417.29 feet to the Point of Tangent of said curve;

Thence North 71 degrees 44 minutes West, 4963.49 feet to the Point of Curve of a 2 degrees 00 minutes curve to the right having a radius of 2864.79 feet;

Thence along the arc of said curve, 489.17 feet to the Point of Tangent of said curve;

Thence North 61 degrees 57 minutes West, 211.49 feet to a point on the West line of Section 7, Township 1 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona, said point being South 0 degrees 16 minutes West, 394.03 feet from the Northwest corner of said Section 7;

The West Half of the Northeast Quarter of Section 7, Township 1 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona, as conveyed to MARICOPA COUNTY, a political subdivision of the State of Arizona by Quit Claim Deed recorded in Docket 2747, Page 161.

Legal Description for
Silver Springs Ranch
May 1, 2006

PARCEL NO. 2:

All of Section 6, Township 1 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO. 3:

The South Half and the Northwest Quarter of Section 31, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT from Lots 1 and 2 and the East Half of the Northwest Quarter thereof, all minerals as reserved unto the United States in the recorded Patent to said land recorded in Docket 2623, Page 394.

PARCEL NO. 4:

All of Section 32, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona;

EXCEPT all minerals as reserved unto the State of Arizona in Book 334 of Deeds, Page 248 (as to the Southeast Quarter) and in Book 360 of Deeds, Pages 10 (as to the North Half and the Southwest Quarter).

PARCEL NO. 5:

The Southwest Quarter of Section 33, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

PARCEL NO. 6:

The Northeast Quarter of Section 31, Township 2 North, Range 6 West of the Gila and Salt River Meridian, Maricopa County, Arizona.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed -
ARIZONA, U.S.A.

CVL

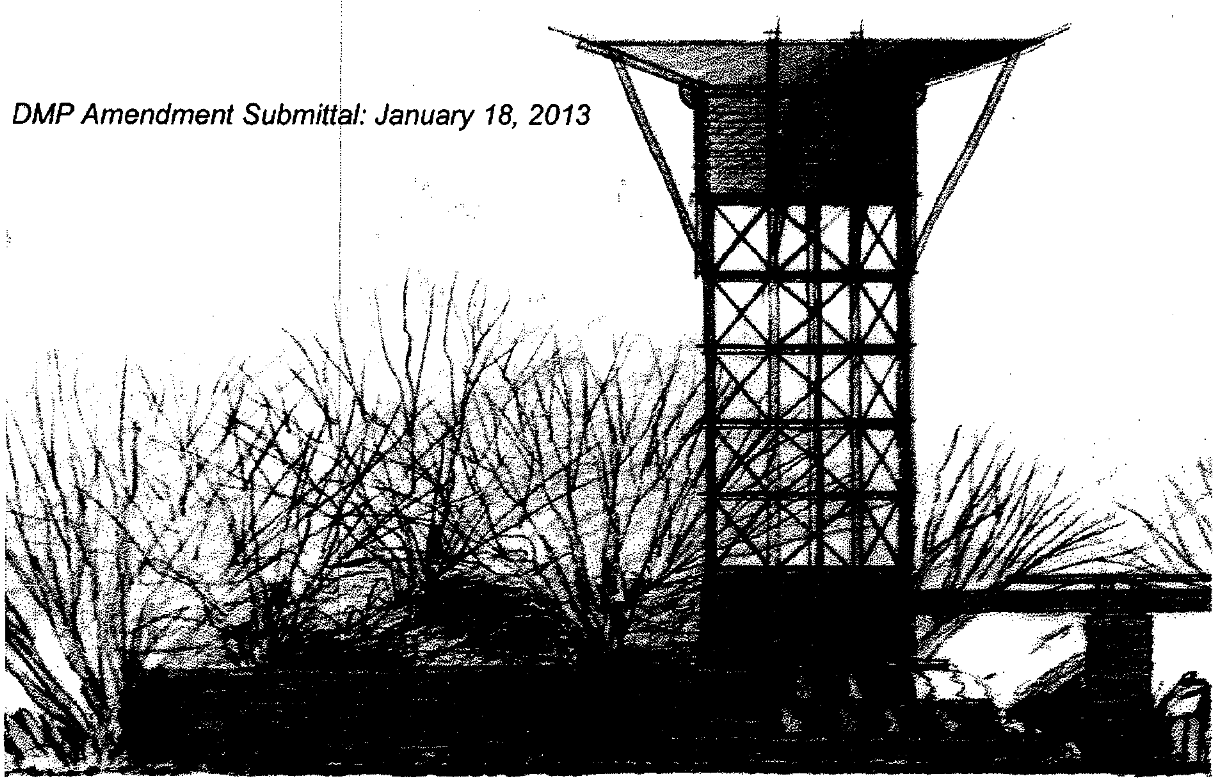
Silver Springs Ranch

Development Master Plan
(Amendment/Stipulation Modification Request)

395TH AVENUE AND MCDOWELL

DMP2006-011

DMP Amendment Submittal: January 18, 2013



Prepared For:
Sierra Negra LLC
50 S. Jones Blvd, Suite 101
Las Vegas, NV 89107

Prepared By:
Withey Morris, PLC
2525 E. AZ Biltmore Cir., Suite A-212
Phoenix, Az 85016

RECEIVED JAN 2 7 2013

DMP2013002

Development Team

Developer/Landowner:
Bryan O'Reilly
Sierra Negra LLC
50 S. Jones, Suite 100
Las Vegas, Nevada 89107
(702) 812-3332
(702) 880-7994 fax
bor@snrllc.net

Project Manager:
Rick Jellies
The Lead Group
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Tempe, Arizona 85282
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rjellies@citytocitycre.com

Zoning & Entitlement:
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Withey Morris, PLC
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jason@witheymorris.com

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Planning, Engineering, & Landscaping:
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Phoenix, Arizona 85014
(602) 222-2816
(602) 279-4665 fax
skellogg@cvlci.com

Table of Contents

DMP AMENDMENT (STIPULATION MODIFICATON) NARRATIVE

I DMP Amendment Request

Silver Springs Ranch, a 2230-acre Development Master Plan Community ("DMP") planned for the Tonopah area in western central Maricopa County, was approved by the Maricopa County Board of Supervisors on February 28, 2008, subject to Stipulations "a" through "jj" (Case No. DMP2006-011). The purpose of this DMP Amendment/Stipulation Modification Application is to request an amendment to stipulation "d.". Stipulation "d." currently states:

> *d. The initial final plat for the Silver Springs Ranch Development Master Plan shall be approved by the Board of Supervisors within five (5) years of approval of this development master plan. If the initial final plat has not been approved within this time frame, this development master plan shall be scheduled for public hearing by the Maricopa County Board of Supervisors, upon recommendation by the Maricopa County Planning and Development Department, for possible revocation of this development master plan. If revoked, all zoning and other entitlement changes approved that are associated with the Silver Springs Ranch Development Master Plan shall also be considered for revocation by the Board of Supervisors, upon recommendation of the Commission, to the previous entitlements.*

A time extension of sixty (60) months from the date this request is ruled upon by the Board of Supervisors, is being requested. The requested stipulation modification is as follows:

> *d. The initial final plat for the Silver Springs Ranch Development Master Plan shall be approved by the Board of Supervisors within five (5) years of approval of this development master plan* ***modification of stipulation****. If the initial final plat has not been approved within this time frame, this development master plan shall be scheduled for public hearing by the Maricopa County Board of Supervisors, upon recommendation by the Maricopa County Planning and Development Department, for possible revocation of this development master plan. If revoked, all zoning and other entitlement changes approved that are associated with the Silver Springs Ranch Development Master Plan shall also be considered for revocation by the Board of Supervisors, upon recommendation of the Commission, to the previous entitlements.*

II. Justification of Request

This request is justified for several reasons, primarily: (1) because of the continued appropriateness of the proposed development, (2) the commitment and competency of the development entity, and (3) because the conditions leading to the delay of the project (and thus this request) were universal in nature and not caused by negligence on behalf of the developer.

Appropriateness

Even today, the development remains not only viable, but also appropriate for the future development of the Tonopah area. Notwithstanding the economic downturn, the appropriateness and beneficial nature of the DMP is just as evident today as it was to the Board of Supervisors in 2008. The proposal is still in conformance with the stated goals of the 2020 Comprehensive Plan as previously outlined, and is still an appropriate use of land for the future of the area. The layout, mix of uses, provisions of open space, proposed development standards, and plans for public facilities are all still appropriate. Enabling this high-quality planning document to remain in place enables the County to prepare in advance for future development.

Dedication of Developer

With the drastic downturn in the economy, numerous developers and large property owners have gone under and/or been forced to give property back to lending institutions. Sierra Negra Ranch LLC however has always contemplated this project as a long term endeavor and is committed for the long run.

Over $23 million dollars was committed to the purchase of this project (along with the companion project Silver Water Ranch). Unlike many other speculative entities, this was an all cash purchase. Even with the strain of a recession unlike any in our lifetimes, Sierra Negra Ranch LLC has managed to, not only maintain this assemblage in its entirety, but to make progressive strides towards making this project a reality.

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Factors Outside the Control of Developer

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We strongly believe that our application for a time extension is both warranted and appropriate and request that our proposed modification to Stipulation "d." be placed on the next available hearing schedule for the Planning and Zoning Commission and Board of Supervisors.

Attachment A

(Narrative Report Notarized Statement)

SIERRA NEGRA RANCH LLC

SNR MANAGEMENT LLC

January 14, 2013

Maricopa County
Planning and Development Department
501 North 44th Street Suite 200
Phoenix, AZ 85008

Re: Authorization / Verification

I, Barry W. Becker, being owner or owner's authorized agent for the Development Master Plan, Development Master Plan Amendment, or stipulation modification recognize and acknowledge that this Narrative Report will become a part of the application to which it applies and that the truth of its contents will be relied upon by the Maricopa County Planning and Development Department, the Maricopa County Planning and Zoning Commission and the Maricopa County Board of Supervisors.

I certify that all of the information in this Narrative Report is complete and true. If any of the statements in the Narrative Report is willfully false or incomplete, I understand that I am subject to punishment and that any approvals or permits granted by Maricopa County in reliance upon the truthfulness of the above statements may be revoked or rescinded.

Sierra Negra Ranch LLC, a Nevada limited liability company
By: SNR Management LLC, a Nevada limited liability company, Manager
By: Becker SNR LLC, a Nevada limited liability company, Manager

Owner/Owner's authorized agent signature: ______________
Barry W. Becker, Manager

SUBSCRIBED AND SWORN before me this 15th day of January, 2013.

Bunny J. Reiman
Notary Public

My Commission Expires: April 25, 2016

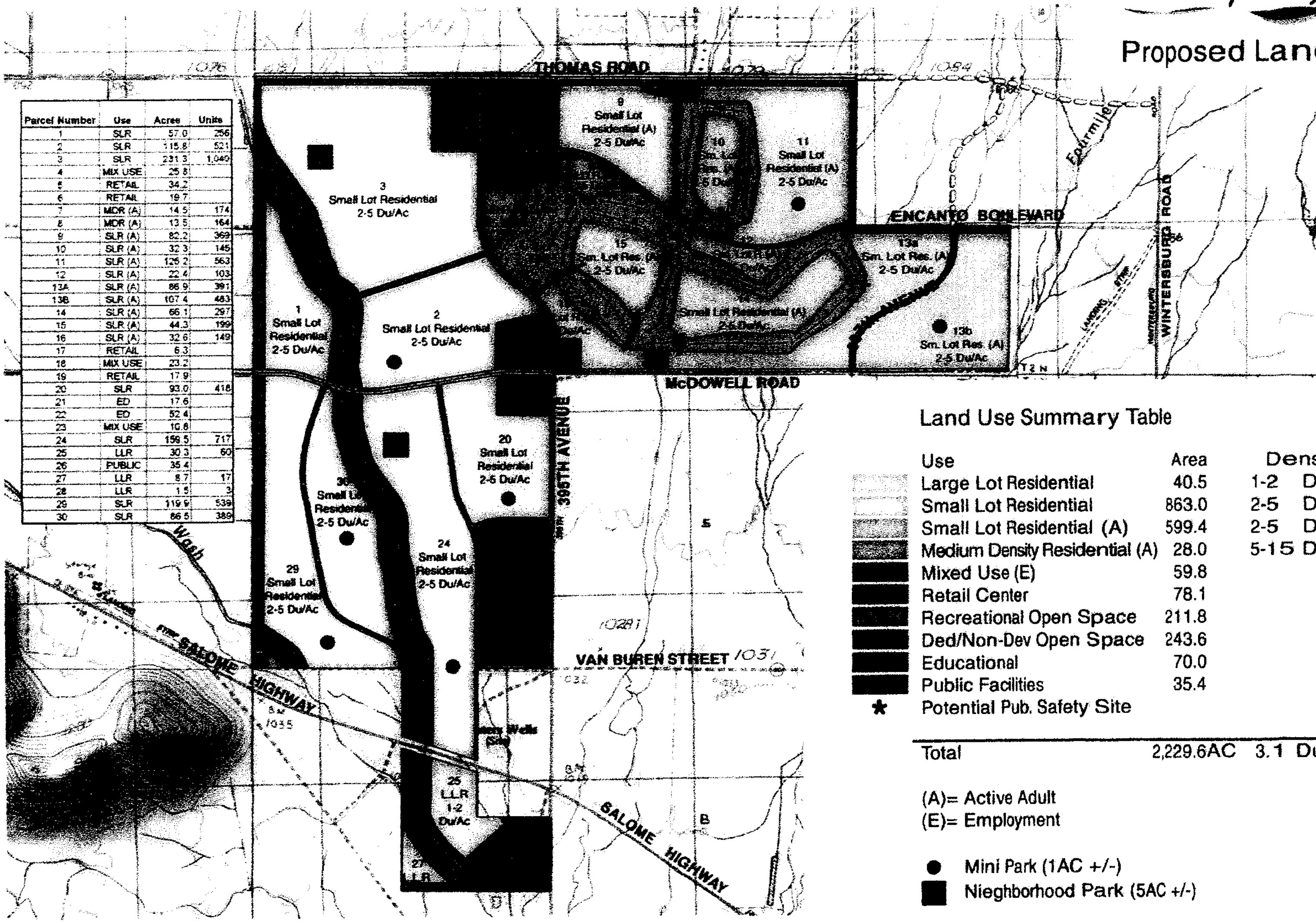
NOTARY PUBLIC
BUNNY J. REIMAN
STATE OF NEVADA - COUNTY OF CLARK
MY APPOINTMENT EXP. APR. 25, 2016
No: 08-6529-1

Attachment B

(Approved Land Use Exhibit)

Silver Springs Ranch

Proposed Land Use Map



Parcel Number	Use	Acres	Units
1	SLR	57.0	256
2	SLR	115.8	521
3	SLR	231.3	1,040
4	MIX USE	25.8	
5	RETAIL	34.2	
6	RETAIL	19.7	
7	MDR (A)	14.5	174
8	MDR (A)	13.5	164
9	SLR (A)	82.2	369
10	SLR (A)	32.3	145
11	SLR (A)	125.2	563
12	SLR (A)	22.4	103
13A	SLR (A)	86.9	391
13B	SLR (A)	107.4	483
14	SLR (A)	66.1	297
15	SLR (A)	44.3	199
16	SLR (A)	32.6	149
17	RETAIL	6.3	
18	MIX USE	23.2	
19	RETAIL	17.9	
20	SLR	93.0	418
21	ED	17.6	
22	ED	52.4	
23	MIX USE	10.8	
24	SLR	159.5	717
25	LLR	30.3	60
26	PUBLIC	35.4	
27	LLR	8.7	17
28	LLR	1.5	3
29	SLR	119.9	539
30	SLR	86.5	389

Land Use Summary Table

Use	Area	Density	Du
Large Lot Residential	40.5	1-2 Du/Ac	81
Small Lot Residential	863.0	2-5 Du/Ac	3,883
Small Lot Residential (A)	599.4	2-5 Du/Ac	2,697
Medium Density Residential (A)	28.0	5-15 Du/Ac	336
Mixed Use (E)	59.8		
Retail Center	78.1		
Recreational Open Space	211.8		
Ded/Non-Dev Open Space	243.6		
Educational	70.0		
Public Facilities	35.4		
* Potential Pub. Safety Site			
Total	2,229.6AC	3.1 Du/Ac	6,997 DU

(A)= Active Adult
(E)= Employment

● Mini Park (1AC +/-)
■ Nieghborhood Park (5AC +/-)

CVL

Project #770001 DATE: 02-15-08

EXHIBIT
A-37
ADMITTED

FILED
June 25, 12 2:27pm
MICHAEL K. JEANES, Clerk
By T. Nosker
T. Nosker, Deputy

John E. DeWulf (006850)
Timothy J. Sabo (021309)
Roshka DeWulf & Patten PLC
One Arizona Center
400 East Van Buren, Suite 800
Phoenix, Arizona 85004
602.256.6100
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dewulf@rdp-law.com
tsabo@rdp-law.com

IN THE SUPERIOR COURT OF ARIZONA

IN AND FOR MARICOPA COUNTY

GLOBAL WATER RESOURCES, INC., a Delaware corporation, Moving Party, v. SIERRA NEGRA RANCH, LLC, a Nevada limited liability company; FIRST AMERICAN TITLE INSURANCE CO., a California Corporation as Trustee under Trust 8559; and NEW WORLD PROPERTIES, INC., an Arizona corporation. Respondents.	No. CV 2012- 007289 **ORDER CONFIRMING ARBITRATION AWARD** **AND** **JUDGMENT AGAINST RESPONDENT SIERRA NEGRA RANCH, LLC**

Upon the motion to confirm arbitration award filed by Global Water Resources, Inc. (Global) and any objection thereto, and good cause appearing, in accordance with A.R.S. §§ 12-3005, it is ADJUDGED, ORDERED AND DECREED that:

1. The arbitration award entered on April 20, 2012 and attached hereto as Exhibit A is confirmed.

2. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global in the principal amount of $1,293,300.66 (CC&N payment) together with 15% interest per annum from May 1, 2008 until paid in full.

3. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global in the principal amount of $1,293,300.66 (MAG 208 payment) together with 15% interest per annum from September 3, 2008 until paid in full.

4. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global in the principal amount of $215,550 (WMC closing fee) together with 15% interest per annum from November 14, 2011 until paid in full.

5. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global in the principal amount of $89,987.12 (attorneys' fees, litigation expenses and costs as awarded by arbitration panel) together with 15% interest per annum from April 20, 2012 until paid in full.

6. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global in the principal amount of $89,760.72 (AAA filing, case service and arbitrator compensation fees) together with 15% interest per annum from April 20, 2012 until paid in full.

7. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global for $ -0- in costs in connection with this action under A.R.S. § 12-3025(B) and its agreement with Global, together with 15% interest per annum from the date of this judgment until paid in full.

8. Judgment is entered against Respondent Sierra Negra Ranch, LLC and in favor of Global for $ -0- in reasonable attorneys' fees and litigation expenses

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ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

in connection with this action under A.R.S. § 12-3025(C) and its agreement with Global, together with 15% interest per annum from the date of this judgment until paid in full.

DONE IN OPEN COURT this 25 day of June, 2012

Judge of the Superior Court
Mark H. Brain

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Exhibit "A"

BEFORE THE AMERICAN ARBITRATION ASSOCIATION

COMMERCIAL ARBITRATION TRIBUNAL

GLOBAL WATER RESOURCES, INC., a Delaware corporation, Claimant and Counter-Respondent, v. SIERRA NEGRA RANCH, LLC, a Nevada limited liability company, Respondent and Counter-Claimant.	Case No. 76 198 Y 0104 11 JMLE AND Case No. 76 198 Y 0105 11 JMLE **AWARD**
GLOBAL WATER RESOURCES, INC., a Delaware corporation, Claimant and Counter-Respondent, v. FIRST AMERICAN TITLE INSURANCE CO., a California corporation as Trustee under Trust 8559, and NEW WORLD PROPERTIES, INC., an Arizona corporation, Respondent(s) and Counter-Claimants.	

We, the undersigned arbitrators, having been duly appointed in accordance with the Arbitration Agreement entered into by the three parties listed in the caption above and having taken oath to faithfully and fairly hear and decide the matters in controversy, and having duly heard the proofs of the parties and the arguments of their counsel, and having now considered the Global Water Resources, Inc. ("Global") application for attorneys' fees, expert witness fees and arbitration costs (the "Fee Application") and Sierra Negra Ranch, LLC ("SNR") and New World Properties, Inc. ("NWP")'s objection and opposition to the fee application, now issue our decision on the Fee Application, as well as make our Final Award in these proceedings:

1. The taking of evidence in this Consolidated Arbitration proceeding concluded on March 2, 2012, post-hearing briefs were filed simultaneously by the parties on March 14, 2012, and on March 16, 2012 the arbitrators heard post-hearing oral arguments. The hearings were deemed closed on that date in accordance with paragraph 25 of the Initial Scheduling Order, as modified by Order of the Panel dated March 2, 2012. The panel having fully considered the evidence presented and reviewed the positions of the parties made its Interim or Pre-Award Ruling on March 27, 2012.

2. Global, having filed its Fee Application on April 4, 2012 and SNR and NWP having filed their opposition to the Fee Application on April 11, 2012, and the panel, having considered both of those papers fully and faithfully, is now prepared to and does issue its ruling, below, on the Fee Application as a part of issuance of the Final Award.

3. **Global Breach of Contract Claim:** Under the two Infrastructure Coordination and Financing Agreements ("ICFAs") entered into by Global with SNR and NWP on July 10th and 11th, 2006 respectively, installment payments to Global fell due and owing to Global by SNR and NWP prior to the ICFA entered into with 339th Ave & I-10 LLC ("339th Ave.") on May 20, 2008. Those payments are as follows:

SNR		
ACC[1] approval of CC&N		$1,293,300.66
MAG approval of 208		1,293,300.66
	Subtotal	2,586,600.66
$25 EDU Fee		215,550.00
	TOTAL	2,802,156.00

[1] Acronyms used herein include Arizona Corporation Commission ("ACC"), Certificate of Convenience and Necessity ("CC&N"), Maricopa Association of Governments ("MAG"), and Equivalent Dwelling Unit ("EDU").

NWP		
ACC approval of CC&N		562,500.00
MAG approval of 208		562,500.00
	Subtotal	1,129,000.00
$25 EDU Fee		93,750.00
	TOTAL	1,218,750.00

By contract term, if not paid, those above sums were to bear 15% per annum interest from due date until paid. Only the ACC approval of CC&N has the same due date and invoice date. MAG approval and EDU were due but not invoiced until later. Global is entitled to an arbitration award in the above principal sums and for 15% per annum interest on those sums from the invoice date until paid. The invoice dates from which the 15% per annum interest will begin to run are the same for both SNR and NWP. Those invoice dates are as follows:

ACC approval of CC&N	May 1, 2008
MAG approval of 208	September 3, 2008
$25 EDU Fee	November 14, 2011

4. **Global Bad Faith Claim:** Global is not entitled to receive an award on its separate claim for breach of the covenant of good faith and fair dealing (bad faith) by SNR and NWP. That contractual bad faith claim fails and is dismissed with prejudice.

5. The Counterclaims asserted in these consolidated proceedings by SNR and NWP and because of its role as trustee, First American Title Company as Trustee under Trust 8559 are for all effects and purposes identical, except for the dollar amounts sought by the separate developers. Accordingly, the interim disposition or pre-award Rulings set forth below and now confirmed apply to each of the Respondents jointly except as is otherwise set forth. The panel deals with the Respondents' Counterclaims *seriatim*:

a) **Count I: Breach of Contract by Global on October 13, 2007 by**

violation of Section 15 of ICFAs. SNR and NWP claim Global breached the MFN clause by entering into a contract with more favorable terms with the owner of Balterra Development and Utility. The panel finds and concludes, both on the face of the Contracts and on the basis of all of the extrinsic evidence presented, that the MFN clause did not include the Balterra development within its coverage, so that Count I of each counterclaim must fail. Global must receive an award that it was not in breach of Article 15 with respect to favorable treatment of the Balterra Development and Utility. This count should be dismissed with prejudice.

b) **Count II: Breach of Contract by Global's failure to give financial assurances.** This claim has to do with Global's viability to timely construct the infrastructure it had promised to perform. The panel finds and concludes with respect to Section 1 and Section 4.1 of the two ICFAs (which sections must be construed together along with other relevant provisions) that these two counterclaims are premature and must fail at this time. The language in Section 1 ("shall have sufficient financial resources to construct . . .") contemplates and looks to the undefined future. The evidence was clear that nothing happens with respect to the infrastructure installation covered by Section 1 and elsewhere until such time as SNR and NWP obtain final approval of subdivision plats from the zoning and planning authorities of Maricopa County. No Start Work Notice ("SWN") to Global can issue by SNR and NWP directing Global to commence construction of the infrastructure until there are final subdivision plats in existence for the SNR and NWP subdivisions, or segments of them decided upon by the developers. The evidence was undisputed that it is, in light of the current depressed real estate market, impossible to say just when that activity will happen in the future. Count II of each counterclaim must fail as an anticipatory breach of contract claim and otherwise because there has been no showing by SNR and NW of a positive and unequivocal manifestation by Global that it will not perform if and when SNR and/or NWP issue SWNs for required work for required infrastructure to start and be completed in 18 months for some or all of the subdivisions yet to be approved and then platted. Global must receive an award that it is not at this time and was not in breach of Section 1 or 4.1, or other provision of the ICFAs in this regard. The SNR and NWP claims in Count II are dismissed without prejudice.

c) **Count III: Breach of Contract by Global due to the ACC decision of September 19, 2010.** SNR and NWP contend the September 2010 ACC rate decision as to Global materially altered the substance of the transaction and (in the conjunctive) precludes Global from fulfilling its obligations to SNR and NWP under the ICFAs. Other claims are made as to the impact of that ACC decision. The panel finds and concludes that the part of the argument made by SNR and NWP under Section 4 of the Agreements that that the ACC decision voids the ICFA or such ACC decision "materially increase[d] the cost the Landowner under this Agreement" must both fail. There was no ACC finding of invalidity, and no evidence was presented at the hearing as to NWP or SNR costs being increased as a result of that ACC rate decision. The position taken by SNR and NWP that the ACC rate decision "materially alters the subject of the transaction" between Global and SNR and NWP respectively must also fail. The thesis of SNR and NWP on this counterclaim is the rate decision was so adverse to Global on treatment of the ICFAs for rate-making purposes that it destroyed Global's ability to finance and install the large amount of infrastructure required of it by the two ICFAs, as well as by the numerous other ICFAs that Global had entered into in its very large ACC certificated areas. Even before the 2008 economic downturn, which continues to this date, the timeframe needed for the platting, planning, and marketing of the 8622 EDUs and the 3750 EDUs contemplated by SNR and NWP, respectively, was considerable, and would run far into the future. Due to the depressed market for real estate within Global's ACC certificated areas and in Maricopa County generally, that timeframe, uncertain as to length to begin with, has been greatly extended. Even if the panel were to find and conclude (which is has not, as it is not necessary) that the ACC rate decision materially altered the substance of the transaction, the evidence presented by SNR and NWP as to the second and necessary requirement that the ACC rate decision precludes Global from fulfilling its obligation has been, of necessity, speculative in nature and far from sufficient to void an agreement after the other party has fully performed a great many of its obligations and performance undertaken to date. As with Count II of the SNR and NWP counterclaims, Count III must fail as being premature and Global will be entitled to an arbitration award in its favor on Count III, which will be dismissed without prejudice.

d) **Count IV: Breach of the covenant or bad faith and fair dealing.** This is alleged because of Global's September 2007 transaction with the Balterra development allegedly being in violation of Section 15 of the Agreement. We have held otherwise above in Section 3(a) of this ruling. Although Arizona law holds there can be a breach of this implied covenant, even when there is no breach of an express covenant in the contract, there has been no showing that Global made the September 2007 stock purchase transaction (just before the economic recession which is said by government economists to have commenced on December 31, 2007) or the May 7, 2008 Master Utility Agreements were made in bad faith. The panel finds and concludes the dominant reason for that stock purchase transaction was for Global to acquire the Balterra Utility Company's 208 issued by MAG which Global needed to have in order to implement its regional total water management plan and fully serve SNR and NWP. Global, SNR and NWP had vigorously opposed the Balterra Utility getting the Water Quality Plan Amendment under Section 208 of the Clean Water Act ("MAG 208"). Count IV of the counterclaim fails and Global will be entitled to an award in its favor; the bad faith claim is dismissed with prejudice as to both Respondents.

e) **Count V: Rescind for Mutual Mistake.** These two counterclaims seek to rescind the transaction based upon mutual mistake. This count of the counterclaims is premised on the notion of both parties having made a mutual mistake at the time of the contract about the future of the real estate market in the West Valley. However, that is not the type of "mistake" recognized by the mutual mistake doctrine, and in any event the parties on both sides of the case testified to their experience in the real estate development business and to the fact the parties were well aware of normal cycles of up and down activity in real estate development over the course of time. Global is entitled to an award dismissing SNR and NWP's claims with prejudice.

f) **Count VI: Rescind for Frustration of Purpose.** These SNR and NWP counterclaims seek to rescind the July 2006 ICFAs based on the Frustration of Purpose doctrine - i.e. lack of financial capability of providing water and wastewater services when needed. One basic purpose of the two ICFAs was for SNR and NWP to have water and wastewater CC&Ns applicable to their lands as well as the MAG 208 so they would be able to subsequently pursue, under their Master Development Agreements, final plats for their subdivisions from Maricopa County. That one purpose has been satisfied. As to remaining purpose of the ICFAs, having utility infrastructure for the EDUs they contemplated on their land in the future as well as needed water and sewer service, only time will tell. See narrative in Sections 5(b) and 5(c), above, which narratives are incorporated by reference herein. SNR and NWP have not established entitlement to recover under the Frustration of Purpose doctrine and Global will be entitled to an award in its favor dismissing Count VI of the counterclaims.

g) **New assertion as to MFN violation in 339th and I-10 LLP Contract**: Although not part of the counterclaims filed by SNR and NWP and not listed in the pre-hearing disclosures required of the parties or the subject of a pre-hearing request to amend, SNR and NWP contended and offered proof during the hearing that Global had also violated Section 15 of the ICFAs on May 20, 2008 when it formed an ICFA with 339th Ave on a basis more favorable than it had afforded two years earlier to SNR and NWP. Global participated in this newly raised counterclaim and offered rebuttal evidence concerning same. The panel rules that this previously non-disclosed claim by SNR and NWP was "tried by consent" and this counterclaim made by both SNR and NWP is now before the arbitration panel for appropriate disposition. The Standard Award requested by the parties deserves brief explanation on this particular matter.

In raising this new issue, SNR and NWP first focused specifically on the Section 15 language regarding Global not providing "pricing" more favorable to other landowners instead of addressing all "terms and conditions" generally. Importantly, the 339th Ave. ICFA specified the same $5,500 per EDU as SNR and NWP had agreed to pay, but SNR and NWP contended that the due dates of the 339th Ave. payments a) at time of Start Work Notice ("SWN"), and b) no later than twelve (12) months after Water Reclamation Facility ("WRF") substantial completion amounted to more favorable pricing terms than contained in the SNR and NWP ICFAs as they were required to pay more money up front than was due under the 339th Ave. ICFA. Second, Global also promised to give $582,000 ($20,000 per acre) credit to 339th Ave. for the 29.13 acres it was giving to Global for a Water Treatment Facility ("WTF"). That would reduce the $5,500 per EDU ultimate price to 339th Ave. while SNR and NWP were each required to deed acreage to Global without payment or credit on their EDU price.

Global breached the MFN provision contained in the SNR and NWP ICFAs because the 339th Ave. ICFA signed on May 20, 2008 a) did not require that entity to make similar payments at time of signing, b) did not require payment at time of or near to filing or receiving CC&Ns for water and wastewater, and c) Global promised to give 339th Ave. a credit against EDU payments for the WRF site to be deeded in the future. That partial breach notwithstanding, no showing has been made by SNR and NWP of their being placed to date at a competitive disadvantage which was the basic reason for the MFN clause so SNR and NWP have incurred no damages to date. Global's performance before May 20, 2008 in securing the CC&Ns from the ACC and the MAG 208 greatly benefited SNR and NWP and increased the value of their land holdings. Since 339th Ave. has been given a credit to be applied later against its EDU payments for the 339th Ave. deed recorded in March, 2007, SNR must be given an appropriate credit against its next EDU payment to fall due, and NWP must receive a similar appropriate credit against its next EDU payment if it has provided the acreage it was obliged to deed for a WRF site, which has not yet occurred.

As to any possible damages SNR and NWP may have incurred due to a loss of use of the monies paid to Global prior to the CC&Ns being granted in 2008, that dollar number is offset or exceeded by the benefit to SNR and NWP of the increased value of their land and the benefit of owning property that is not encumbered by a deed of trust in favor of Global, as would have been required under the 339th Ave. ICFA.

Any claims of SNR and NWP for prospective competitive disadvantage in the future arising from the breach, or for inequitable pricing are not yet "ripe" for consideration and such claims can be made, if and when, SNR and NWP do suffer competitive disadvantage due to 339th Ave. having more favorable timing or proven damages on the EDU pricing. The panel concludes this ruling is just and appropriate under the circumstances of this case.

6. Any other existing or choate claims or counterclaims made or could have been made by any party in these consolidated proceedings on the merits as to which no disposition or award is made by the panel are denied.

7. Under Arizona law, a party entitled to pre-judgment interest or pre-award interest in a sum certain or an ascertainable sum is entitled to receive that interest as a matter of right. That is not the case with respect to the awarding of attorneys' fees and expert witness fees and litigation costs under Section 7.7 of the ICFAs where, like A.R.S. §§ 12-341.01 and 12-3021, awarding attorneys' fees is discretionary. In light of Global's breach of Section 15 of the ICFAs on May 20, 2008 when it contracted with 339th Ave. (which did not end the ICFAs with SNR and NWP) it would not be appropriate or equitable to award one hundred percent (100%) attorneys' fees, expert witness fees or what Global describes in its fee application as litigation costs and the panel declines to do so.

8. On that basis, the panel has decided to award to Global only one-third (1/3) of the sums sought in its fee application for attorneys' fees, expert witness fees, and litigation costs. This concept of panel discretion does not apply to or include the part of Section 7.7 stating in imperative terms that the arbitrator shall assess the costs of the proceedings against the non-prevailing party. The panel construes that part of Section 7.7 to mean the costs paid to and through the American Arbitration Association and will assess all cost of proceedings against SNR and NWP (and Trust 8559) in appropriate proportions.

9. The panel finds and concludes that in accordance with what is set forth

above, Global as prevailing party is entitled to recovery from SNR attorneys' fees in the total amount of $62,780.76, expert witness fees in the amount of $14,818.55, and litigation costs of $11,982.51. Those fees and costs awarded against SNR total $89,587.12 and do not include the costs of the proceedings.

10. The panel finds and concludes that in accordance with what is set forth above, Global as prevailing party is entitled to recover from NWP and Trust 8559 attorneys' fees in the amount of $39,795.28, expert witness fees in the amount of $14,818.50 and litigation costs of $11,982.40. Those fees and costs awarded against NWP and Trust 8559 total $66,596.18 and do not include the costs of the proceedings.

11. The panel further finds and concludes that those costs of the proceedings must be allocated between SNR on the one hand and NWP and Trust 8559 on the other, and that a fair, proper and appropriate way to allocate those payment responsibilities between SNR and NWP is to allocate based on the number of EDUs planned by each developer. On that basis, SNR, having planned for 8,622 EDUs would be responsible for 69.69% of the cost of the proceedings and SNR and Trust 8559, having planned 3,750 EDUs, are responsible for 30.31% of the cost of the proceedings.

12. The amount of administrative filing and case service fees of the American Arbitration Association in these consolidated cases is the sum of $28,850.00 and the fees and expenses for the panel of three neutral arbitrators is the sum of $99,950.00, for a total cost of proceedings of $128,800.00. On the basis of the EDU allocation of 69.69% described in paragraph 11, above, SNR is to be assessed 69.69% of those sums in case No. 76 198Y 0104 JMLE for administrative fees and compensation and NWP and Trust 8559 is to be assessed 30.31% of those sums in case No. 76 198Y 0105 JMLE for administrative fees and compensation.

AWARD IN CASE NO. 76 198Y 0104 JMLE

13. In case No. 76 198Y 0104 JMLE, Global Water Resources is entitled to

receive and is hereby given an Award in its favor against Sierra Negra Ranch, LLC as follows:

a.) For the principal sum in the amount of $1,293,300.66 due on Arizona Corporation Commission approval date plus 15% per annum interest accruing from May 1, 2008 invoice date until paid in full;

b.) For the principal sum in the amount of $1,293,300.00 due on MAG 208 approval plus 15% per annum interest from September 3, 2008 invoice date until paid in full;

c.) For the principal sum of $215,550 due on the $25 per Equivalent Dwelling Unit plus 15% per annum interest from November 14, 2001 invoice date until paid in full;

d.) For the sum of $89,987.12 as and for SNR's share of the attorneys' fees, expert witness fees, and litigation costs awarded to Global;

e.) The sum of $89,760.72 as 69.69% of the American Arbitration Association filing and case service fees and arbitrator compensation;

f.) For 15% interest per annum from the date of this Final Award until paid in full for the sums awarded to Global in items 13(d) and (e), above;

g.) SNR is entitled to and must be given a credit of $460,000 as a deduction from its very next EDU payment to Global; and

h.) An award in Global's favor on all claims or counts asserted by SNR against Global in its Counterclaim, at the hearing, or in these proceedings, except for 13(g), above.

AWARD IN CASE NO. 76 198Y 0105 JMLE

14. In case No. 76 198Y 0105 JMLE, Global is entitled to receive and is hereby granted an Award in its favor against both New World Properties, Inc., an Arizona corporation and First American Title Insurance, Trustee under Trust 8559 as follows.

a.) For the principal sum in the amount of $562,500 on the Arizona Corporation Approval date plus 15% per annum from May 1, 2008 invoice date until paid in full;

b.) For the principal sum in the amount of $562,500 on MAG approval date plus 15% per annum from September 3, 2008 invoice date until paid in full;

c.) On the $25 per Equivalent Dwelling Unit, the principal sum of $93,750 from November 14, 2011 invoice date until paid in full;

d.) For the sum of $66,596.18 as and for NWP and Trust 8559's share of the attorneys' fees, expert witness fees and litigation costs awarded to Global;

e.) The sum of $39,039.28 as 30.31% of the American Arbitration Association fees and service charges and arbitrator compensation;

f.) For 15% interest per annum from the date of this Final Award until paid in full for the sums awarded to Global in items 14(d) and 14(e), above;

g.) NWP and Trust 8559 are not yet entitled to a credit but at such time as they are called upon to deed the land described in their ICFA to Global, Global must then give it a credit of $20,000 per acre for each acre transferred from the next following EDU payment due to Global. If no transfer is made, no credit is due or awarded; and

h.) An award in Global's favor on all claims or counts asserted by NWP and the Trustee in their Counterclaim or during the hearing of this matter except for 14(g).

AWARD APPLICABLE IN BOTH CASE NOS. 76 198Y 0104 JMLE AND 76 198Y 0105

15. Therefore, Sierra Negra Ranch, LLC, a Nevada limited liability company,

shall reimburse Global Water Resources, Inc., the sum of $51,846.92, representing that portion of said fees and expenses in excess of the apportioned costs previously incurred by Global Water Resources, Inc. New World Properties, Inc., an Arizona corporation, shall reimburse Global Water Resources, Inc., the sum of $1,125.46, representing that portion of said fees and expenses in excess of the apportioned costs previously incurred by Global Water Resources, Inc.

16. The final awards now made and entered in AAA cases 76 198Y 0104 and 76 198Y 0105 in favor of Global are several and separate awards in an arbitration proceeding in which those cases were consolidated for procedural reasons and hearing and cost efficiency. The final award made in each case is not intended to be and is not a joint and several award. Only Sierra Negra Ranch is responsible for the total award against it in case 76 198Y 0104 as set forth above and only New World Properties and First American Title Insurance Company as Trustee under Trust 8559 are jointly and severally responsible for the total award made against them in case 76 198Y 0105 as set forth above.

17. This Award is in full settlement of all claims submitted to this arbitration. All claims not expressly granted are hereby denied.

Dated on April 20, 2012 in Phoenix, Arizona.

Joseph E. McGarry
Chair of Arbitration Panel

Joan Burke
Arbitrator

Arbitrator

4.18.12

Shawn Aiken
Arbitrator

The foregoing instrument is a full, true and correct copy of the original on file in this office.

Attest 09-11 2012
MICHAEL K. JEANES, Clerk of the Superior Court of the State of Arizona, in and for the County of Maricopa.

By W. Cruz Deputy

EXHIBIT A-38 ADMITTED

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re: SIERRA NEGRA RANCH LLC

Case No. 12-19649-LBR

CHAPTER 11
MONTHLY OPERATING REPORT
(GENERAL BUSINESS CASE)

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: Jul-13 **PETITION DATE:** 08/21/12

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor). _
Dollars reported in $1

		End of Current Month	End of Prior Month	As of Petition Filing
2.	**Asset and Liability Structure**			
	a. Current Assets	$171,889	$187,315	
	b. Total Assets	$26,126,423	$26,136,565	$26,197,986
	c. Current Liabilities	$0	$0	
	d. Total Liabilities	$4,879,250	$4,879,250	$4,879,250

		Current Month	Prior Month	Cumulative (Case to Date)
3.	**Statement of Cash Receipts & Disbursements for Month**			
	a. Total Receipts	$1	$0	$214,082
	b. Total Disbursements	$10,143	$27,118	$277,348
	c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	($10,142)	($27,118)	($63,266)
	d. Cash Balance Beginning of Month	$182,031	$209,149	$235,155
	e. Cash Balance End of Month (c + d)	$171,889	$182,031	$171,889

		Current Month	Prior Month	Cumulative (Case to Date)
4.	**Profit/(Loss) from the Statement of Operations**	($10,142)	($27,118)	($71,563)
5.	**Account Receivables (Pre and Post Petition)**	$0	$0	
6.	**Post-Petition Liabilities**	$0	$0	
7.	**Past Due Post-Petition Account Payables (over 30 days)**	$0	$0	

	At the end of this reporting month:	Yes	No
8.	Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee)		X
9.	Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)		X
10.	If the answer is yes to 8 or 9, were all such payments approved by the court?	X	
11.	Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)		X
12.	Is the estate insured for replacement cost of assets and for general liability?	X	
13.	Are a plan and disclosure statement on file?	X	
14.	Was there any post-petition borrowing during this reporting period?		X

15. Check if paid: Post-petition taxes X ; U.S. Trustee Quarterly Fees X ; Check if filing is current for: Post-petition X tax reporting and tax returns: X .
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Sierra Negra Ranch LLC
By: SNR Management LLC By: Becker SNR LLC

Date: August 21, 2013

Responsible Individual Barry W. Becker, Manager

Revised 1/1/98

STATEMENT OF OPERATIONS
(General Business Case)

For the Month Ended 07/31/13

Current Month Actual	Current Month Forecast	Current Month Variance	#		Cumulative (Case to Date)	Next Month Forecast
				Revenues:		
		$0	1	Gross Sales		
		$0	2	less: Sales Returns & Allowances		
		$0	3	Net Sales	$0	$0
		$0	4	less: Cost of Goods Sold (Schedule 'B')		
		$0	5	Gross Profit	$0	$0
		$0	6	Interest		
$1		$1	7	Other Income: Rental Revenue - Annual	$205,745	
		$0	8	Rebates and Refunds	$40	
		$0	9			
$1	$0	$1	10	**Total Revenues**	$205,785	$0
				Expenses:		
		$0	11	Compensation to Owner(s)/Officer(s)		
		$0	12	Salaries		
		$0	13	Commissions		
		$0	14	Contract Labor		
				Rent/Lease:		
		$0	15	Personal Property		
		$0	16	Real Property		
		$0	17	Insurance		
		$0	18	Management Fees		
		$0	19	Depreciation		
				Taxes:		
		$0	20	Employer Payroll Taxes		
		$0	21	Real Property Taxes	$31,809	
		$0	22	Other Taxes		
		$0	23	Other Selling		
		$0	24	Other Administrative		
		$0	25	Interest		
		$0	26	Other Expenses: Bank Serv and Other Charges	$308	
		$0	27	Accounting		$300
$393		($393)	28	Insurance	$18,197	$393
$8,100	$8,100	$0	29	Management Fees	$89,100	$8,100
		$0	30	Licensing	$620	
$1,000		($1,000)	31	Development Fees - Master Plan ...	$21,096	
		$0	32	...(Inclusive of Attorneys' Fees)		
		$0	33			
		$0	34			
$9,493	$8,100	($1,393)	35	**Total Expenses**	$161,130	$8,793
($9,492)	($8,100)	($1,392)	36	**Subtotal**	$44,655	($8,793)
				Reorganization Items:		
		$0	37	Professional Fees	($94,643)	
		$0	38	Provisions for Rejected Executory Contracts		
		$0	39	Interest Earned on Accumulated Cash from Resulting Chp 11 Case		
		$0	40	Gain or (Loss) from Sale of Equipment		
($650)		$650	41	U.S. Trustee Quarterly Fees	($3,575)	
		$0	42	Chapter 11 Advisory Fees	($18,000)	
($650)	$0	($650)	43	**Total Reorganization Items**	($116,218)	$0
($10,142)	($8,100)	($2,042)	44	**Net Profit (Loss) Before Federal & State Taxes**	($71,563)	($8,793)
		$0	45	Federal & State Income Taxes		
($10,142)	($8,100)	($2,042)	46	**Net Profit (Loss)**	($71,563)	($8,793)

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

BALANCE SHEET
(General Business Case)
For the Month Ended 07/31/13

Assets

		From Schedules	Market Value
	Current Assets		
1	Cash and cash equivalents - unrestricted		$171,889
2	Cash and cash equivalents - restricted		
3	Accounts receivable (net)	A	$0
4	Inventory	B	$0
5	Prepaid expenses		
6	Professional retainers		
7	Other: Other Receivables		$5,284
8			
9	**Total Current Assets**		$177,173
	Property and Equipment (Market Value)		
10	Real property	C	$25,949,250
11	Machinery and equipment	D	$0
12	Furniture and fixtures	D	$0
13	Office equipment	D	$0
14	Leasehold improvements	D	$0
15	Vehicles	D	$0
16	Other:	D	
17		D	
18		D	
19		D	
20		D	
21	**Total Property and Equipment**		$25,949,250
	Other Assets		
22	Loans to shareholders		
23	Loans to affiliates		
24			
25			
26			
27			
28	**Total Other Assets**		$0
29	**Total Assets**		$26,126,423

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

Liabilities and Equity
(General Business Case)

Liabilities From Schedules

Post-Petition

Current Liabilities

30	Salaries and wages		
31	Payroll taxes		
32	Real and personal property taxes		
33	Income taxes		
34	Sales taxes		
35	Notes payable (short term)		
36	Accounts payable (trade)	A	$0
37	Real property lease arrearage		
38	Personal property lease arrearage		
39	Accrued professional fees		
40	Current portion of long-term post-petition debt (due within 12 months)		
41	Other:		
42			
43			
44	**Total Current Liabilities**		$0
45	**Long-Term Post-Petition Debt, Net of Current Portion**		
46	**Total Post-Petition Liabilities**		$0
	Pre-Petition Liabilities (allowed amount)		
47	Secured claims	F	$4,619,784
48	Priority unsecured claims	F	$0
49	General unsecured claims	F	$259,466
50	**Total Pre-Petition Liabilities**		$4,879,250
51	**Total Liabilities**		$4,879,250
	Equity (Deficit)		
52	Retained Earnings/(Deficit) at time of filing		$31,379,690
53	Capital Stock		
54	Additional paid-in capital		
55	Cumulative profit/(loss) since filing of case		($71,563)
56	Post-petition contributions/(distributions) or (draws)		
57			
58	Market value adjustment		($10,060,954)
59	**Total Equity (Deficit)**		$21,247,173
60	**Total Liabilities and Equity (Deficit)**		$26,126,423

SCHEDULES TO THE BALANCE SHEET
(General Business Case)

Schedule A
Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0 -30 Days			
31-60 Days			
61-90 Days			$0
91+ Days			
Total accounts receivable/payable	$0	$0	
Allowance for doubtful accounts			
Accounts receivable (net)	$0		

Schedule B
Inventory/Cost of Goods Sold

Types and Amount of Inventory(ies)

	Inventory(ies) Balance at End of Month
Retail/Restaurants - Product for resale	
Distribution - Products for resale	
Manufacturer - Raw Materials	
Work-in-progress	
Finished goods	
Other - Explain	
TOTAL	$0

Cost of Goods Sold

Inventory Beginning of Month	
Add -	
Net purchase	
Direct labor	
Manufacturing overhead	
Freight in	
Other:	
Less -	
Inventory End of Month	
Shrinkage	
Personal Use	
Cost of Goods Sold	$0

Method of Inventory Control

Do you have a functioning perpetual inventory system?
Yes____ No____

How often do you take a complete physical inventory?

Weekly ____
Monthly ____
Quarterly ____
Semi-annually ____
Annually ____

Date of last physical inventory was ____

Date of next physical inventory is ____

Inventory Valuation Methods

Indicate by a checkmark method of inventory used.

Valuation methods -
FIFO cost __
LIFO cost __
Lower of cost or market __
Retail method __
Other __
Explain

Schedule C
Real Property

Description	Cost	Market Value
2731.5 acres Vacant Land	$36,010,204	$25,949,250
Total	$36,010,204	$25,949,250

Schedule D
Other Depreciable Assets

Description	Cost	Market Value
Machinery & Equipment -		
Total	$0	$0
Furniture & Fixtures -		
Total	$0	$0
Office Equipment -		
Total	$0	$0
Leasehold Improvements -		
Total	$0	$0
Vehicles -		
Total	$0	$0

Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Federal					
Income Tax Withholding					$0
FICA - Employee					$0
FICA - Employer					$0
Unemployment (FUTA)					$0
Income					$0
Other (Attach List)					$0
Total Federal Taxes	$0	$0	$0	$0	$0
State and Local					
Income Tax Withholding					$0
Unemployment (UT)					$0
Disability Insurance (DI)					$0
Empl. Training Tax (ETT)					$0
Sales					$0
Excise					$0
Real property					$0
Personal property					$0
Income					$0
Other (Attach List)					$0
Total State & Local Taxes	$0	$0	$0	$0	$0
Total Taxes	$0	$0	$0	$0	$0

Schedule F
Pre-Petition Liabilities

List Total Claims For Each Classification -	Claimed Amount	Allowed Amount (b)
Secured claims (a)	$4,619,784	
Priority claims other than taxes		
Priority tax claims		
General unsecured claims	$259,466	

(a) List total amount of claims even it under secured.

(b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of $10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of $3,000,000. For Schedule F reporting purposes you should list $10,000,000 as the Claimed Amount and $3,000,000 as the Allowed Amount.

Schedule G
Rental Income Information
Not applicable to General Business Cases

Schedule H
Recapitulation of Funds Held at End of Month

	Account 1	Account 2	Account 3	Account 4
Bank	Bank of Nevada			
Account Type	Checking			
Account No.	320028682			
Account Purpose	Checking			
Balance, End of Month	$171,889			
Total Funds on Hand for all Accounts	$171,889			

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 07/31/13

		Actual Current Month	Cumulative (Case to Date)
	Cash Receipts		
1	Rent/Leases Collected	$1	$205,745
2	Cash Received from Sales		
3	Interest Received		
4	Borrowings		
5	Funds from Shareholders, Partners, or Other Insiders		
6	Capital Contributions		
7	Received from Escrow		$3,734
8	Rebates - Refunds		$40
9	Receivables Collected		$4,563
10			
11			
12	**Total Cash Receipts**	$1	$214,082
	Cash Disbursements		
13	Payments for Inventory		
14	Selling		
15	Administrative		$308
16	Capital Expenditures - Land Dev Costs - Master Plan - Inclusive of Atty's Fees	$1,000	$21,096
17	Principal Payments on Debt		
18	Interest Paid		
	Rent/Lease:		
19	Personal Property		
20	Real Property		
	Amount Paid to Owner(s)/Officer(s)		
21	Salaries		
22	Draws		
23	Commissions/Royalties		
24	Expense Reimbursements		
25	Other		
26	Salaries/Commissions (less employee withholding)		
27	Management Fees		
	Taxes:		
28	Employee Withholding		
29	Employer Payroll Taxes		
30	Real Property Taxes		$31,809
31	Other Taxes		
32	Other Cash Outflows:		
33	Insurance	$393	$18,197
34	Management Fees	$8,100	$89,100
	Professional Fees Paid for Services in Connection with Chp 11 Case		$94,643
35	Annual Filing Fee - Secretary of State - Nevada/Arizona		$620
36	US Trustee Fees	$650	$3,575
37	Chapter 11 Advisory Fees		$18,000
38	**Total Cash Disbursements:**	$10,143	$277,348
39	**Net Increase (Decrease) in Cash**	($10,142)	($63,266)
40	**Cash Balance, Beginning of Period**	$182,031	$235,155
41	**Cash Balance, End of Period**	$171,889	$171,889

STATEMENT OF CASH FLOWS

(Optional) Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 07/31/13

		Actual Current Month	Cumulative (Case to Date)
	Cash Flows From Operating Activities		
1	Cash Received from Sales		
2	Rent/Leases Collected	$1	$205,745
3	Interest Received		
4	Cash Paid to Suppliers		
5	Cash Paid for Selling Expenses		
6	Cash Paid for Administrative Expenses		$308
	Cash Paid for Rents/Leases:		
7	Personal Property		
8	Real Property		
9	Cash Paid for Interest		
10	Cash Paid for Net Payroll and Benefits		
	Cash Paid to Owner(s)/Officer(s)		
11	Salaries		
12	Draws		
13	Commissions/Royalties		
14	Expense Reimbursements		
15	Other		
	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
16	Employer Payroll Tax		
17	Employee Withholdings		
18	Real Property Taxes		$31,809
19	Other Taxes		
20	Cash Paid for General Expenses		
21	Insurance	$393	$18,197
22	Management Fees	$8,100	$89,100
23	Annual Filing Fee - Secretary of State - Nevada/Arizona		$620
24	Refunds and Rebates		($40)
25	Receivables Collected		($4,563)
26			
27	**Net Cash Provided (Used) by Operating Activities before Reorganization Items**	($8,492)	$70,314
	Cash Flows From Reorganization Items		
28	Interest Received on Cash Accumulated Due to Chp 11 Case		
29	Professional Fees Paid for Services in Connection with Chp 11 Case		$94,643
30	U.S. Trustee Quarterly Fees	$650	$3,575
31	Chapter 11 Advisory Fees		$18,000
32	**Net Cash Provided (Used) by Reorganization Items**	($650)	($116,218)
33	**Net Cash Provided (Used) for Operating Activities and Reorganization Items**	($9,142)	($45,904)
	Cash Flows From Investing Activities		
34	Capital Expenditures		
35	Proceeds from Sales of Capital Goods due to Chp 11 Case		
36	Master Plan Development Costs - Inclusive of Attorneys' Fees	$1,000	$21,096
37	**Net Cash Provided (Used) by Investing Activities**	($1,000)	($21,096)
	Cash Flows From Financing Activities		
38	Net Borrowings (Except Insiders)		
39	Net Borrowings from Shareholders, Partners, or Other Insiders		
40	Capital Contributions		
41	Principal Payments		
42	Received from Escrow	$0	$3,734
43	**Net Cash Provided (Used) by Financing Activities**	$0	$3,734
44	**Net Increase (Decrease) in Cash and Cash Equivalents**	($10,142)	($63,266)
45	**Cash and Cash Equivalents at Beginning of Month**	$182,031	$235,155
46	**Cash and Cash Equivalents at End of Month**	$171,889	$171,889

PAYMENTS TO PROFESSIONALS

Date	Check No.	Payee	Amount

None during July 2013

BANK OF NEVADA
P.O. BOX 26237
LAS VEGAS, NEVADA 89126-0237
(702) 248-4200

003 00003 01 PAGE: 1
ACCOUNT: 8682 07/31/2013
DOCUMENTS: 4

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT 30
50 S JONES BLVD STE 101 1
LAS VEGAS NV 89107-2676 3

BUSINESS CHECKING ACCOUNT 8682

DESCRIPTION	DEBITS	CREDITS	DATE	BALANCE
BALANCE LAST STATEMENT			06/28/13	191,130.57
DEPOSIT		1.00	07/02/13	191,131.57
CHECK # 1032	8,100.00		07/03/13	183,031.57
CHECK # 1033	650.00		07/25/13	182,381.57
CHECK # 1034	8,100.00		07/26/13	174,281.57
BALANCE THIS STATEMENT			07/31/13	174,281.57

TOTAL CREDITS	(1)	1.00
TOTAL DEBITS	(3)	16,850.00

YOUR CHECKS SEQUENCED

DATE	CHECK #	AMOUNT	DATE	CHECK #	AMOUNT	DATE	CHECK #	AMOUNT
07/03	1032	8,100.00	07/25	1033	650.00	07/26	1034	8,100.00

- - - ITEMIZATION OF OVERDRAFT AND RETURNED ITEM FEES - - -

	TOTAL FOR THIS PERIOD	TOTAL YEAR TO DATE
TOTAL OVERDRAFT FEES:	$.00	$.00
TOTAL RETURNED ITEM FEES:	$.00	$.00

To Reconcile Your Checking Account:

1. Subtract from your checkbook balance any service charge, fees, preauthorized automatic payments or transfers, withdrawals (including ATM) which have been deducted on this statement.
2. Compare and check off paid checks against your checkbook record. Note: An * on your statement indicates a break in check sequence.
3. List checks not accounted for in the section marked "Checks Outstanding" and complete the statement of reconciliation.

CHECKS OUTSTANDING						STATEMENT OF RECONCILIATION	
Number	Amount	Number	Amount	Number	Amount	Ending balance from this statement	$
						ADD deposits made but not shown on this statement	
						SUB TOTAL	
						SUBTRACT TOTAL CHECKS OUTSTANDING	
TOTAL CHECKS OUTSTANDING					$	TOTAL Should agree with your checkbook balance	$

If the total does not agree with your checkbook balance, the difference may be located by (1) checking the addition and subtraction in your checkbook record, (2) making sure each check and deposit was entered correctly in your record, (3) reviewing each step in the balancing procedure.

IMPORTANT INFORMATION ABOUT REVIEWING YOUR STATEMENT

You are responsible for promptly examining your statement each statement period and reporting any irregularities to us. The periodic statement will be considered correct for all purposes and we will not be liable for any payment made and charged to your Account unless you notify us in writing within certain time limits after the statement and checks are made available to you. We will not be liable for any check that is altered or any signature that is forged unless you notify us within thirty (30) calendar days after the statement is made available. Also, we will not be liable for any subsequent items paid, in good faith, containing an unauthorized signature or alteration by the same wrongdoer unless you notify us within thirty (30) calendar days after the statement is made available. If you have requested us to hold your Account statements, we have the right to mail your statements if you have not claimed them within thirty (30) calendar days. If we truncate your checks or provide you with an image of your checks, you understand that your original checks will not be returned to you with your statement. You agree that our retention of checks does not alter or waive your responsibility to examine your statements or change the time limits for notifying us of any errors.

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC TRANSFERS

Write us at P.O. Box 26237, Las Vegas, NV 89126-0237, telephone us at 702/248-4200 or E-mail us at inquiries@bankofnevada.com as soon as you think your statement or receipt is wrong or if you need more information about a transfer on this statement. We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared. In your letter:

- Tell us your name and account number.
- Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- Tell us the dollar amount of the suspected error.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days to do this (or 20 business days for a new account), we will credit your account for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation.

METHOD USED TO DETERMINE THE BALANCE ON WHICH THE INTEREST CHARGE WILL BE COMPUTED

Consumer Revolving Lines of Credit We figure the interest charge on your account by applying the periodic rate to the "daily balance" of your account for each day in the billing cycle. To get the "daily balance" we take the beginning balance of your account each day, add any new advances and subtract any unpaid interest charges and fees and any payments or credits. This gives us the daily balance.

The Annual Percentage Rate and Daily Periodic Rate may vary.

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR BILL

If you think there is an error on your statement, write to us at: Bank of Nevada, Loan Servicing Dept., P.O. Box 26237, Las Vegas, NV 89126 – 0237.
In your letter, give us the following information:
• *Account information:* Your name and account number.
• *Dollar amount:* The dollar amount of the suspected error.
• *Description of Problem:* If you think there is an error on your bill, describe what you believe is wrong and why you believe it is a mistake.
You must contact us within 60 days after the error appeared on your statement. You must notify us of any potential errors *in writing*. You may call us, but if you do we are not required to investigate any potential errors and you may have to pay the amount in question. While we investigate whether or not there has been an error, the following are true:
• We cannot try to collect the amount in question, or report you as delinquent on that amount.
• The charge in question may remain on your statement, and we may continue to charge you interest on that amount. But, if we determine that we made a mistake, you will not have to pay the amount in question or any interest or other fees related to that amount.
• While you do not have to pay the amount in question, you are responsible for the remainder of your balance.
• We can apply any unpaid amount against your credit limit.

NOTICE OF FURNISHING NEGATIVE INFORMATION-We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.

DIRECT DEPOSITS-If you have arranged to have direct deposits made to your account at least once every 60 days from the same person or company, you can call us at 702/248-4200 to find out if the deposit has been made.

1032 - $8,100.00 - 07/03/2013

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT

1032

DATE June 26, 2013

PAY TO THE ORDER OF West Phoenix Development Company $ 8,100.00

Eight Thousand One Hundred and 00/100 DOLLARS

BANK OF NEVADA

SIERRA NEGRA RANCH LLC
By: SNR Management By: Becker SNR LLC

FOR July 2013 Salary

⑈001032⑈ ⑆122401778⑆ 868 2⑈

1033 - $650.00 - 07/25/2013

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT

1033

DATE July 17, 2013

PAY TO THE ORDER OF U.S. Trustee $ 650.00

Six Hundred Fifty and 00/100 DOLLARS

BANK OF NEVADA

SIERRA NEGRA RANCH LLC
By: SNR Management By: Becker SNR LLC

FOR Acct#: 782-12-19649

⑈001033⑈ ⑆122401778⑆ 868 2⑈

1034 - $8,100.00 - 07/26/2013

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT

1034

DATE July 23, 2013

PAY TO THE ORDER OF West Phoenix Development Company $ 8,100.00

Eight Thousand One Hundred and 00/100 DOLLARS

BANK OF NEVADA

SIERRA NEGRA RANCH LLC
By: SNR Management By: Becker SNR LLC

FOR August 2013 Salary

⑈001034⑈ ⑆122401778⑆ 868 2⑈

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT
50 S JONES BLVD STE 101
LAS VEGAS, NV 89107-2676

1033

94-177/1224
03

DATE July 17, 2013

PAY TO THE ORDER OF U.S. Trustee $ 650.00

Six Hundred Fifty and 00/100**DOLLARS

BANK OF NEVADA
7251 W Lake Mead Blvd Ste 106
Las Vegas, NV 89128 • (702)248-4200

SIERRA NEGRA RANCH LLC
By: SNR Management By: Becker SNR LLC
By:
Barry W. Becker, Manager

FOR Acct#: 782-12-19649

⑈001033⑈ ⑆122401778⑆ 8682⑈

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT
60 S JONES BLVD STE 101
LAS VEGAS, NV 89107-2676

1034

94-177/1224
03

DATE July 23, 2013

PAY TO THE ORDER OF West Phoenix Development Company $ 8,100.00

Eight Thousand One Hundred and 00/100*** DOLLARS

BANK OF NEVADA
7251 W Lake Mead Blvd Ste 108
Las Vegas, NV 89128 • (702)248-4200

SIERRA NEGRA RANCH LLC
By: SNR Management • By: Becker SNR LLC

FOR August 2013 Salary

By: Barry W. Becker, Manager

⑈001034⑈ ⑆122401778⑆ 8682⑈

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT
50 S JONES BLVD STE 101
LAS VEGAS, NV 89107-2676

1035

94-177/1224
03

DATE July 29, 2013

PAY TO THE ORDER OF Arizona Department of Water Resources $ 1,000.00

One thousand and 00/100** DOLLARS

BANK OF NEVADA
7251 W Lake Mead Blvd Ste 100
Las Vegas, NV 89128 • (702)248-4200

FOR Application Fee

SIERRA NEGRA RANCH LLC
By: SNR Management • By: Becker SNR LLC
By:
Barry W. Becker, Manager

⑈001035⑈ ⑆122401778⑆ 8682⑈

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT
50 S JONES BLVD STE 101
LAS VEGAS, NV 89107-2676

1036

94-177/1224
03

DATE July 31, 2013

PAY TO THE ORDER OF Colorado Casualty Insurance $ 392.75

Three Hundred Ninety-Two and 75/100*** DOLLARS

Security Features Details on Back.

BANK OF NEVADA
7251 W Lake Mead Blvd Ste 108
Las Vegas, NV 89128 • (702)248-4200

FOR Acct#: 400719080

SIERRA NEGRA RANCH LLC
By: SNR Management, By: Becker SNR LLC
By:
Barry W. Becker, Manager

⑈001036⑈ ⑆122401778⑆ 8682⑈

TO VERIFY AUTHENTICITY, SEE REVERSE SIDE FOR DESCRIPTION OF THE 11 SECURITY FEATURES

SIERRA NEGRA FARMS
P.O. BOX 20208
WICKENBURG, AZ 85358

CHASE
WICKENBURG BRANCH
WICKENBURG, AZ 85390

6-2/1221

54037

1/31/2013

PAY TO THE ORDER OF Sierra Negra Ranch LLC $**1.00

One and 00/100** DOLLARS

Sierra Negra Ranch LLC
50 S. Jones Blvd Suite 101
Las Vegas, NV 89107

MEMO:

AUTHORIZED SIGNATURE

⑈054037⑈ ⑆122100024⑆ 1552⑈

DEPOSIT TICKET

TOTAL ITEMS 1

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

94-177/1224
03

	DOLLARS	CENTS
DATE 6-2-13		
CURRENCY	—	—
COINS	—	—
TOTAL CASH	—	—
CHECKS SN Farms	1	00
2		
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4		
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28		
TOTAL FROM OTHER SIDE OR ATTACHED LIST		
PLEASE RE-ENTER TOTAL HERE	1	00

RE-ENTER GRAND TOTAL IN SCREENED BOXES

SIERRA NEGRA RANCH LLC
DEBTOR-IN-POSSESSION
OPERATING ACCOUNT
50 S JONES BLVD STE 101
LAS VEGAS, NV 89107-2676

BANK OF NEVADA
7251 W Lake Mead Blvd Ste 100
Las Vegas, NV 89128 • (702)248-4200

$ 1.00

⑆122401778⑆ 8682⑈ 09

USE ROUTING NUMBER FROM YOUR CHECKS FOR AUTOMATIC PAYMENTS. || CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT.

EXHIBIT

A-39

ADMITTED

Brownstein Hyatt
Farber Schreck

Jeffrey W. Crockett
Attorney at Law
602.382.4062 tel
480.428.6076 fax
jcrockett@bhfs.com

July 31, 2013

VIA E-MAIL AND FIRST CLASS MAIL

Timothy J. Sabo, Esq.
ROSHKA DEWULF & PATTEN, PLC
One Arizona Center
400 East Van Buren Street
Suite 800
Phoenix, Arizona 85004

Re: Responses and Objections of New World Properties, Inc., to the First Set of Data Requests from Global Water Resources in Docket Nos. W-01212A-12-0309 et al.

Dear Mr. Sabo:

Enclosed is an original and one copy of the responses and objections of New World Properties, Inc., to the First Set of Data Requests from Global Water Resources.

Sincerely,

Jeff Crockett

Jeffrey W. Crockett

Enclosures

JWC:jp

cc (with enclosures): Garry Hays, Esq.
Mark Brown
Rick Jellies

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RESPONSES OF NEW WORLD PROPERTY TO GLOBAL WATER RESOURCES' FIRST SET OF DATA REQUESTS DOCKET NOS. W-01212A-12-0309 ET AL.

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1. **Mr. Jellies testifies that other than the payment for WMC, the "balance" of the payments made to-date are for infrastructure. (Jellies Direct at page 3).**

   OBJECTION: New World Properties, Inc., ("NWP") objects to Global Water Resources' characterization of Mr. Jellies' testimony as stated above. Mr. Jellies' Pre-Filed Direct Testimony speaks for itself and is the best evidence of its contents. Subject to this objection, NWP's responses are provided below.

   a. **Admit that under Section 4.1, page 17 of the NWP ICFA, the $500 per EDU payment ($1,875,000) was for the WMC purchase.**

      OBJECTION: NWP objects to Global Water Resources' characterization of the July 11, 2006, Infrastructure, Coordination, Finance and Option Agreement ("ICFA") between NWP and Global Water Resources. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

      RESPONSE: Deny. Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable." Recital J of the ICFA states that "$500 per EDU of the Landowner Payment described in subsection 4.1 will be allocated toward the acquisition purchase price of WMC and all its subsidiaries."

   b. **Admit that under Section 4.1, page 17 of the NWP ICFA, the $75 per EDU payment ($281,250) was for the filing of the MAG 208 amendment.**

      OBJECTION: NWP objects to Global Water Resources' characterization of the ICFA between NWP and Global Water Resources as stated above. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

      RESPONSE: Deny. Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable."

   c. **Admit that under Section 4.1, page 17 of the NWP ICFA, the $100 per EDU payment ($375,000) was for filing of the CC&N application.**

      OBJECTION: NWP objects to Global Water Resources' characterization of the ICFA between NWP and Global Water Resources as stated above. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

      RESPONSE: Deny. Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable."

d. **Admit that under Section 4.1, page 17 of the NWP ICFA, the first $150 per EDU payment ($562,500) was for approval of the CC&N application.**

OBJECTION: NWP objects to Global Water Resources' characterization of the ICFA between NWP and Global Water Resources as stated above. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

RESPONSE: Deny. Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable."

e. **Admit that under Section 4.1, page 17 of the NWP ICFA, the second $150 per EDU payment ($562,500) was for approval of the MAG 208 amendment.**

OBJECTION: NWP objects to Global Water Resources' characterization of the ICFA between NWP and Global Water Resources as stated above. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

RESPONSE: Deny. Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable."

f. **Admit that the items identified above are the only ones that have come due under the NWP ICFA to date.**

OBJECTION: NWP objects to Global Water Resources' characterization of the ICFA between NWP and Global Water Resources as stated above. The ICFA speaks for itself and is the best evidence of its contents. Subject to this objection, NWP responds as follows:

RESPONSE: Section 4.1 of the ICFA "describes the timing of payments for residential EDUs of $5,500 per EDU plus the CPI Factor, if applicable." NWP admits that it has made payments to Global Water Resources to date totaling $1,000 per EDU under the ICFA.

g. **If you deny any of the above, explain in detail.**

RESPONSE: See above.

2. **Page 5 of the NWP ICFA states in part "Nothing in this agreement should be construed as a payment of principal, a contribution or advance to the utilities and will bear no repayment of any kind in the future, unless otherwise agreed by the Parties, except as otherwise required in this agreement."**

    a. **Explain how this language is consistent with Mr. Igwe's testimony that the ICFA funds should be considered CIAC.**

    OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous. Subject to this objection, NWP responds as follows:

    RESPONSE: In the Rebuttal Testimony of Trevor Hill dated November 20, 2009, in Docket Nos. SW-02445A-09-0077 *et al.*, Mr. Hill testified that "Global has never contended that ICFAs are non-jurisdictional." (Rebuttal Testimony of Trevor Hill at 21, line 19). In other words, Mr. Hill acknowledged that ICFAs fall under the jurisdiction of the Commission. Thus, it is the Commission which has jurisdiction to determine whether ICFA funds should be considered CIAC. Statements contained in the ICFA are not dispositive of the issue, and the ICFA cannot preempt the Commission's jurisdiction.

    Previously, in Decision 71878 (Docket SW-20445A0-09-0077 *et al.*), the Commission imputed millions of dollars of ICFA funds as CIAC, concluding as follows:

    > Applicants request that the Commission put aside the normal regulatory ratemaking treatment of contributions that were given in exchange for utility service, because Global's innovative means of collecting and spending the contributions allows it to pursue total water management goals. This Commission is tasked with protecting the interests of utilities and ratepayers alike, and this important task requires a careful balancing. One of the foremost tenets of ratemaking is unchanging, however, when making a determination that affects both utility and ratepayer, and that is the inclusion in rates of the cost of providing utility service. We must ensure that captive monopoly ratepayers pay for the costs of providing utility service, but no more. Part of that cost of service includes a fair and reasonable return to the provider of the utility service on funds that it has invested in the utility in order to provide reasonable and adequate service to its rate paying customers. Here, Applicants have not "invested" ICFA funds for the purpose of providing utility service. Rather, developers have provided ICFA funds to Global Parent which, commingled with equity and debt provided by Applicants' parent company, have been used for the provision of utility service, whether through acquisitions, carrying costs, or plant construction. Allowing developer contributed funds to remain in rate base would require captive ratepayers to pay Applicants a return on developer-provided ICFA funds, which would violate fundamental ratemaking principles and would unjustly and unreasonably enrich Applicants at ratepayer expense. For the reasons set forth in the arguments of Maricopa, RUCO and Staff, Staff's CIAC adjustments are just, reasonable, and in the public interest, and will be adopted. (Decision 71878 at 30).

Mr. Igwe's testimony is consistent with Decision 71878. The language from the ICFA quoted above is a statement of the parties' intent with regard to payments made under the ICFA. However, as discussed above, the language of the ICFA does not preempt the jurisdiction of the Commission with regard to the treatment and characterization of funds received under the ICFA.

b. Does NWP believe the NWP ICFA is still in force?

RESPONSE: Yes.

c. Does NWP believe it must comply with the language above. If not, explain why not.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation.

d. Please explain when and how NWP will cure its breach of the NWP ICFA in recommending and advocating that ICFA funds be considered CIAC in violation of the language quoted above.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

RESPONSE: NWP denies that it is in breach of the ICFA.

3. Regarding Mr. Jellies' testimony (page 8) that all ICFA funds should be put in a separate account controlled by the relevant subsidiary "to insure their availability at the time service is needed:"

a. Does this recommendation apply to past funds or just future ICFA receipts?

RESPONSE: This recommendation applies to future funds received under the ICFA.

b. Admit that NWP could have bargained for such a provision in the NWP ICFA, but did not.

RESPONSE: At the time that NWP entered into the ICFA with Global Water Resources, it was not fully cognizant of the need to segregate the funds it provided under the ICFA. Following the last rate case in Dockets SW-20445A-09-0077 *et al.*, Global established separate ICFA bank accounts to address Utilities Division Staff ("Staff") concerns regarding ICFA cash flows and the tracking of ICFA funds. In his pre-filed direct testimony in this case, Staff witness James Armstrong expressed Staff's concern that ICFA funds received by Global Water Resources may not be available to meet the company's obligations under ICFAs in future years. Mr. Armstrong testifies as follows:

> The company's response to STF-8.45 indicates that once the funds are initially placed in the segregated ICFA bank accounts, the funds are then transferred out of these accounts and combined with the Company's general bank account. The company provided Staff with "confidential" copies of bank statements related to this segregated account and a review of those statements confirms that the funds deposited into this account are routinely (and almost immediately) transferred out of this account and into what Staff presumes is the company's general purpose bank account.
>
> The limited ICFA fee segregation steps taken to date by the Global Parent are not adequate. Prospectively, a portion of the future ICFA cash inflows need to be truly separated from the Global Parent's general bank account funds. Not truly separating these funds only heightens Staff's concerns regarding how the future commitments under the ICFA agreements will be financed. (Direct Testimony of James Armstrong at 18-19).

Mr. Armstrong further testified that Staff is recommending as follows:

> Staff recommends that the portion of future landowner payments that would, in turn, be imputed as "hook-up fees" would need to be separated from the Global Parent bank accounts and placed into the accounts established for hook-up fees at the utility company level. Such funds are to be used ONLY for regulated water/wastewater entity infrastructure investment needs as delineated in the Hook-up Fee Tariffs. There are also other potential funds to be received in conjunction with main extension agreements that should be segregated as well at the utility level.
>
> Global Parent would not be allowed to "borrow' these funds for its purposes. (Direct Testimony of James Armstrong at 19-20).

Given Global's acknowledgement (as cited above) that ICFAs fall under the jurisdiction of the Commission, NWP assumes that Global will comply with Staff's recommendation if ordered by the Commission.

4. **Regarding Mr. Jellies' testimony (Jellies Direct at page 10) that developers will simply pass through the cost of any ICFAs to the homeowners, does Mr. Jellies believe that the price NWP (or developers or homebuilders NWP sells to) passes through to future buyers of the NWP property will be based on NWP's cost, or on the market price for the area? Provide all analysis and work papers that support the conclusion that developers will pass the costs along.**

   RESPONSE: The pricing of homes is based on both developer costs and market conditions. Mr. Jellies' testimony is based upon his 30 years of experience in real estate development.

5. **Please identify each investor in NWP.**

   OBJECTION: NWP objects to this data request on the grounds that it seeks information which is not material or relevant to the subject matter of this rate case and is not reasonably calculated to lead to the discovery of admissible evidence.

---

6. **Please identify each investor in Trust 8559.**

   OBJECTION: NWP objects to this data request on the grounds that it seeks information which is not material or relevant to the subject matter of this rate case and is not reasonably calculated to lead to the discovery of admissible evidence.

7. **Provide NWP's financial statements for the last three years, including balance sheets and income statements.**

   OBJECTION: NWP objects to this data request on the grounds that it seeks documents which are not material or relevant to the subject matter of this rate case and are not reasonably calculated to lead to the discovery of admissible evidence.

8. **Provide Trust 8559's financial statements for the last three years, including balance sheets and income statements.**

   OBJECTION: NWP objects to this data request on the grounds that it seeks documents which are not material or relevant to the subject matter of this rate case and are not reasonably calculated to lead to the discovery of admissible evidence.

9. **Regarding Mr. Igwe's testimony (Igwe Direct at page 4) that "ICFA funds constitute non-investor provided capital that should be accounted for as a reduction to rate base or CIAC": Does NWP admit that not all CIAC is deducted from rate base? (Example: Unexpended hook-up fees under several recent tariffs.) If you deny, explain.**

   OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

   RESPONSE: NWP admits that there may be circumstances where it would not be appropriate to deduct CIAC from rate base.

10. **Mr. Igwe testifies (Igwe Direct at page 4) that "there are certain unresolved questions surrounding the legality of certain conduct and actions required under the ICFAs as described in NWP's Petition."**

    a. **What is NWP's position regarding whether ICFAs are legal or not?**

       OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Further, the data request calls for a legal conclusion.

    b. **List each and every "unresolved question."**

       RESPONSE: The unresolved questions referenced in Mr. Igwe's Direct Testimony are identified in the Petition for Declaratory Order filed by NWP in Docket W-02450A-13-0048.

---

11. Admit that ICFAs are legal. If you deny, provide a full explanation of each and every illegality.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Further, the data request calls for a legal conclusion.

12. Admit that the ACC has never declared the ICFAs illegal. If you deny, explain.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

RESPONSE: NWP is unaware of any declaration in a decision of the Arizona Corporation Commission that ICFAs are illegal. However, NWP notes that in this rate case, Staff has made the following recommendation:

> Staff recommends that the Commission direct Global Parent to cease entering into new ICFA agreements. Staff believes there are entirely too many issues, risks, and unanswered questions related to the continuing reliance on new ICFA agreements as the means used to financially support regional water and wastewater infrastructure development. (Direct Testimony of James Armstrong at 20-21).

13. Admit that the ACC has never voided the ICFAs. If you deny, explain.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

RESPONSE: NWP is unaware of any decision of the Arizona Corporation Commission which voids an ICFA. However, NWP notes that in this rate case, Staff has made the following recommendation:

> With regards to the receipt of future landowner payments under the existing ICFAs, Staff recommends that Global Parent be required to pay the hook-up fee out of the ICFA fees received. Such payment would need to be made to the appropriate underlying Global Parent Utility, and these hook-up fees would be maintained in separate bank accounts as required by the tariff. As previously noted, these funds could not be used by, or loaned to, the Global Parent and the funds must be used to support allowable infrastructure investments made by the regulated utility. The Global Parent Utilities must track the receipt and use of these funds in detail. * * * The Global Parent and Global Parent Utilities should submit a plan to the Commission for segregating these funds as well as other funds necessary to fund infrastructure to serve customers. (Direct Testimony of James Armstrong at 21-22).

It is not know at this time whether the above recommendation of Staff, if adopted by the Commission, would void one or more provisions of the ICFA.

14. Admit that the ACC has never found the ICFA unenforceable. If you deny, explain.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

RESPONSE: NWP is unaware of any decision of the Arizona Corporation Commission which finds the ICFA between Global Water Resources and NWP unenforceable.

15. Admit that the NWP ICFA was found legal and enforceable in a binding arbitration proceeding. If you deny, explain.

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation. Subject to this objection, NWP responds as follows:

RESPONSE: The arbitration award and related legal documents in the arbitration proceeding referenced in this data request speak for themselves and are the best evidence of their contents.

16. Mr. Igwe testifies (Igwe Direct at page 7) that the "Commission does not grant acquisition adjustments for recovery of goodwill or acquisition premium."

a. Explain how this testimony is consistent with Mr. Armstrong's testimony that such adjustments are allowed subject to the requirements specified on page 28 of his testimony. (Armstrong Direct at page 28.)

RESPONSE: In the Citizens Utilities Company Docket No. W-01032A-00-0192 referenced in Mr. Armstrong's Direct Testimony, the Arizona Corporation Commission did not authorize an acquisition adjustment but discussed criteria that would need to be met in order for a utility to seek an acquisition adjustment. The statement in Mr. Igwe's testimony is a general statement acknowledging the Commission's history against authorizing acquisition adjustments.

b. Explain how this is consistent with Mr. Mease's testimony that RUCO is "open" to discussing an acquisition adjustment with respect to the Sonoran / 387 assets. (Mease Direct at page 29.)

OBJECTION: NWP objects to this data request on the grounds that it is vague and ambiguous and calls for speculation.

17. Please provide a copy of all workpapers, schedules and any other calculations used in your testimony, in electronic excel format with all formulas intact.

RESPONSE: There are no workpapers, schedules or calculations used in Mr. Igwe's testimony other than the rate case schedules referenced in the testimony.

18. Please provide a copy of all studies, reports or other documents referred to in your testimony. To the extent the document was obtained by Global, you may identify the document by bates number rather than providing a copy.

RESPONSE: There are no studies or reports referenced in Mr. Igwe's testimony. Commission decisions or testimony referenced in Mr. Igwe's testimony are public documents available through the Commission's E-Docket.

EXHIBIT
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A-40
ADMITTED


EXHIBIT
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A-41
ADMITTED
WILLOW VALLEY
UNIT 17 2008
WILLOW VALLEY
UNIT 17 2010
WILLOW VALLEY
UNIT 17 2011


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NIT 17 2008
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UNIT 17 2010
WILLOW VALLE
UNIT 17 2011

EXHIBIT
A-42
ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

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

IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – TOWN DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	Docket No. W-01212A-12-0309
IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – PALO VERDE UTILITIES COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. SW-20445A-12-0310
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF NORTHERN SCOTTSDALE, INC. FOR A RATE INCREASE	Docket Nos. W-03720A-12-0311
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER TONOPAH FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02450A-12-0312
IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02451A-12-0313 **NOTICE OF FILING REVISED WILLOW VALLEY WATER CO. SIB ENGINEERING REPORT**

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – SANTA CRUZ WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-20446A-12-0314
IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-01732A-12-0315 **NOTICE OF FILING REVISED WILLOW VALLEY WATER CO. SIB ENGINEERING REPORT**

Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company, Valencia Water Company – Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility of Northern Scottsdale (collectively, the "Global Utilities") and Global Water Resources, Inc., Hassayampa Utility Company, Inc., Global Water – Picacho Cove Utilities Company and Global Water – Picacho Cove Water Company (collectively, the "Global Intervenors", and with the Global Utilities, "Global") provide notice of filing the Revised SIB Engineering Report and SIB Tables for Willow Valley Water Company. The report and SIB Tables were revised to incorporate changes requested by Commission Staff.

RESPECTFULLY SUBMITTED this 3rd day of September, 2013.

ROSHKA DEWULF & PATTEN, PLC

By ______________________
Michael W. Patten
Timothy J. Sabo
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Phoenix, Arizona 85004

Attorneys for Global Utilities

Original +13 copies of the foregoing
filed this 3rd day of September 2013, with:

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

Copies of the foregoing hand-delivered/mailed
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Phoenix, AZ 85007

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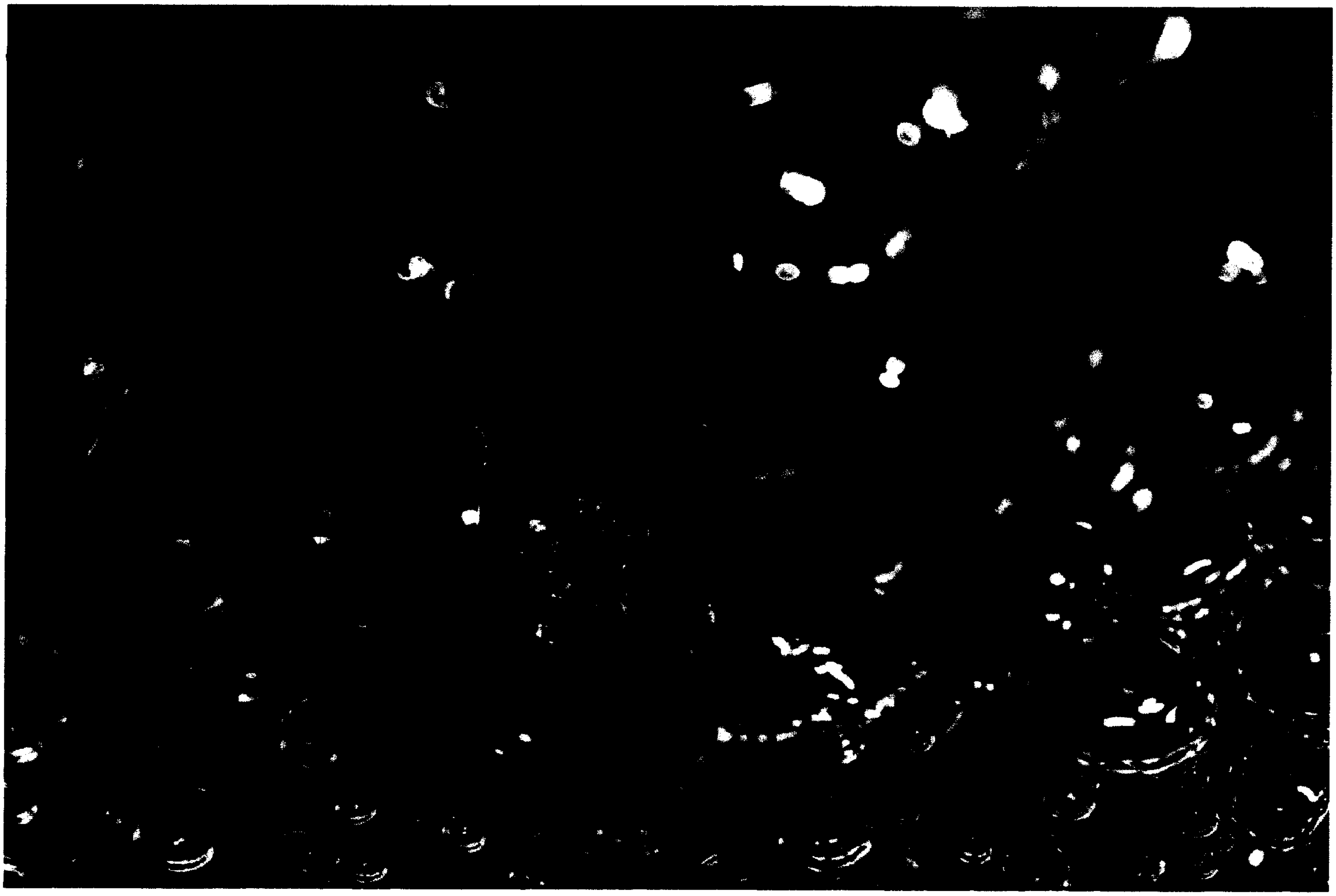
Attorney for the Willow Valley Club Association

By Debbie Amaral



Willow Valley Water Company
Water System Engineering Report for System Improvement Benefit (SIB)

August 2013

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FIGURES

1.0 EXECUTIVE SUMMARY

The analysis performed herein will focus primarily on the existing physical conditions of waterline pipeline infrastructure for the Willow Valley Water Company, and provide the necessary detail and requirements to obtain approval for the System Improvement Benefit (SIB).

The information provided in this analysis includes the following main components:

1. **Distribution System Characterization and Assessment**
   - Distribution System overview
   - Distribution System Maps
   - Plant material types, size, age,
   - Identified System Issues
   - Leak, break and repair history, and areas where replacement is most critical
   - Water Loss
   - Company measures to identify and reduce water losses
   - Company meter maintenance program
   - Criticality Analysis and Recommendations

2. **Five-Year SIB Plan to Replace Aging Infrastructure**
   - Recommended project description
   - Justification for prioritization
   - Project preliminary cost estimates
   - SIB Project location Map

3. **Conclusion**
   - Conclusion and Recommendations for action

2.0 DISTRIBUTION SYSTEM CHARACTERIZATION AND ASSESSMENT

2.1 Project Location

Willow Valley is located in Mohave County, Arizona. The service area of the Willow Valley Water Company includes water services located within sections 21, 23, 27, and 35 of Township 18N Range 22W. The vicinity map below provides a graphical representation of the location of the service area of the Willow Valley Water Company.

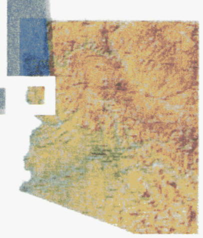


Figure 1 - Vicinity Map

2.2 Water Treatment Distribution Systems:

The service area of the Willow Valley Water Company is comprised of two water systems. These water systems are as follows:

1. Cimarron Water System

2. King Street & Commercial Street Water System (supplied by a production facility known as Unit 17)

These water systems are generally for residential use only, except that the Commercial Street Water System has approximately 23 service connections for commercial/industrial users. The Commercial Street Water system was originally constructed in the early 1960's, though a centralized water supply facility was constructed in the late 1990's. The Commercial Street water system does not currently have an independent water supply, but is provided water from the Unit 17 water system through a 6-inch PVC transmission line installed in approximately 1998.

Development of the King Street Water system also began in the early 1960's, and steadily increased into the early 1980's. Development of one small area at the eastern boundary of this area was begun in recent years, but was not completed, presumably due to economic conditions.

Development of the Cimarron Water system was initiated in 1990. Development has occurred steadily in this area, with improvements as recent as 2007. This service area is built out based on existing planning, though additional capacity in the system exists for potential expansion in the future.

2.3 Population

There are approximately 280 residential service connections in the Cimarron Water System, 1,419 residential service connections in the King Street Water System, and 137 residential service connections for the Commercial Street Water System. The Commercial Street Water System also has approximately 23 non-residential service connections.

2.4 Demand

Demands for residential users in the Cimarron Water System are approximately 131.8 gpd per home. Demands for residential users in the King Street and Commercial water systems are approximately 186.8 gpd. Demands for the commercial users are approximately 554.2 gpd per meter. These demands also include the water losses. As infrastructure is replaced, demands may become less due to a reduction in water loss in the system.

2.5 Service Area

Though the service area for the Willow Valley Water Company is spread out over an area approximately 9 square miles, the elevation only varies from 467 ft amsl to 491 ft amsl, a difference of 24 feet. The service area is comprised primarily of residential users, though there is a small area of commercial/industrial development that is also included.

Potable water system maps have been created to depict the distribution system throughout the Willow Valley water company- please see the following Figure 2:

Figure 2 - **Willow Valley Water Distribution Map**

2.6 Distribution Waterlines: Material, Age, Size, Conditions:

The distribution waterlines for King Street and Commercial Street water systems vary from 3" to 8" in diameter, and include pipe materials of varying types of iron or black steel, certain types of plastic or PVC, and asbestos cement. In general, the oldest water lines in the system are 4-inch plastic and asbestos cement. The newer pipes (Newer than 1970) have a minimum diameter of 6-inches and are PVC. The majority of the system is comprised of pipes older than 40 years. Field evaluation of the system by the operations staff has revealed that approximately 90% of valves are not operable. The inoperable valves are primarily located within the older pipe network.

The distribution water lines for Cimmaron water system vary from 6" to 10" in diameter, and are all PVC. In general, the oldest water lines in the system are 4-inch PVC and asbestos. The majority of the system, including the wells and WDC were installed between 1990 and 1996. Two small developments to the north of Cimmarron Boulevard were added to the system from 2004 to 2007.

During the line breaks that have occurred over the last several years, Willow Valley Operations Staff conducted a series of inspections of interior and exterior conditions of the existing infrastructure. The inspections have concluded that the infrastructure is fragile, severely corroded, and sub standard in specifications. Even repairing the line when it breaks is a very difficult task because the existing infrastructure is so fragile in nature.

2.7 Distribution Waterlines: Known Systematic Issues:

It has been identified that the potable water distribution systems do not currently provide proper looping capabilities as to adequately support an alternative method to supply customer's water during the event of a line break, and also result in water quality and water aesthetic issues. Several locations currently reside within the distribution system that creates a dead end point; therefore these customers are subject to frequent uncontrollable service interruptions when a line needs to be shut down during the event of a line break.

It has also been identified that the water distribution lines for the residential properties in the King Street Water System are installed in the back yards of the property. Beyond the accessibility issues that often results in greater costs and time required to complete repairs to this infrastructure, this presents a potential public health situation in the event of a line break, as this is also where the septic fields are located for the residential properties. Given this exact condition which exists on the Gordon Street waterline, this waterline has been identified as the top priority project to be executed in year 1 of the 5 year SIB program.

A critical system issue also noted is the age of the water distribution system valves, and their inability to operate. Inoperable valves and/or lack of valves leaves large segments of the system exposed in the event of a water main break or other service shut down. Due to the age and condition of the system, the areas of primary concern are within the older parts of the King Street and Commercial Street systems. In these areas, few of the valves installed are operable. It is recommended that replacement of these valves be initiated within the 5 year SIB program to minimize the number of services impacted by shutdowns in the system.

Another known system defect is the lack of fire hydrants in the system, as well as the sub standard installation and outdated models of the existing fire hydrants. The SIB plan takes into consideration the full replacement and installation of all new fire hydrants.

2.8 Leak, Break and Repair History:

A total of 21 line breaks have been documented and recorded with the Unit 17 water distribution system since 2010. These leaks are contributed directly from the aging infrastructure and their composition of substandard industrial materials. The information below describes how many line breaks have occurred each year since 2010:

Year	# Line Breaks:
2010	5
2011	4
2012	9
2013	3
Total	**21**

Two figures have been created to depict the locations of line breaks that have been recorded since 2010, as well as indicate the years the line breaks occurred. The King Street water distribution system has been split into two sections- the East side and the West side as to provide enhanced details of the schematic. This system represents the areas in the system where most leaks (line breaks) have been recorded, and the area has been identified as the top priority for the 5 year SIB replacement program. In the exhibit you will also notice the identification of the five year SIB plan, and specifically detailing the sections of line to be replaced in priority:

Figure 3 - Leak Identification Map- West Side of King Street

Figure 4 - Leak Identification Map- East Side of King Street

2.9 Water Loss:

Water loss has been documented in the annual ACC report, and is represented by the following tables per each water distribution system for the previous five years:

Company Name: Willow Valley Water Company Inc
Name of System: King Street and Commercial Street

Year	Total Gallon Sold	Total Gallon Pumped	System Water Leakage
2008	91,995	115,312	20.2%
2009	101,495	121,812	16.7%
2010	83,227	104,209	20.1%
2011	68,712	89,824	23.5%
2012	66,696	87,516	23.8%

Source: 2008-2012 Willow Valley Water Company Annual Report

Company Name: Willow Valley Water Company Inc
Name of System: Lake Cimmaron

Year	Total Gallon Sold	Total Gallon Pumped	System Water Leakage
2008	10,379	13,543	23.4%
2009	10,244	11,917	14.0%
2010	10,559	12,306	14.2%
2011	8,301	10,806	23.2%
2012	8,204	9,941	17.5%

Source: 2008-2012 Willow Valley Water Company Annual Report

Comparing water consumption to water production reveals a large disparity. The average total water loss for the Unit 17 for the previous five years is in excess of 20%, and the average total water loss for the Cimarron system is 18.5% for the previous five years. It is expected that these losses are largely due to leakage and line breaks in an aging water system.

Global Water has established a set of design criteria for water systems to ensure that adequate pressures and flows are available to consumers without causing excessive wear in the system. These criteria are summarized below.

Table 1 - Global Water Design Criteria	
Parameter	**Value**
Minimum System Pressure (Peak Hour Demand)	40 psi
Maximum System Pressure[1] (Static)	80 psi
Minimum System Pressure (Max Day Plus Fire Flow Demand)	20 psi
Maximum Pipe Velocity (Max Day Demand)	5 fps
Maximum Pipe Head Loss Gradient (Max Day Demand)	6 ft/1,000 ft
Maximum Pipe Velocity (Peak Hour Demand)	6 fps
Maximum Pipe Head Loss Gradient (Peak Hour Demand)	8 ft/1,000 ft
Maximum Pipe Velocity (Max Day Plus Fire Flow Demand)	8 fps

1. Static pressures in excess of 80 psi may be permitted if individual PRVs are installed on all homes that may experience these pressures.

2.10 Meter Replacement Program

As to attempt to mitigate water loss in the system, Willow Valley Water Company embarked on a complete water meter replacement program for all water meter connections in the Willow Valley Water system. The replacement program consisted of the installation of a brand new water meters outfitted with an electronic endpoint at each service location and implemented into an automated meter reading system. The replacement program was completed in 2010, so the entire meter population is sufficiently new as to not require a current ongoing replacement program. The Company will begin testing and as necessary maintaining, the few larger diameter meters in the coming year, and return the utility to a standard meter replacement program in the future..

2.11 Criticality Analysis and Recommendations

Major system deficiencies have been identified in this analysis, as well as proof supporting the substantial amount of line breaks that have occurred and contributed to the hefty water losses that have been recorded over the past 5 years. In preparing the 5 year SIB plan to replace the pipelines, the critical projects have been identified on the basis of this analysis.

The next section outlines the details in the 5 year SIB plan, and we make the full recommendation that the utility initiate the first project beginning 2014.

3.0 5-YEAR SIB PLAN

3.1 Project Description and Justification for Prioritization

The main goal of the 5-year System Improvement Benefit (SIB) will be to replace the aging infrastructure within the King Street system. This will consist primarily of replacing all of 4-inch and 6-inch water mains as well as some service lines. A phasing plan will be developed to address repairs of the system identified with the highest criticality. Due to the size of the King Street area, it will be divided into two projects. Because of the age of the system, and the large number of services affected, the King Street areas will be completed according to the 5-year SIB followed by the Commercial Street area, and finally the Unit 17 area in subsequent years.

- **Year 1 (2014) - Gordon Drive Line Replacement**- Constructed in the 1960s, this line replacement project was identified based on four critical criteria. First, the site accessibility to the water lines runs through the backyards of residential homes and at times under private property, which complicates accessibly for maintenance of equipment and emergency repair services (See Figure –E1). Secondly, sections of this main are known to be made of asbestos materials. As have other utilities, Global Water has strived to phase out asbestos-cement (ACP) from all its utilities due to lack of availability of repair parts and health concerns. Third, this main has experienced seven line breaks in the past two years, making this line a costly asset to maintain, while increasing disruption of service to customers served. And lastly, this line is known to be in contact vicinity of existing septic systems located in the back yards of homes served. Coupled with the extreme number of line breaks over the past two years, the inherent risk of cross contamination with septic systems in the vicinity has elevated the urgency of this project to the highest priority, and therefore will be completed in year one. The cost estimate for this line replacement is estimated at $211,491 and is detailed in Figure 5.

Figure 5 - Gordon Drive Detailed Engineering Plan

- **Year 2 (2015) - Clearwater Drive Line Replacement**- Constructed in 1960s, this line replacement project was identified based on three critical criteria. First, the site accessibility to the water lines runs through the backyards of residential homes and at times under private property, which complicates accessibly for maintenance of equipment and emergency repair services and exposes a higher risk of property damage comparable to the other projects due to the fact that this water line services two rows of homes (See Figure –E1). Secondly, sections of this main are known to be made of asbestos materials. As have other utilities, Global Water has strived to phase out ACP from all its utilities due to lack of availability of repair parts and safety concerns. Third, this main has been subject to a recent line break this year. Making this line a costly asset to maintain, while increasing disruption of service to customers serve. The cost estimate for this line replacement is estimated at $171,022 and s detailed in Figure 6.

Figure 6 - Clearwater Drive Detailed Engineering Plan

- **Year 3 (2016) - A-Street Line Replacement**- Constructed in 1960s, this line replacement project was identified based on three critical criteria. First, the site accessibility to the water lines runs through the backyards of residential homes and at times under private property, which complicates accessibly for maintenance of equipment and emergency repair services and exposes a higher risk of property damage comparable to the other projects due to the fact that this water line services two rows of homes (See Figure –E1). Second, this main has been subject to three line brakes over the past two years. Making this line a costly asset to maintain, while increasing disruption of service to customers serve. The cost estimate for this line replacement is estimated at $145,040 and is detailed in Figure 7.

Figure 7 - A Street Detailed Engineering Plan

- **Year 4 (2017) - Wells Street Line Replacement**- Constructed in 1960s, this line replacement project was identified based on three critical criteria. First, the site accessibility to the water lines runs through the backyards of residential homes and at times under private property, which complicates accessibly for maintenance of equipment and emergency repair services and exposes a higher risk of property damage comparable to the other projects due to the fact that this water line services two rows of homes (See Figure –E1). Second, this main has been subject to three line brakes over the past three years. Making this line a costly asset to maintain, while increasing disruption of service to customers serve. The cost estimate for this line replacement is estimated at $133,701 and is detailed in Figure 8.

Figure 8 - Wells Street Detailed Engineering Plan

- **Year 5 (2018) - Kingsway/Lark Lane/Border Lane Line Replacement**- Constructed in 1960s, this line replacement project was identified based on four critical criteria. First, the site accessibility to the water lines runs through the backyards of residential homes and at times under private property, which complicates accessibly for maintenance of equipment and emergency repair services and exposes a higher risk of property damage comparable to the other projects due to the fact that this water line services two rows of homes (See Figure –E1). Secondly, sections of this main are known to be made of a combination of ACP and PVC materials. As have other utilities, Global Water has strived to phase out asbestos piping from all its utilities due to lack of availability of repair parts and safety concerns. Third, this main has been subject to one line brake over the past three years. The cost estimate for this line replacement is estimated at $214,979 and is detailed in Figure 9.

Figure 9 - Kingsway/Lark/Border Lane Detailed Engineering Plan

3.2 Detailed Cost Estimates and Summary

The cost estimates were obtained using and accredited industry standard estimating source (RS Means) with an appropriate inflation factor to bring the costs to current value. Also, the fees for Contingency and internal staff's time was adjusted as per the discussion on 20 August 2013. We believe these numbers are conservative, but hold an accurate value for what should be estimated for each particular project.

Multiple contractors were contacted and provided budgetary numbers for the projects identified in the 5 year SIB plan, and all costs were in excess of 15%-25% higher than the costs projected in our original cost estimates. We can add the contractor's cost to our estimates if preferred.

Please see the attached Figure 10 for the detailed cost estimates for the 5 year SIB project, and see Figure 11 for the summary table.

Figure 10- 5 Year SIB Detailed Cost Estimate

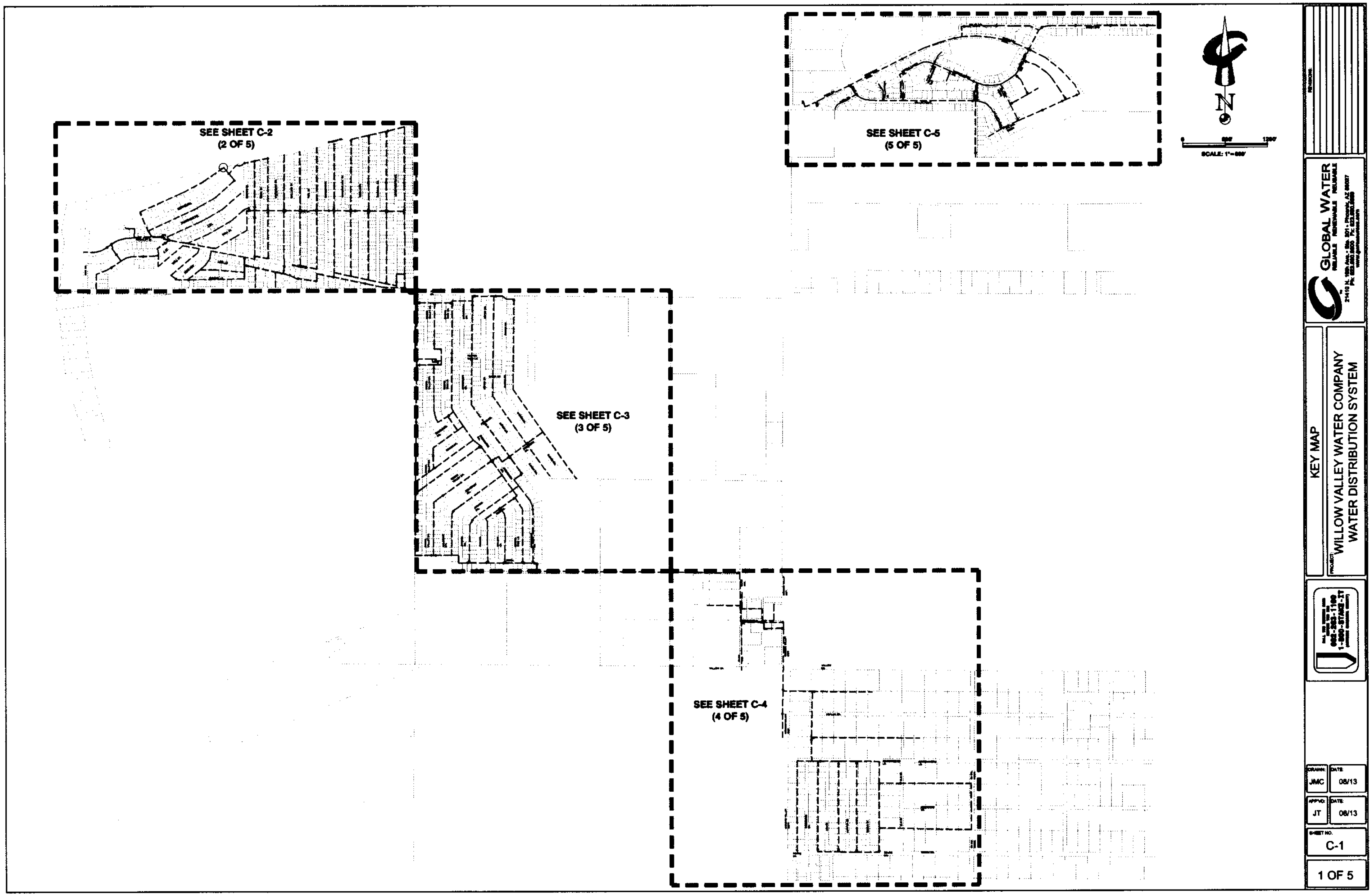
Figure 11- 5 Year SIB Cost Summary Table

3.3 SIB Water Main Replacement Map

Please see Figure 12 as it is defined on the map for the locations specified within the 5 Year SIB Plan:

Figure 12- **SIB Project Location Map**

FIGURE 2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(2 OF 5)
SEE SHEET C-3
(3 OF 5)
SEE SHEET C-4
(4 OF 5)
SEE SHEET C-5
(5 OF 5)
N
SCALE: 1"=600'
GLOBAL WATER
RELIABLE RENEWABLE REUSABLE
1-800-STAKE-IT
KEY MAP
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DRAWN: JMC DATE: 08/13
APPVD: JT DATE: 08/13
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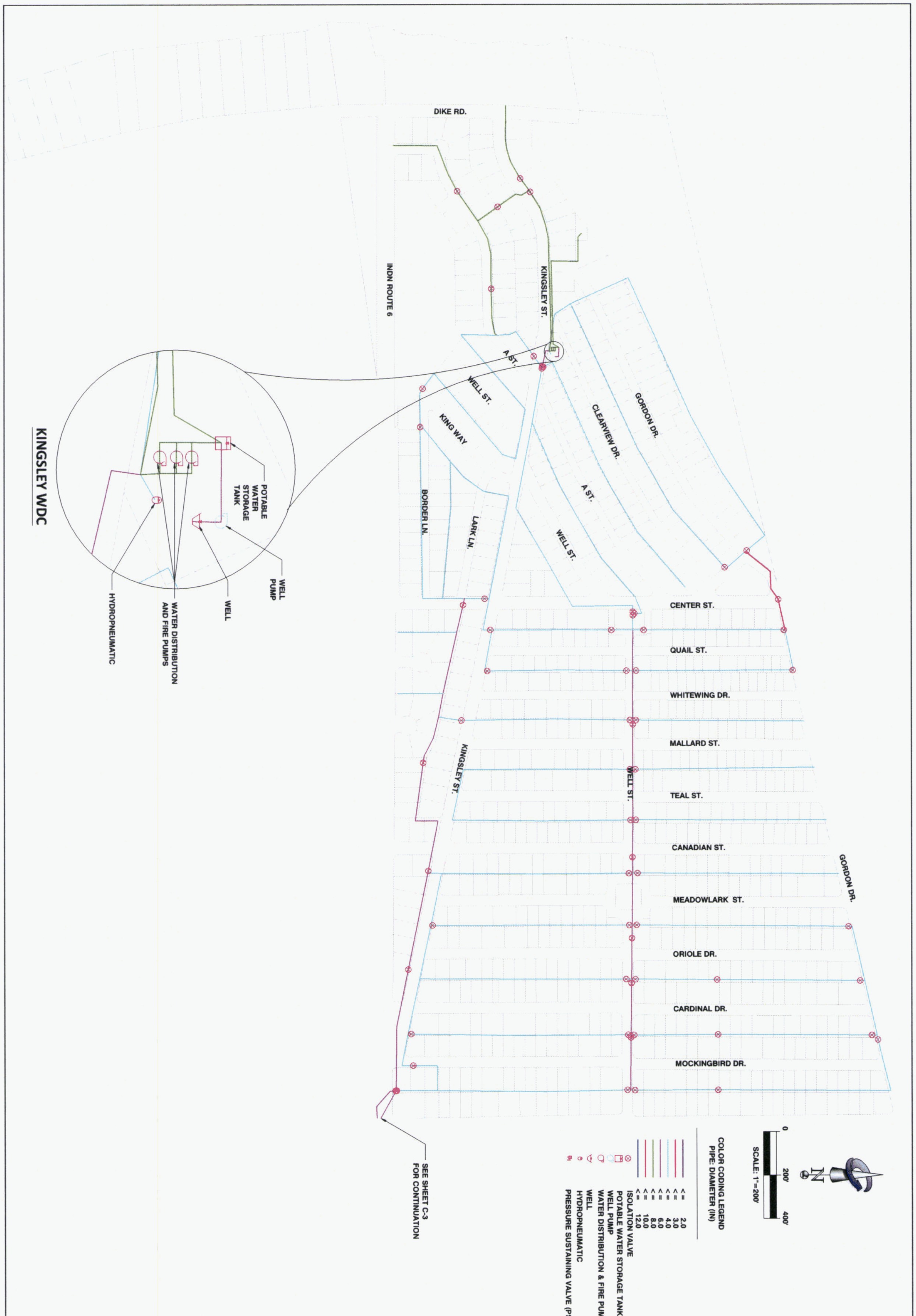
1 OF 5



KING STREET WATER MAP

PROJECT: WILLOW VALLEY WATER COMPANY
WATER DISTRIBUTION SYSTEM

GLOBAL WATER
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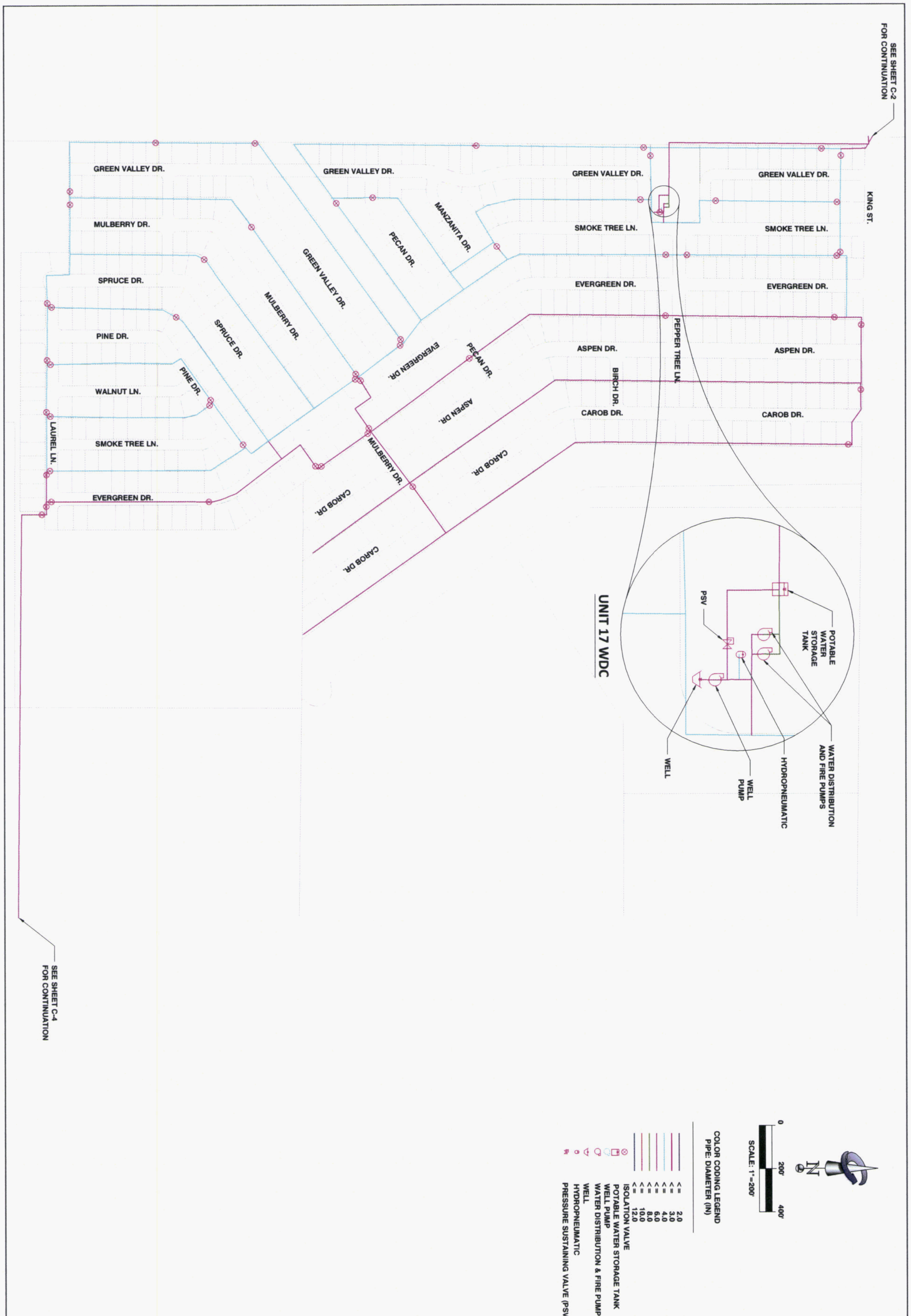
1-800-STAKE-IT
(OUTSIDE MARICOPA COUNTY)

REVISIONS:

DRAWN:	DATE:
JMC	08/13
APP'D:	DATE:
JT	08/13

SHEET NO. C-2



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UNIT 17 WATER MAP

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WATER DISTRIBUTION SYSTEM

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(OUTSIDE MARICOPA COUNTY)

DRAWN:	DATE:
JMC	08/13
APPVD:	DATE:
JT	08/13

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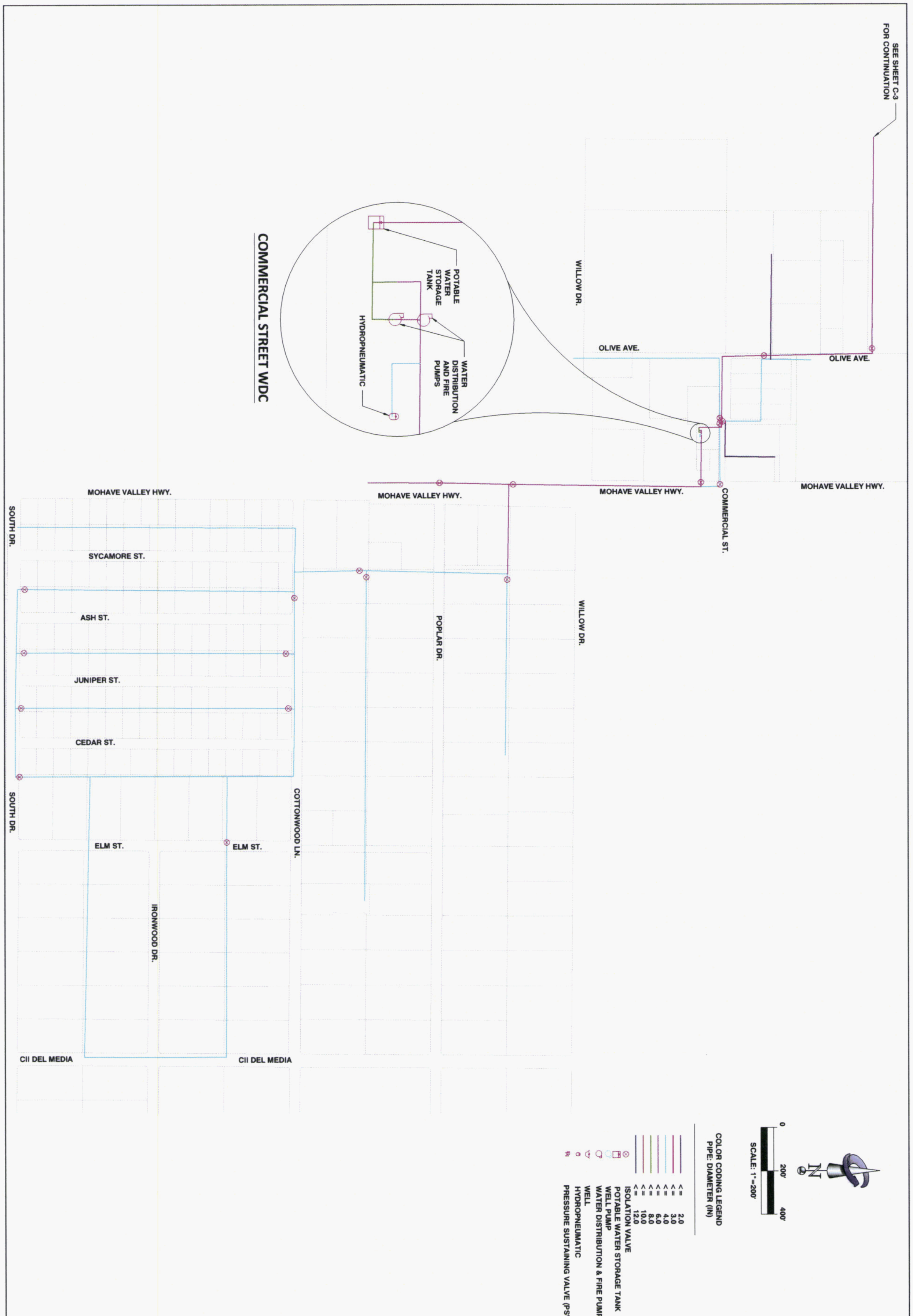
3 OF 5



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COMMERCIAL WATER MAP

PROJECT: WILLOW VALLEY WATER COMPANY
WATER DISTRIBUTION SYSTEM

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1-800-STAKE-IT
(OUTSIDE MARICOPA COUNTY)

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APP'D: JT	DATE: 08/13

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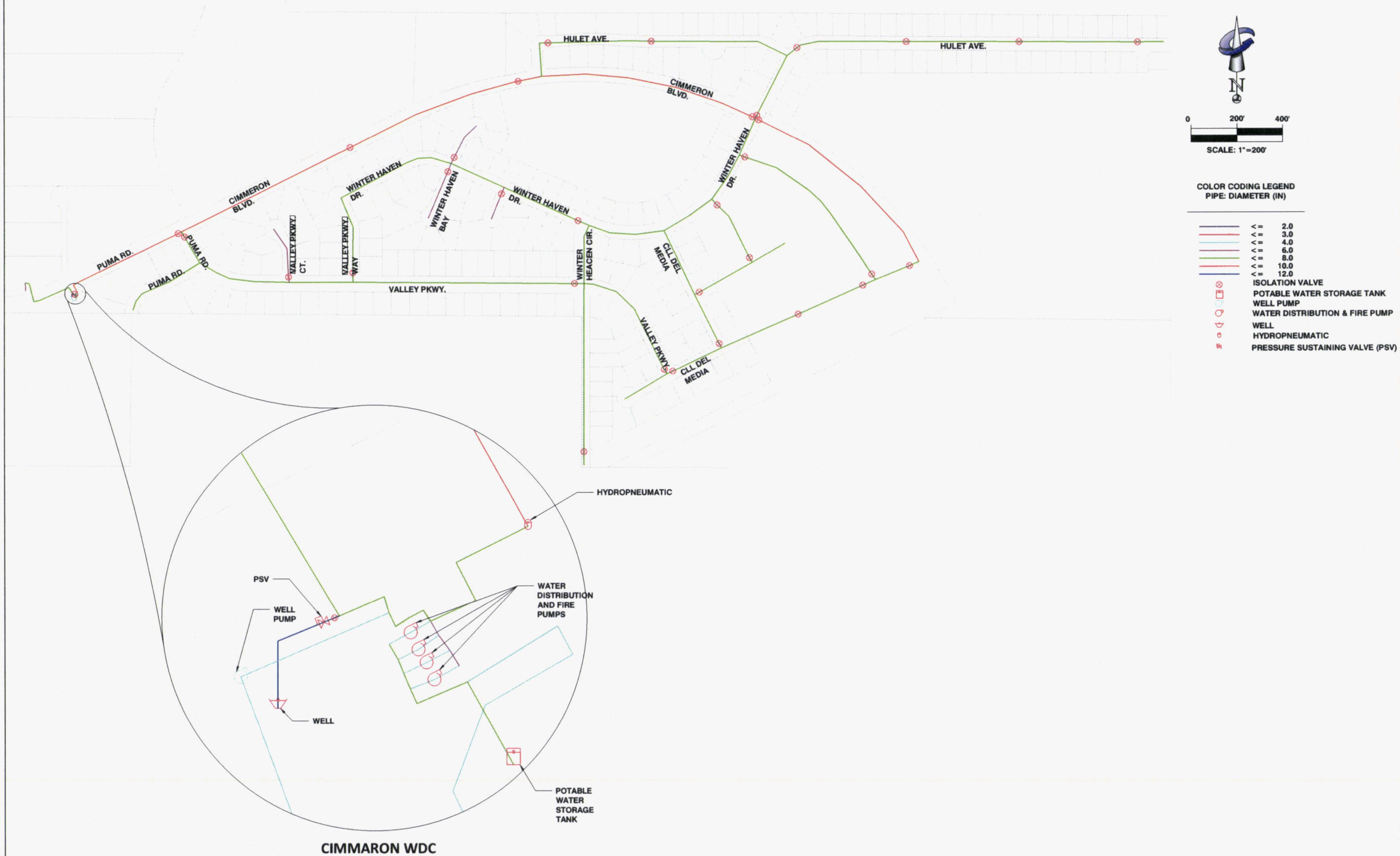

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CIMMARON WATER MAP

PROJECT: WILLOW VALLEY WATER COMPANY
WATER DISTRIBUTION SYSTEM

602-263-1100
1-800-STAKE-IT

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APP'VD: JT	DATE: 08/13
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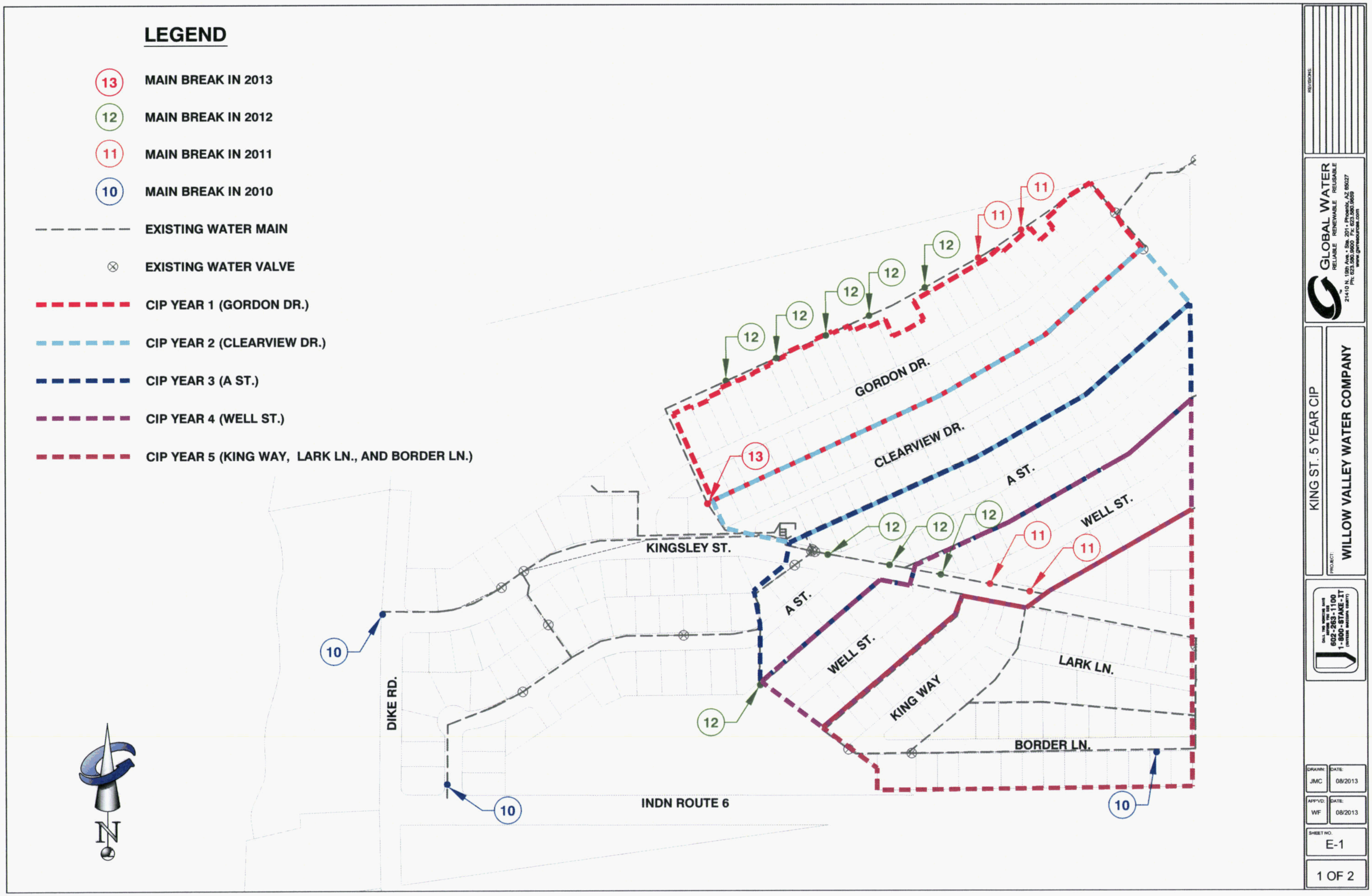
FIGURE 3


LEGEND
13 MAIN BREAK IN 2013
12 MAIN BREAK IN 2012
11 MAIN BREAK IN 2011
10 MAIN BREAK IN 2010
EXISTING WATER MAIN
EXISTING WATER VALVE
CIP YEAR 1 (GORDON DR.)
CIP YEAR 2 (CLEARVIEW DR.)
CIP YEAR 3 (A ST.)
CIP YEAR 4 (WELL ST.)
CIP YEAR 5 (KING WAY, LARK LN., AND BORDER LN.)
GORDON DR.
CLEARVIEW DR.
A ST.
WELL ST.
KINGSLEY ST.
KING WAY
LARK LN.
BORDER LN.
DIKE RD.
INDN ROUTE 6
N
GLOBAL WATER
RELIABLE RENEWABLE REUSABLE
KING ST. 5 YEAR CIP
WILLOW VALLEY WATER COMPANY
602-263-1100
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DRAWN: JMC
DATE: 08/2013
APPVD: WF
DATE: 08/2013
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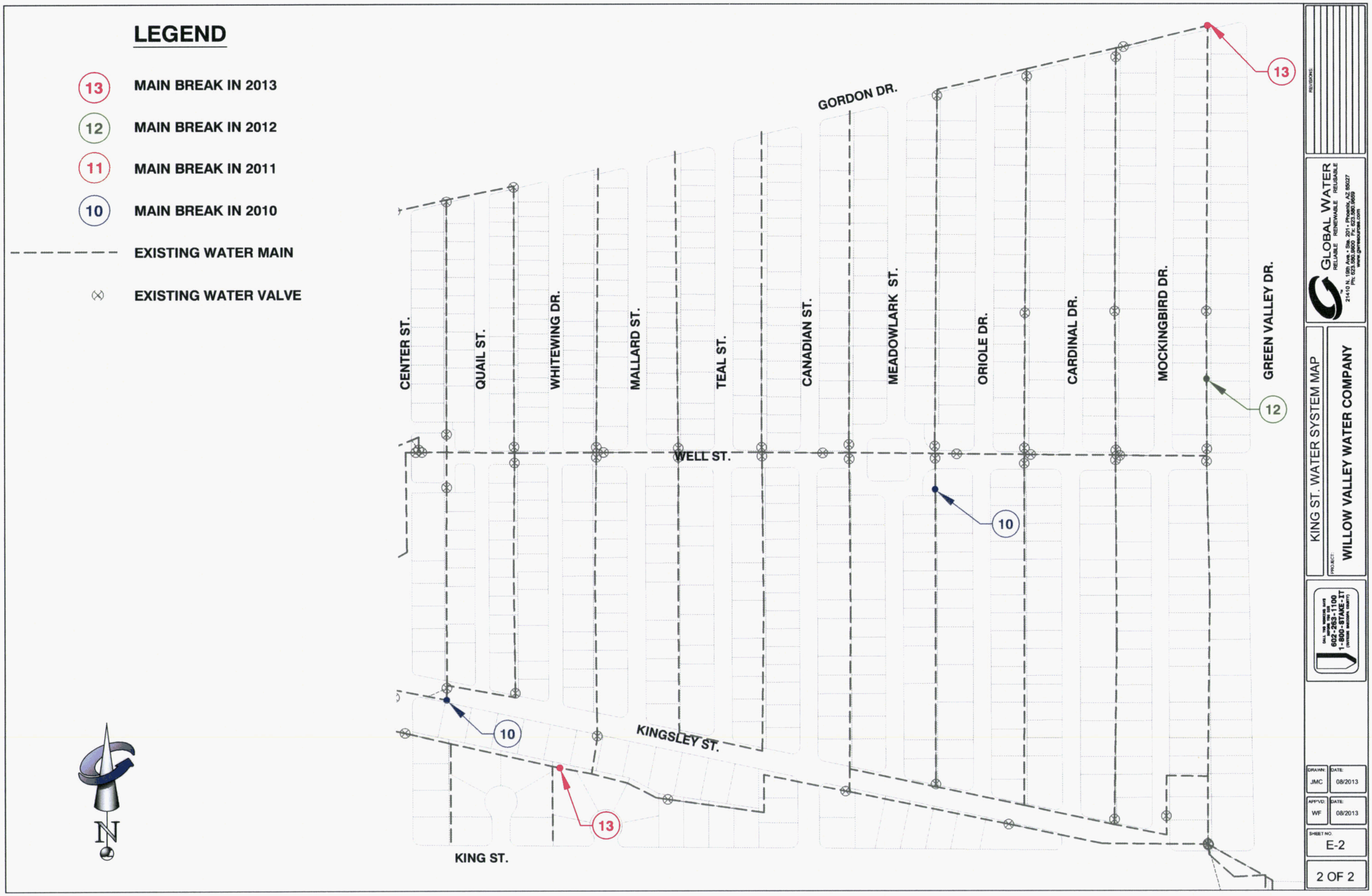
FIGURE 4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12 MAIN BREAK IN 2012
11 MAIN BREAK IN 2011
10 MAIN BREAK IN 2010
EXISTING WATER MAIN
EXISTING WATER VALVE
N
CENTER ST.
QUAIL ST.
WHITEWING DR.
MALLARD ST.
TEAL ST.
CANADIAN ST.
MEADOWLARK ST.
ORIOLE DR.
CARDINAL DR.
MOCKINGBIRD DR.
GREEN VALLEY DR.
GORDON DR.
WELL ST.
KINGSLEY ST.
KING ST.
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REVISIONS:
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21410 N. 19th Ave. • Ste. 201 • Phoenix, AZ 85027
Ph: 623.580.9600 Fx: 623.580.9659
www.gwresources.com
KING ST. WATER SYSTEM MAP
PROJECT:
WILLOW VALLEY WATER COMPANY
602-263-1100
1-800-STAKE-IT
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APPVD: WF
DATE: 08/2013
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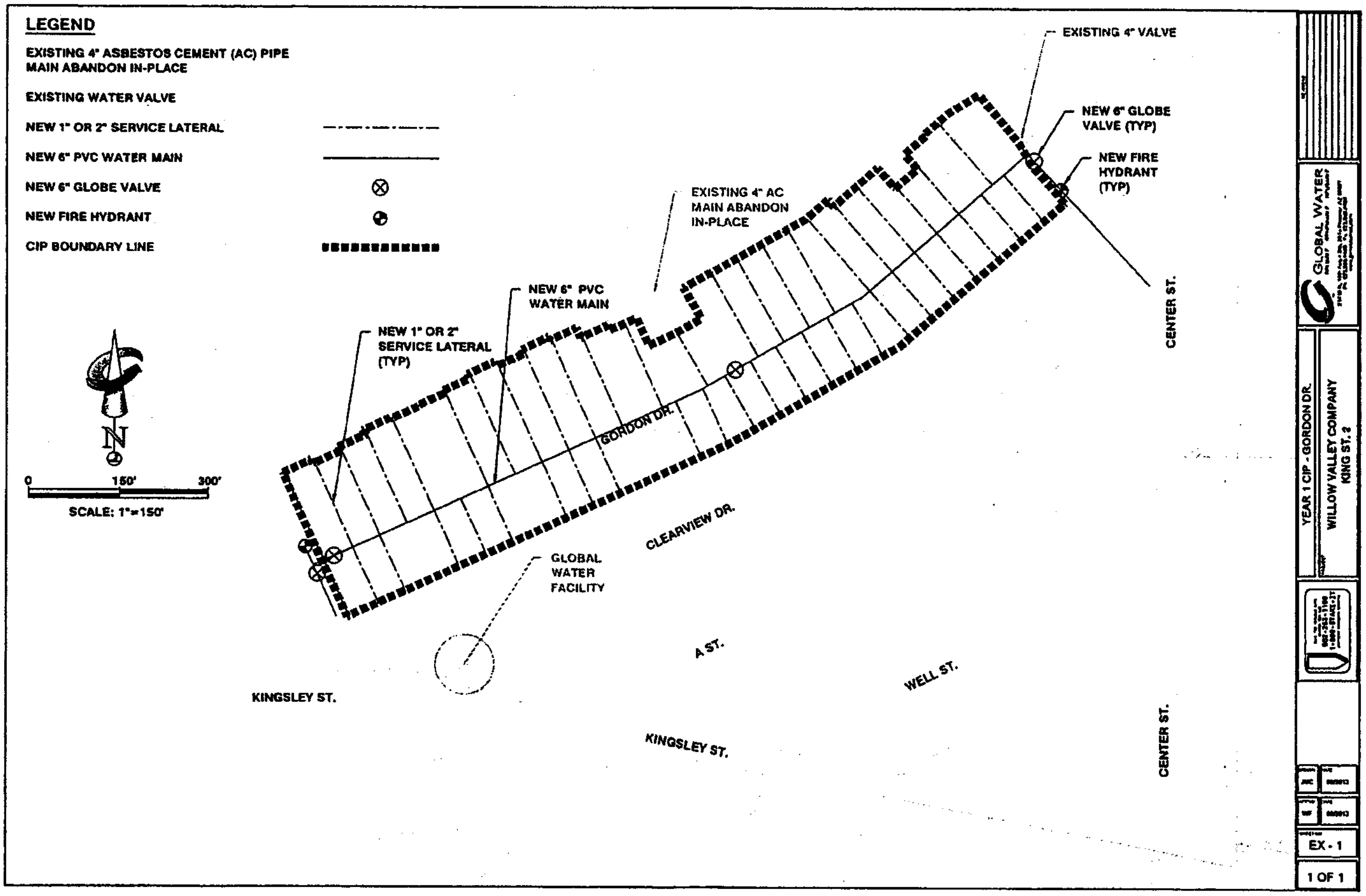
2 OF 2

FIGURE 5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EXISTING WATER VALVE
NEW 1" OR 2" SERVICE LATERAL
NEW 6" PVC WATER MAIN
NEW 6" GLOBE VALVE
NEW FIRE HYDRANT
CIP BOUNDARY LINE
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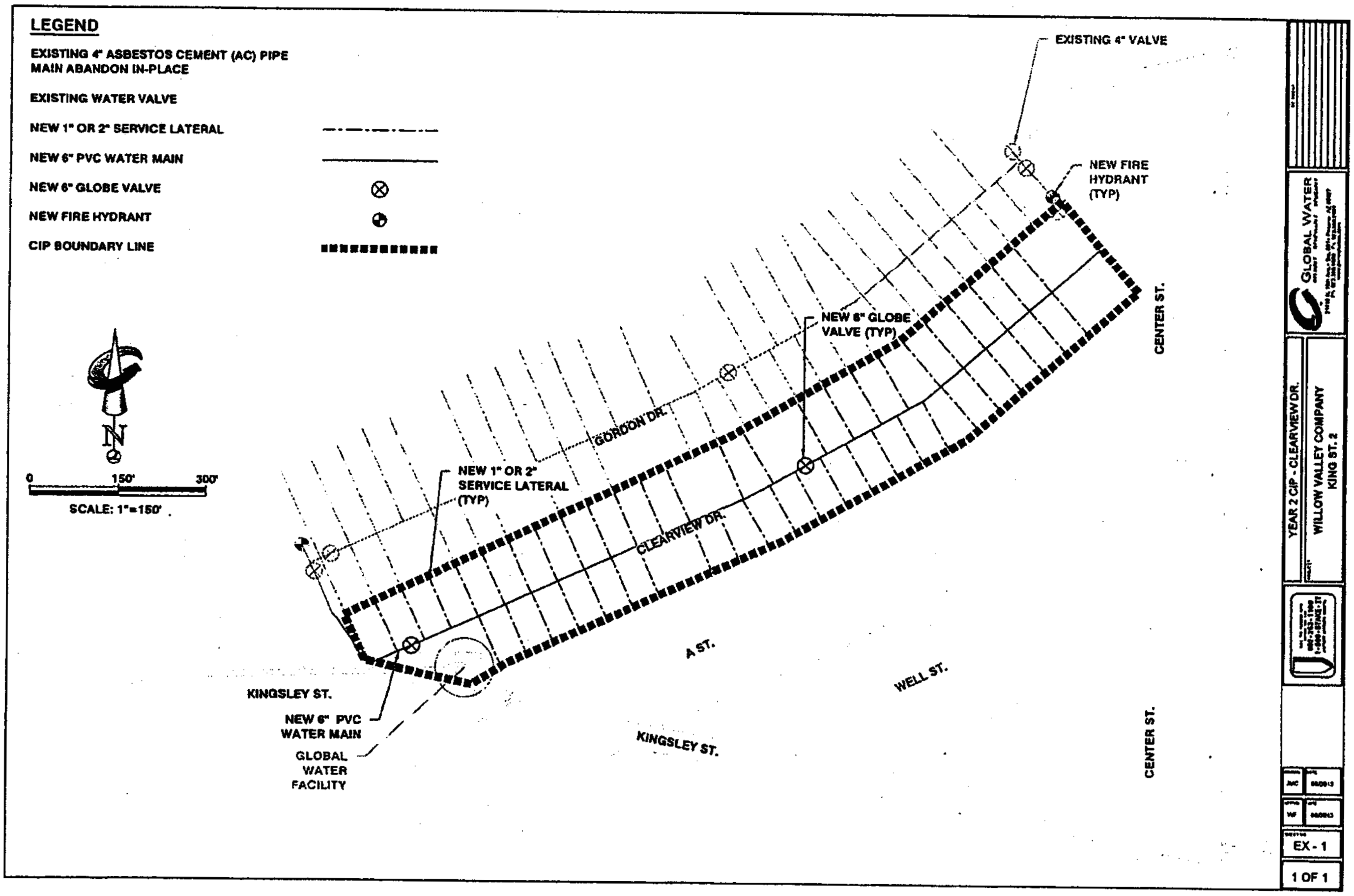
150'
300'
SCALE: 1"=150'
EXISTING 4" VALVE
NEW 6" GLOBE VALVE (TYP)
NEW FIRE HYDRANT (TYP)
EXISTING 4" AC MAIN ABANDON IN-PLACE
NEW 6" PVC WATER MAIN
NEW 1" OR 2" SERVICE LATERAL (TYP)
GORDON DR.
CENTER ST.
CLEARVIEW DR.
GLOBAL WATER FACILITY
A ST.
WELL ST.
KINGSLEY ST.
KINGSLEY ST.
CENTER ST.
GLOBAL WATER
YEAR 1 CIP - GORDON DR.
WILLOW VALLEY COMPANY
KING ST. 2
EX - 1
1 OF 1

FIGURE 6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NEW 6" PVC WATER MAIN
NEW 6" GLOBE VALVE
NEW FIRE HYDRANT
CIP BOUNDARY LINE
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150'
300'
SCALE: 1"=150'
EXISTING 4" VALVE
NEW FIRE HYDRANT (TYP)
NEW 6" GLOBE VALVE (TYP)
NEW 1" OR 2" SERVICE LATERAL (TYP)
GORDON DR.
CLEARVIEW DR.
CENTER ST.
A ST.
WELL ST.
KINGSLEY ST.
NEW 6" PVC WATER MAIN
GLOBAL WATER FACILITY
KINGSLEY ST.
CENTER ST.
GLOBAL WATER
YEAR 2 CIP - CLEARVIEW DR.
WILLOW VALLEY COMPANY
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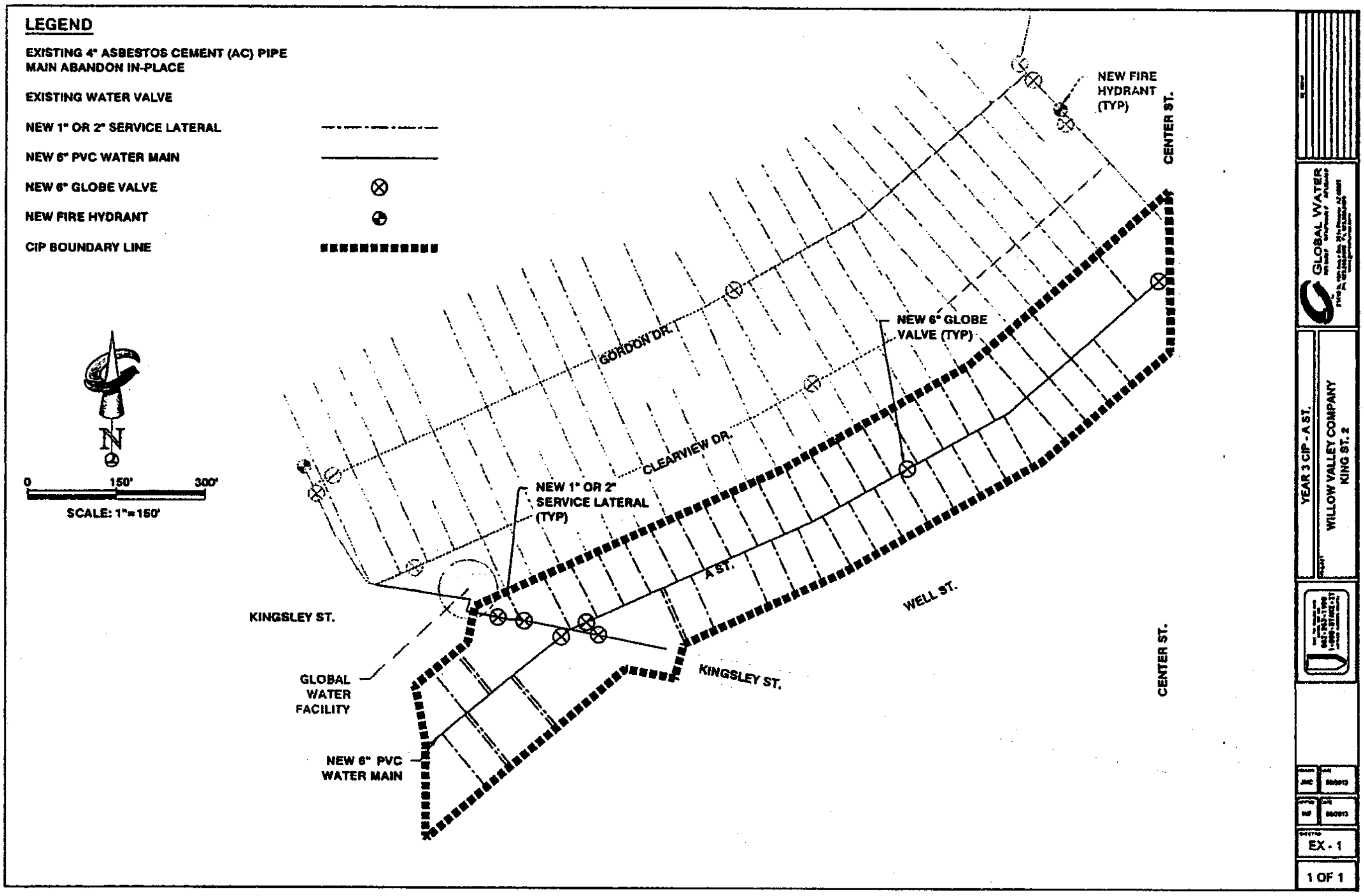
EX - 1
1 OF 1

FIGURE 7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EXISTING WATER VALVE
NEW 1" OR 2" SERVICE LATERAL
NEW 6" PVC WATER MAIN
NEW 6" GLOBE VALVE
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CIP BOUNDARY LINE
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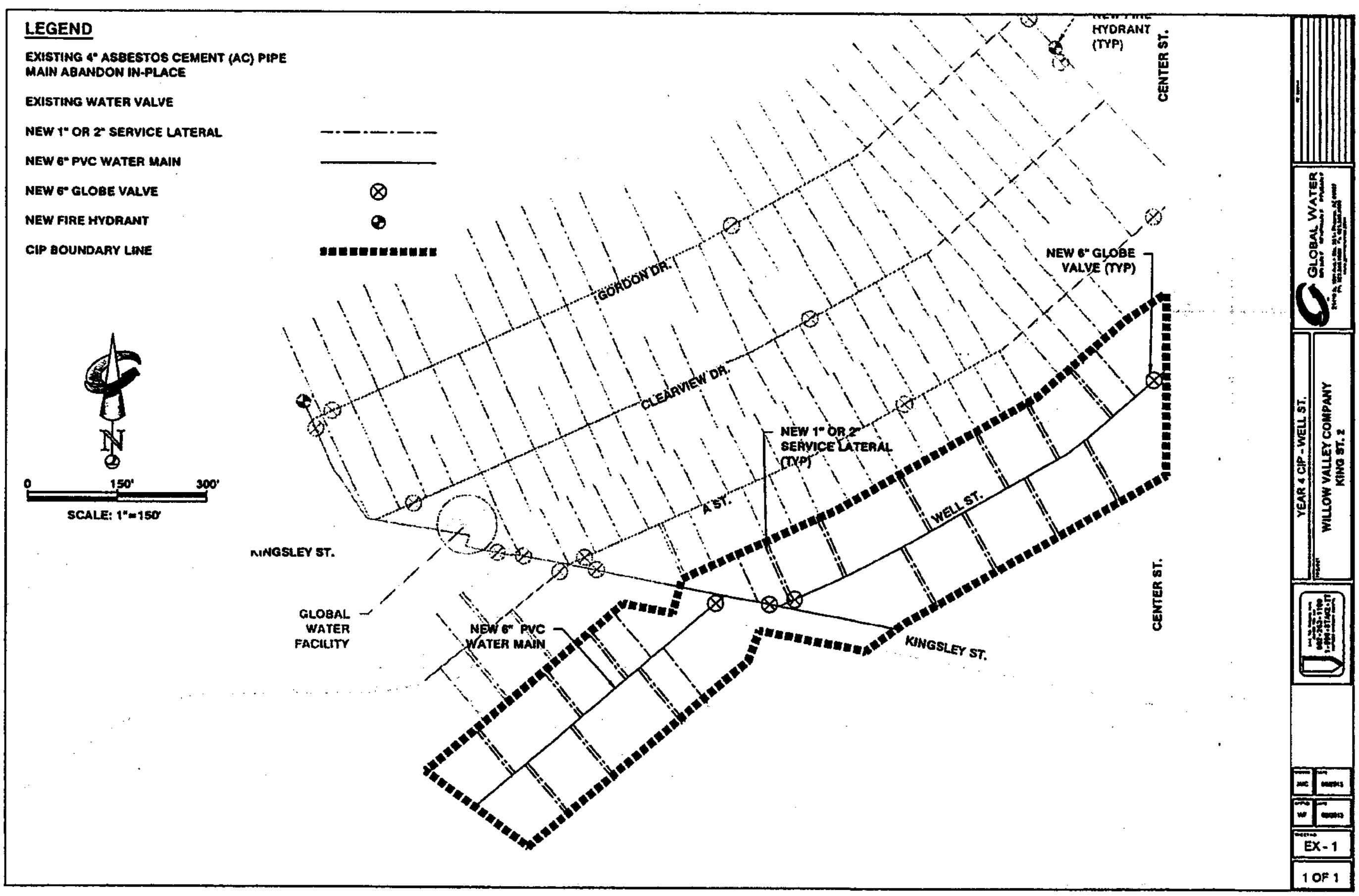
150'
300'
SCALE: 1"=150'
NEW FIRE HYDRANT (TYP)
CENTER ST.
GORDON DR.
NEW 6" GLOBE VALVE (TYP)
CLEARVIEW DR.
NEW 1" OR 2" SERVICE LATERAL (TYP)
A ST.
WELL ST.
KINGSLEY ST.
GLOBAL WATER FACILITY
KINGSLEY ST.
NEW 6" PVC WATER MAIN
CENTER ST.
GLOBAL WATER
YEAR 3 CIP - A ST.
WILLOW VALLEY COMPANY
KING ST. 2
EX - 1
1 OF 1

FIGURE 8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NEW 1" OR 2" SERVICE LATERAL
NEW 6" PVC WATER MAIN
NEW 6" GLOBE VALVE
NEW FIRE HYDRANT
CIP BOUNDARY LINE
0
150'
300'
SCALE: 1"=150'
N
HYDRANT
(TYP)
CENTER ST.
GORDON DR.
CLEARVIEW DR.
A ST.
WELL ST.
KINGSLEY ST.
NEW 6" GLOBE VALVE (TYP)
NEW 1" OR 2" SERVICE LATERAL (TYP)
GLOBAL WATER FACILITY
NEW 6" PVC WATER MAIN
GLOBAL WATER
YEAR 4 CIP - WELL ST.
WILLOW VALLEY COMPANY
KING ST. 2
EX - 1
1 OF 1

FIGURE 9

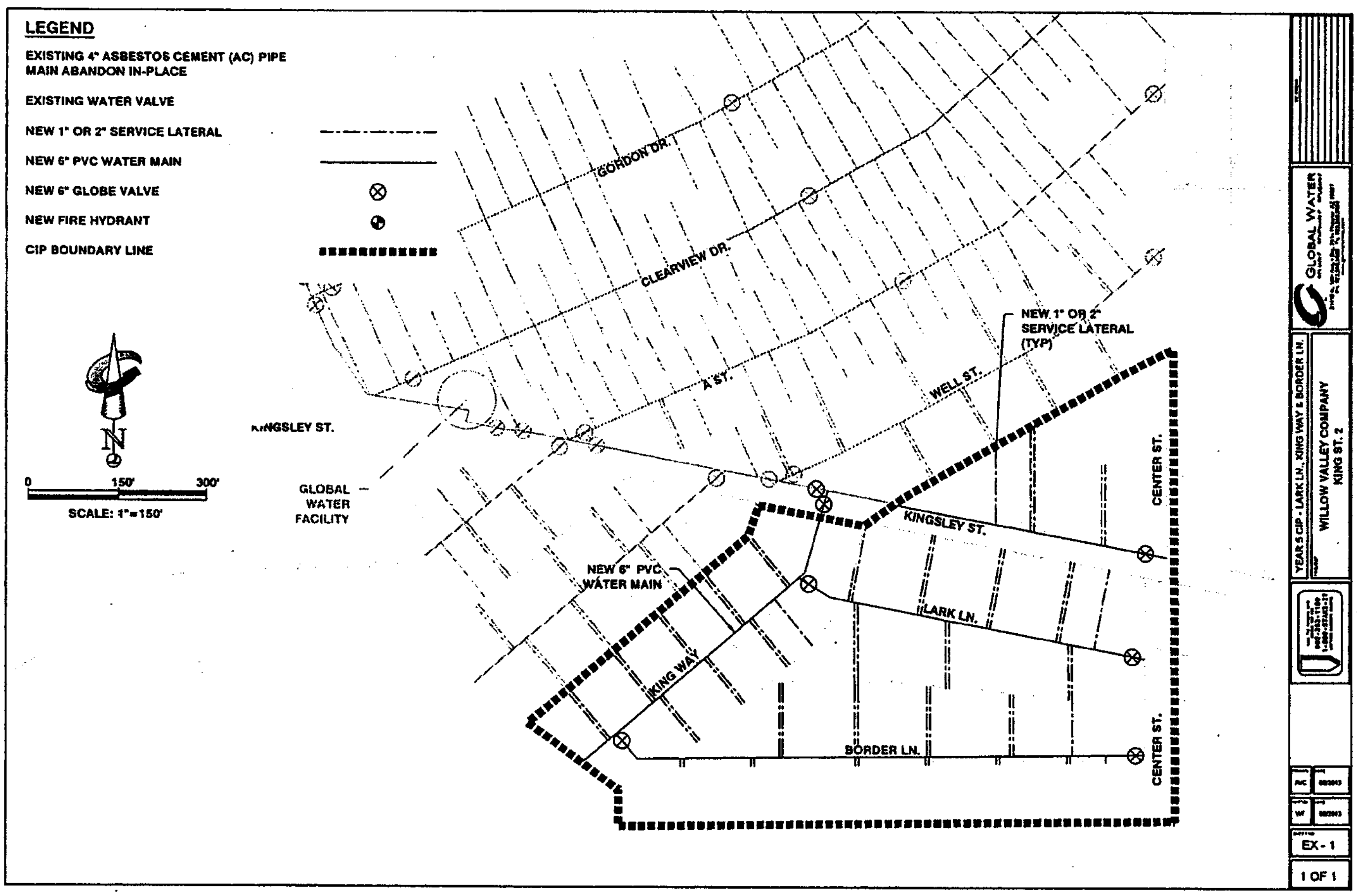

LEGEND
EXISTING 4" ASBESTOS CEMENT (AC) PIPE MAIN ABANDON IN-PLACE
EXISTING WATER VALVE
NEW 1" OR 2" SERVICE LATERAL
NEW 6" PVC WATER MAIN
NEW 6" GLOBE VALVE
NEW FIRE HYDRANT
CIP BOUNDARY LINE
N
0
150'
300'
SCALE: 1"=150'
GORDON DR.
CLEARVIEW DR.
A ST.
WELL ST.
KINGSLEY ST.
GLOBAL WATER FACILITY
NEW 1" OR 2" SERVICE LATERAL (TYP)
NEW 6" PVC WATER MAIN
LARK LN.
KING WAY
BORDER LN.
CENTER ST.
GLOBAL WATER
YEAR 5 CIP - LARK LN., KING WAY & BORDER LN.
WILLOW VALLEY COMPANY
KING ST. 2
EX - 1
1 OF 1

FIGURE 10

8/29/2013

WILLOW VALLEY- 5 YEAR SIB DETAILED COST ESTIMATES

SIB Year 1 Project #1 King Street (Gordon Dr.)					
Line	Item	QTY	Unit	Cost/Unit	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	1,626	LF	$40	$65,028
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,626	LF	$8	$12,996
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	47	EA	$255	$11,989
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	6,078	LF	$5	$31,786
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	6,078	LF	$6	$38,454
15110-700-3770	6" Globe Valve, 150 lb., Flanged	4	EA	$3,176	$12,705
	5-1/4" Fire Hydrants	2	EA	$1,642	$3,284
	Subtotal				*$176,243*
	Engineering., Surveying, Permitting (10%)				$17,624
	Contingency (10%)				$17,624
	Total				$211,491

SIB Year 2 Project #2 King Street (Clearview Dr.)					
Line	Item	QTY	Unit	Cost/Unit	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	1,805	LF	$40	$72,194
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	48	EA	$255	$12,244
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	4,647	LF	$5	$24,302
15110-700-3770	6" Globe Valve, 150 lb., Flanged	3	EA	$3,176	$9,529
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	4,647	LF	$3	$14,220
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,805	LF	$6	$10,030
	Subtotal				*$142,519*
	Engineering, Surveying, Permitting (10%)				$14,252
	Contingency (10%)				$14,252
	Total				$171,022

SIB Year 3 Project #3 King Street (A St.)					
Line	Item	QTY	Unit	Cost/Unit	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	1,447	LF	$40	$57,893
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	39	EA	$255	$9,948
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	3,894	LF	$5	$20,362
15110-700-3770	6" Globe Valve, 150 lb., Flanged	4	EA	$3,176	$12,705
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	3,894	LF	$3	$11,914
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,447	LF	$6	$8,043
	Subtotal				*$120,866*
	Engineering, Surveying and Permitting (10%)				$12,087
	Contingency (10%)				$12,087
	Total				$145,040

SJB Year 4 Project #4 King Street (Well St)					
Line Number	Item	QTY	Unit	Cost Per Foot	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	1,328	LF	$40	$53,110
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	35	EA	$255	$8,928
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	3909	LF	$5	$20,442
15110-700-3770	6" Globe Valve, 150 lb., Flanged	3	EA	$3,176	$9,529
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	3909	LF	$3	$11,961
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,328	LF	$6	$7,379
02510-840-8600	Install 4" Plug End (Not Including Excavation or Backfill)	2	EA	$34	$68
	Subtotal				*$111,417*
	Engineering, Surveying, Permitting (10%)				$11,142
	Contingency (10%)				$11,142
	Total				$133,701

SJB Year 5 Project #5 King Street (King Way)					
Line Number	Item	QTY	Unit	Cost Per Foot	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	643	LF	$40	$25,707
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	17	EA	$255	$4,336
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	1,712	LF	$5	$8,955
15110-700-3770	6" Globe Valve, 150 lb., Flanged	1	EA	$3,176	$3,176
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,712	LF	$3	$5,240
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	643	LF	$6	$3,572
02510-840-8600	Install 4" Plug End (Not Including Excavation or Backfill)	2	EA	$34	$68
	Subtotal				*$51,054*
	Engineering, Surveying, Permitting (10%)				$5,105
	Contingency (10%)				$5,105
	Total				$61,265

SJB Year 5 Project #5 King Street (Border Ln)					
Line Number	Item	QTY	Unit	Cost Per Foot	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	918	LF	$40	$36,705
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	22	EA	$255	$5,612
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	1,232	LF	$5	$6,441
15110-700-3770	6" Globe Valve, 150 lb., Flanged	2	EA	$3,176	$6,353
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,232	LF	$3	$3,769
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	918	LF	$6	$5,100
02510-840-8600	Install 4" Plug End (Not Including Excavation or Backfill)	2	EA	$34	$68
	Subtotal				*$64,048*
	Engineering, Surveying, Permitting (10%)				$6,405
	Contingency (10%)				$6,405
	Total				$76,857

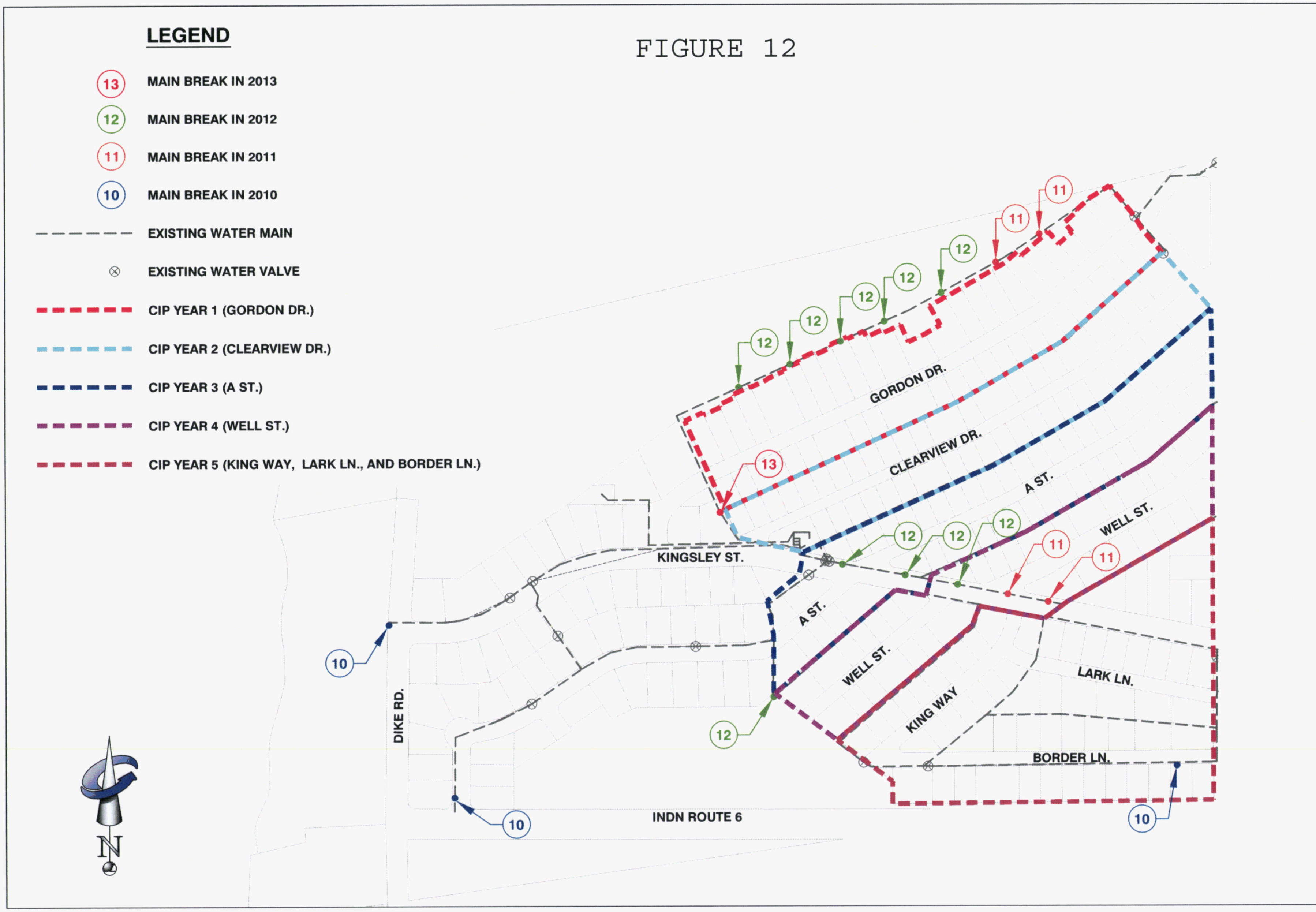
SIB Year 5-Project # 5 King Street (Lark Ln.)					
Line Number	Item	QTY	Unit	Cost Per Foot	Total Replacement Cost
	6" PVC, AWWA C900, Class 160, SDR 26 (Not Including Excavation or Backfill)	918	LF	$40	$36,705
02510-820-4100	1" to 2" Water Service Installation, Drill and Tap Pressurized Main (labor only)	22	EA	$255	$5,612
02510-920-2200	1" Copper Pipe Water Service Installation (Not Including Excavation or Backfill)	1,232	LF	$5	$6,441
15110-700-3770	6" Globe Valve, 150 lb., Flanged	2	EA	$3,176	$6,353
G1030-805-1330	2' Wide 4' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	1,232	LF	$3	$3,769
G1030-805-1340	2' Wide 6' Deep, 3/8 C. Y. Bucket (Includes: Excavation, backfill and removal of spoil, and compaction)	918	LF	$6	$5,100
02510-840-8600	Install 4" Plug End (Not Including Excavation or Backfill)	2	EA	$34	$68
	Subtotal				*$64,048*
	Engineering, Surveying, Permitting (10%)				$6,405
	Contingency (10%)				$6,405
	Total				$76,857

FIGURE 11

5 YEAR SIB - COST SUMMARY TABLE

Year	2014		2015		2016		2017		2018		5-Year Total	
Plant	units	cost	units	cost	units	cost	units	cost	units	cost	units	cost
Pipelines	1,626	$ 93,630	1,805	$ 98,669	1,447	$ 79,124	1,328	$ 72,668	2,478	$ 135,711		$ 479,801
Services	47	$ 98,674	48	$ 60,919	39	$ 50,670	35	$ 49,598	61	$ 60,210		$ 320,070
Meters	-	$ -	-	$ -	-		-	$ -	-	$ -	-	$ -
Hydrants	2	$ 3,941	-	$ -	-			$ -	-	$ -		$ 3,941
Valves	4	$ 15,246	3	$ 11,435	4	$ 15,246	3	$ 11,435	5	$ 19,058		$ 72,420
Total		$ 211,491		$171,022		$145,040		$133,701		$ 214,979		$ 876,233

FIGURE 12



GLOBAL WATER
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KING ST. 5 YEAR CIP

PROJECT: WILLOW VALLEY WATER COMPANY

602-263-1100
1-800-STAKE-IT

DRAWN: JMC	DATE: 08/2013
APP'VD: WF	DATE: 08/2013

SHEET NO. E-1

1 OF 2

FIGURE 13

Company Name: Willow Valley Water Company Inc
Name of System: King Street

WILLOW VALLEY SIB- HISTORICAL WATER LOSS TOTALS

Year	Total Gallon Sold	Total Gallon Pumped	System Water Leakage
2008	91,995	115,312	20.2%
2009	101,495	121,812	16.7%
2010	83,227	104,209	20.1%
2011	68,712	89,824	23.5%
2012	66,696	87,516	23.8%

Source: 2008-2012 Willow Valley Water Company Annual Report

WILLOW VALLEY SIB-PROJECT FUTURE WATER LOSS

Year	SIB Project	Projected Water Loss
2014*	Project 1 Completed	<19%
2015*	Project 2 Completed	<16%
2016*	Project 3 Completed	<14%
2017*	Project 4 Completed	<12%
2018*	Project 5 Completed	<10%

* The reduction in water loss is calculated by taking the realized benefits from replacing the aging infrastructure that has failed a multitude of times in the past and proved to be a major contributor to the water loss recorded for the system. The overall objective of the Willow Valley Water Company is to reduce the overall system water loss to approximately 7%. The 5 Year SIB Project Plan targets the area where infrastructure is most prone to failure and the biggest contributor to water loss. It is estimated that water loss will be at approximately 10% when all five SIB projects have been completed.

FIGURE 14

Willow Valley- SIB Submittal

5 YEAR HISTORICAL COSTS DETIAL

2008 Historical Costs

Item	Desc	Cost
Pipelines	$34,682 dollars expended towards Capital Expenditure Projects to repair main breaks that occurred within the last 5 years and install/maintain necessary valves. $4,256 dollars spent in maintenance activites on the pipeline infrastructure	$ 38,939
Services	$1,949 dollars spent on installing new water services	$ 1,949
Meters	$1,480 dollars spent on installing new meters	$ 1,470
Hydrants	$9,975 dollars spent on installing/ maintaining fire hydrants	$ 9,975
Total		$ 52,332.58

2009 Historical Costs

Item	Desc	Cost
Pipelines	$20,132 dollars expended towards Capital Expenditure Projects to repair main breaks that occurred within the last 5 years and install/maintain necessary valves. $7,465.06 dollars spent in maintenance activites on the pipeline infrastructure	$ 27,597
Services	$1,22 dollars spent on installing new water services	$ 1,322
Meters	$2,331 dollars spent on installing new meters	$ 2,331
Hydrants	$9,975 dollars spent on installing/ maintaining fire hydrants	$ -
Total		$ 31,249.85

2010 Historical Costs

Item	Desc	Cost
Pipelines	$8,960 dollars expended towards Capital Expenditure Projects to repair main breaks that occurred within the last 5 years and install/maintain necessary valves. $3,436.59 dollars spent in maintenance activites on the pipeline infrastructure	$ 12,396
Services	No new services added this year	$ -
Meters	$309,135 dollars spent on installing all new water meters at each service location- complete meter replacement program	$ 309,135
Hydrants	$0 spent on Hydrants this year	$ -
Total		$ 321,531.27

2011 Historical Costs

Item	Desc	Cost
Pipelines	$28,103 dollars expended towards Capital Expenditure Projects to repair main breaks that occurred within the last 5 years and install/maintain necessary valves. $14,128.66 dollars spent in maintenance activites on the pipeline infrastructure	$ 42,232
Services	No new services added this year	$ -
Meters	$29 dollars spent on installing all new water meters this year and $1,825.98 in maintenance on new metering system maintenance	$ 1,855
Hydrants	$9,425 dollars spent on installing/ maintaining fire hydrants	$ 9,425
Total		$ 53,511.32

2012 Historical Costs

Item	Desc	Cost
Pipelines	$33,524 dollars expended towards Capital Expenditure Projects to repair main breaks that occurred within the last 5 years and install/maintain necessary valves. $14,909.76 dollars spent in maintenance activites on the pipeline infrastructure	$ 48,434
Services	No new services added this year	$ -
Meters	$4,464 dollars spent on installing all new water meters this year, and $9,104.51 dollars spent on new meter system maintenance	$ 13,569
Hydrants	$2,119 dollars spent on installing/ maintaining fire hydrants	$ 2,119
Total		$ 64,122

5 YEAR HISTORICAL TOTAL: $ 522,747

FIGURE 15

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – GORDON DRIVE (2014)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	309 Supply Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
1										Supply mains not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – GORDON DRIVE (2014)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	331 T&D Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Cost (by project)	
1	331	1,626	6	PVC	$66.96	Gordon Drive	2014		$108,876	Install approximately 1,626 LF of 6-inch water main that will replace the existing water main that is constructed of 4 inch Asbestos Cement (AC) pipe. Also, 4 new valves will be installed at appropriate locations as to provide adequate system isolation when necessary. There have been seven recorded main line breaks on this section of water main over the last three years.
Estimated Total Cost									$108,876	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE 1 – GORDON DRIVE (2014)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	333 Service	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
1	333	47	1-inch	Copper	$2,099	Gordon Drive	2014		$98,674	Install approximately 6,078 LF of 1" copper services lines to 47 service connections for this project.
2										
3										
4										
5										
6										
7										
8										
9										
Estimated Total Cost									$98,674	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – GORDON DRIVE (2014)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	334 Meters	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Meters not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – GORDON DRIVE (2014)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	335 Hydrants	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1	335	2	5-1/4 inch	Cast Iron	$1,970	Gordon Drive	2014		$3,941	Install approximately two new fire hydrants to replace the existing hydrants that are not up to current standards and specifications.
2										
3										
4										
5										
6										
7										
Estimated Total Cost									$3,941	

FIGURE 16

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – CLEARVIEW DR (2015)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	309 Supply Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
1										Supply mains not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – CLEARVIEW DR (2015)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	331 T&D Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Cost (by project)	
1	331	1,805	6	PVC	$60.99	Clearview Drive	2015		$110,103	Install approximately 1,805 LF of 6-inch water main that will replace the existing water main that is constructed of 4 inch Asbestos Cement (AC) pipe. Also, 3 new valves will be installed at appropriate locations as to provide adequate system isolation when necessary. There was one recorded main line break on this section of water main recorded in the year 2013.
Estimated Total Cost									$110,103	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – CLEARVIEW DR (2015)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	333 Service	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1	333	48	1-inch	Copper	$1,269	Clearview Drive	2015		$60,919	Install approximately 4,647 LF of 1" copper services lines to 48 service connections for this project.
2										
3										
4										
5										
6										
7										
8										
9										
Estimated Total Cost									$60,919	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – CLEARVIEW DR (2015)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	334 Meters	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Meters not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – CLEARVIEW DR (2015)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	335 Hydrants	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Hydrants not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

FIGURE 17

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – A STREET (2016)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	309 Supply Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Supply Mains not included in this project
2										
3										
4										
5										
6										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – A STREET (2016)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	331 T&D Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Cost (by project)	
1	331	1,447	6	PVC	$65.21	A Street	2016		$94,370	Install approximately 1,447 LF of 6-inch water main that will replace the existing water main that is constructed of 4 inch Asbestos Cement (AC) pipe. Also, 4 new valves will be installed at appropriate locations as to provide adequate system isolation when necessary. There have been three recorded main line breaks on this section of water main over the last two years.
Estimated Total Cost									$94,370	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – A STREET (2016)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	333 Service	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1	333	39	1-inch	Copper	$1,299	A Street	2016		$50,670	Install approximately 3,894 LF of 1" copper services lines to 39 service connections for this project.
2										
3										
4										
5										
Estimated Total Cost									$50,670	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – A STREET (2016)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	334 Meters	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
1										Meters not included in this project
2										
3										
4										
5										
6										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – A STREET (2016)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	335 **Hydrants**	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Hydrants not included in this project
2										
3										
4										
Estimated Total Cost										

FIGURE 18

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE 1 – WELL STREET (2017)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	309 Supply Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Supply mains not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – WELL STREET (2017)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	331 T&D Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Cost (by project)	
1	331	1,328	6	PVC	$63.33	Well Street	2017		$84,103	Install approximately 1,328 LF of 6-inch water main that will replace the existing water main that is constructed of 4 inch Asbestos Cement (AC) pipe. Also, 2 new valves will be installed at appropriate locations as to provide adequate system isolation when necessary. There have been three recorded main line breaks on this section of water main over the last two years.
Estimated Total Cost									$84,103	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – WELL STREET (2017)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	333 Service	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1	333	35	1-inch	Copper	$1,417	Well Street	2017		$49,598	Install approximately 3,909 LF of 1" copper services lines to 35 service connections for this project.
2										
3										
4										
5										
6										
7										
8										
9										
Estimated Total Cost									$49,598	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – WELL STREET (2017)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
Project No.	334 Meters	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Meters not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – WELL STREET (2017)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant) 335 Hydrants	Replacement Plant Description (new plant) (SIB-eligible plant) Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)	Site (location description)	Replacement Plant Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 10 in SIB Engineering Report.
1										Hydrants not included in this project
2										
3										
4										
5										
6										
Estimated Total Cost										

FIGURE 19

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – KING WAY, BORDER LANE, LARK LANE (2018)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	309 Supply Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 11 in SIB Engineering Report.
1										Supply mains not included in this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – KING WAY, BORDER LANE, LARK LANE (2018)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 11 in SIB Engineering Report.
Project No.	331 T&D Mains	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Cost (by project)	
1	331	2,479	6	PVC	$62.43	King Way, Border Lane, Lark Lane	2018		$154,769	Install approximately 2,479 LF of 6-inch water main that will replace the existing water main that is constructed of 4 inch Asbestos Cement (AC) pipe. Also, 5 new valves will be installed at appropriate locations as to provide adequate system isolation when necessary. There have been one recorded main line breaks on this section of water main over the last two years.
Estimated Total Cost									$84,103	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – KING WAY, BORDER LANE, LARK LANE (2018)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%)
Project No.	333 Service	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	- Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 11 in SIB Engineering Report.
1	333	61	1-inch	Copper	$987	King Way, Border Lane, Lark Lane	2018		$60,210	Install approximately 4,176 LF of 1" copper services lines to 61 service connections for this project.
2										
3										
4										
5										
6										
7										
8										
9										
Estimated Total Cost									$60,210	

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – KING WAY, BORDER LANE, LARK LANE (2018)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. <u>Provide narrative why Replacement Plant is necessary:</u> - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. <u>Provide narrative explaining why this segment of plant is a priority:</u> Please reference Page 10 in SIB Engineering Report. 3. <u>Provide narrative explaining how replacing this plant will benefit existing customers:</u> reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. <u>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</u> The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. <u>Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB</u>. Please reference Page 11 in SIB Engineering Report.
Project No.	334 Meters	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Meters not included on this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

WILLOW VALLEY WATER COMPANY- KING STREET WATER SYSTEM
SIB PLANT TABLE I – KING WAY, BORDER LANE, LARK LANE (2018)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (new plant) (SIB-eligible plant)				Site (location description)	Replacement Plant			1. Provide narrative why Replacement Plant is necessary: - Replacement of existing plant that has exceeded its designated useful life and has worn out or is in severe deteriorating condition - Replacement of existing plant to address excessive water loss (greater than 20%) - Replacement of existing plant for other reasons detailed in SIB Engineering Report 2. Provide narrative explaining why this segment of plant is a priority: Please reference Page 10 in SIB Engineering Report. 3. Provide narrative explaining how replacing this plant will benefit existing customers: reduction in overall system water loss, fewer water outages due to reduction in main line breaks, brings infrastructure to current standards, adds appropriate working valves and hydrants to provide better overall service to customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers. The detailed engineering drawings in the SIB Engineering Report will prove that all work is to replace existing failing infrastructure, not to provide new service lines for future customers. 5. Provide reference to related page No. in the submitted detailed Engineering Analysis supporting the need for SIB. Please reference Page 11 in SIB Engineering Report.
Project No.	335 Hydrants	Pipe length/ Quantity	Diameter/ Size	Material	Installed Cost/Unit (estimated)		Expected In-Service Date	Estimated Subtotal Cost (by NARUC Acct No)	Estimated Subtotal Cost (by project)	
1										Hydrants not included on this project
2										
3										
4										
5										
6										
7										
Estimated Total Cost										

RUCO Question #1: Please provide a map showing where the SIB replacement projects are located within your CC&N.

Response: See attachment labeled Figure 14 which shows the location of the CC&N boundaries and the general location of the SIB projects. The location of the SIB projects is noted at the upper left hand corner: "See Figure 15 for 5 Year SIB Area." Figure 15, also attached, shows this portion of the CC&N in detail.

RUCO Question #2: Please identify the size of the existing pipe that is being replaced.

Response: The size of the existing pipeline is currently 4". The SIB pipeline replacement program will abandon the existing 4" pipeline infrastructure and replace it with new 6" pipeline infrastructure. The upsizing of infrastructure to 6" will provide several benefits to only the existing customer base, and are detailed as follows:

1. Provide more adequate fire protection in the area;
2. Adhere to Global Water's standard specification which dictates that a minimum 6" waterline is to be utilized for new pipeline installations;
3. The cost difference between 4" and 6" material and installation labor is minimal or even non-existent;
4. Provide better overall pressure sustainment to existing customers utilizing a properly sized 6" waterline; and
5. Availability of parts for 6" infrastructure is more readily available than 4".

The intention of upsizing the infrastructure is to provide better service to the existing customer base. It is not the intention to provide service to additional customers and/or developments in the future. The system benefits will strictly go to the existing customer base only. The location is at the edge of the CC&N (which borders Fort Mohave Indian Reservation land) in an area that is already fully developed, with no opportunity for growth or expansion.

Question #3: Please confirm the size of the pipe that is being installed for each project included in the SIB request.

Response: All new pipeline infrastructures to be installed per the SIB project plan are 6". This is described in Figure 10 of the Water System Engineering report for SIB. We have also provided a copy of Figure 10 your review.

Question #4: Please identify the lots involved with the SIB by APN, map-book-lot as recorded with Mohave County.

Response: Please see the attachment labeled Figure 13, showing the SIB by APN.

FIGURE 13

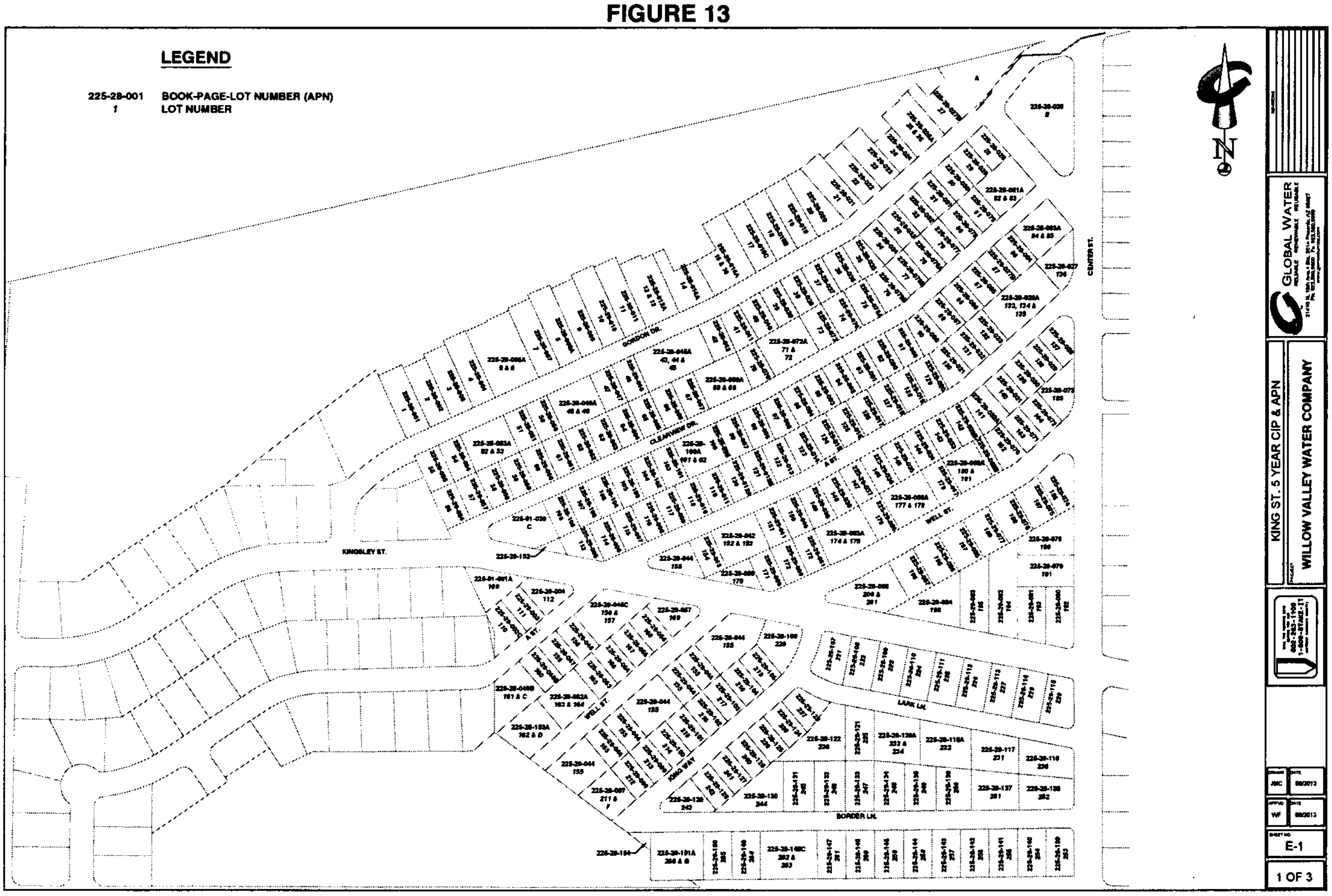
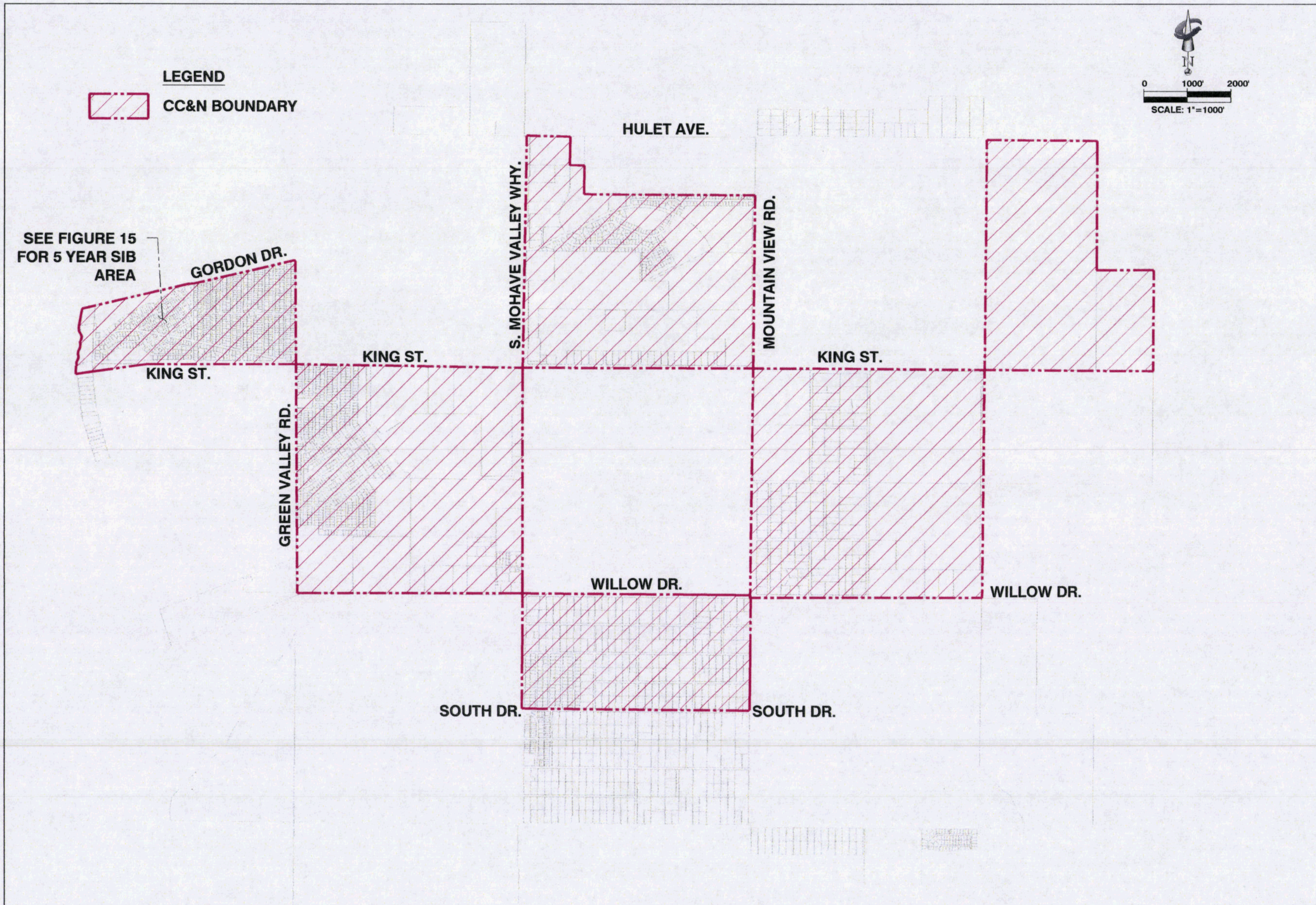

LEGEND
225-28-001 BOOK-PAGE-LOT NUMBER (APN)
1 LOT NUMBER
KINGSLEY ST.
CENTER ST.
LARK LN.
BORDER LN.
GLOBAL WATER
KING ST. 5 YEAR CIP & APN
WILLOW VALLEY WATER COMPANY
E-1
1 OF 3

FIGURE 14



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WATER DISTRIBUTION SYSTEM

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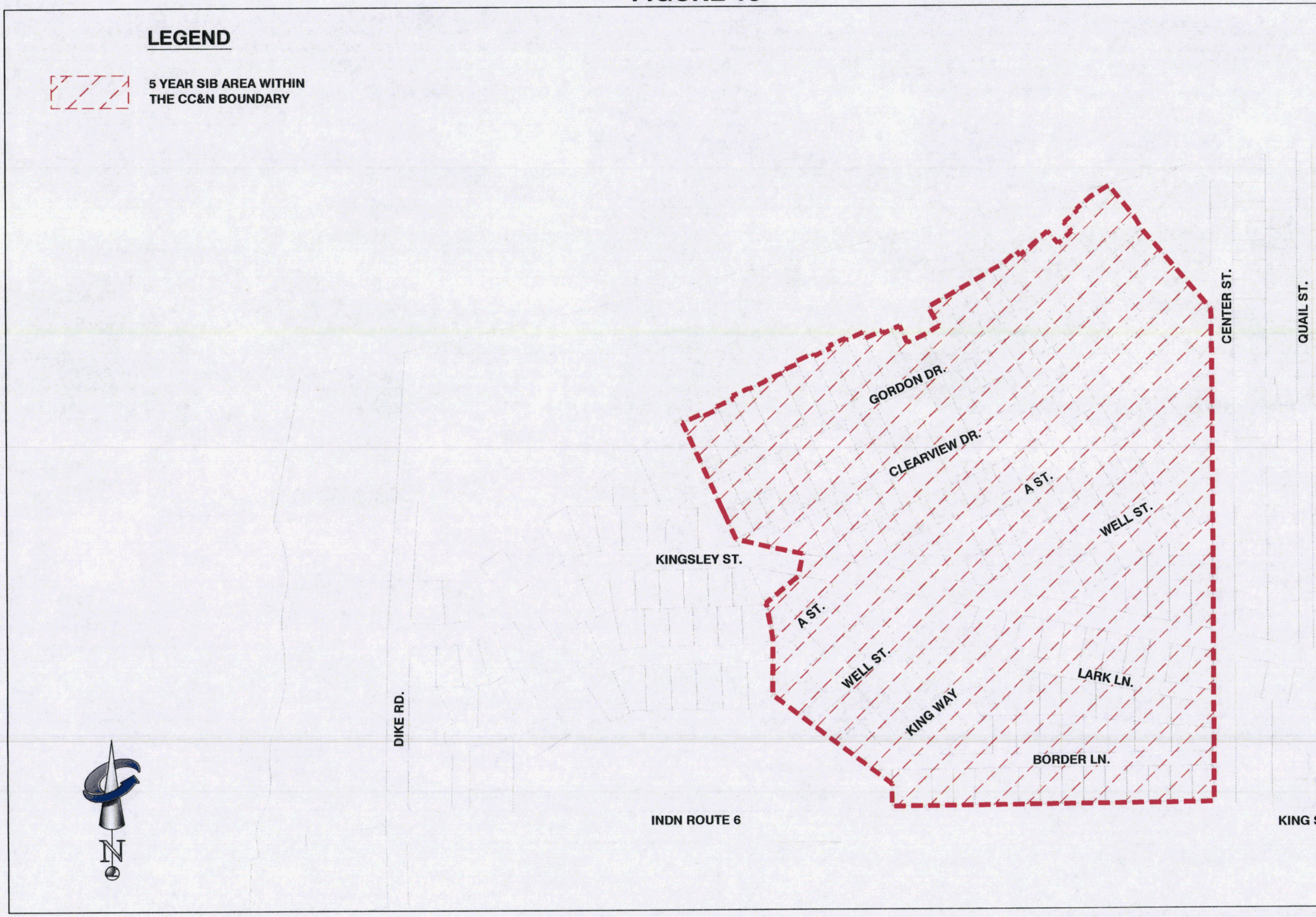
1-800-STAKE-IT
(OUTSIDE MARICOPA COUNTY)

DRAWN: JMC	DATE: 09/13
APPVD: JT	DATE: 09/13
SHEET NO: E-2	
2 OF 3	

FIGURE 15



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5 YEAR SIB AND CC&N BOUNDARY

PROJECT:
WILLOW VALLEY WATER COMPANY

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1-800-STAKE-IT
(OUTSIDE MARICOPA COUNTY)

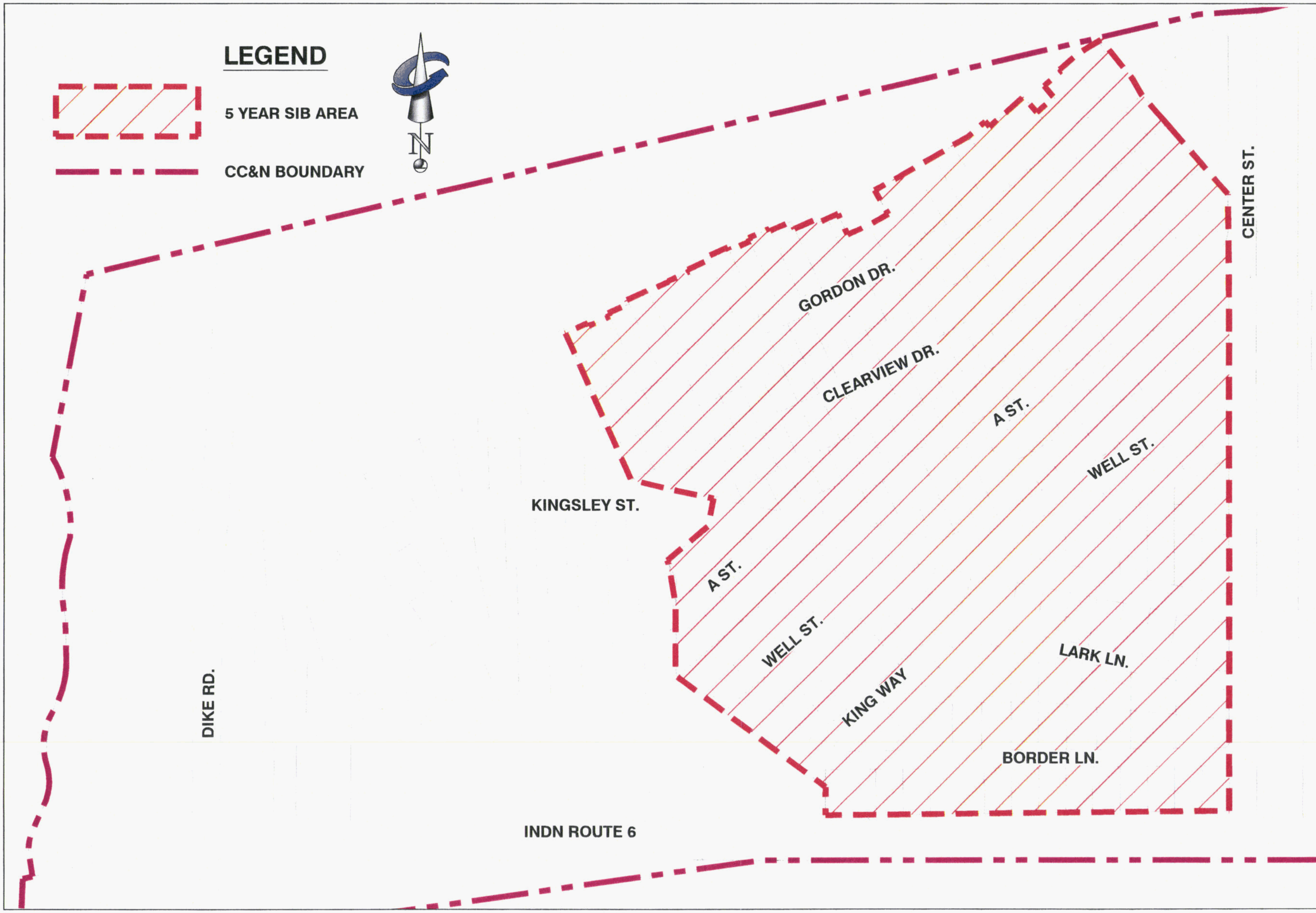
DRAWN: JMC	DATE: 08/2013
APP'VD: WF	DATE: 08/2013

SHEET NO.
E-3

3 OF 3

EXHIBIT A-44 ADMITTED

FIGURE 15



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5 YEAR SIB AND CC&N BOUNDARY	PROJECT: WILLOW VALLEY WATER COMPANY
602-263-1100	1-800-STAKE-IT
DRAWN: JMC	DATE: 08/2013
APPVD: WF	DATE: 08/2013
SHEET NO: E-3	3 OF 3

EXHIBIT
A-44

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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATI

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

IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – TOWN DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	Docket No. W-01212A-12-0309
IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – PALO VERDE UTILITIES COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. SW-20445A-12-0310
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF NORTHERN SCOTTSDALE, INC. FOR A RATE INCREASE	Docket Nos. W-03720A-12-0311
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER TONOPAH FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02450A-12-0312
IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02451A-12-0313 **NOTICE OF FILING WILLOW VALLEY WATER CO. REVISED KING STREET MAPS**

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – SANTA CRUZ WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-20446A-12-0314
IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-01732A-12-0315 **NOTICE OF FILING WILLOW VALLEY WATER CO. REVISED KING STREET MAPS**

Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company, Valencia Water Company – Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility of Northern Scottsdale (collectively, the "Global Utilities") and Global Water Resources, Inc., Hassayampa Utility Company, Inc., Global Water – Picacho Cove Utilities Company and Global Water – Picacho Cove Water Company (collectively, the "Global Intervenors", and with the Global Utilities, "Global") provide notice of filing the Revised King Street Maps Figure 3 and Figure 12 for the SIB Engineering Report. The maps were revised to incorporate changes requested by Commission Staff.

RESPECTFULLY SUBMITTED this 4th day of September, 2013.

ROSHKA DEWULF & PATTEN, PLC

By Timothy Sabo

Michael W. Patten
Timothy J. Sabo
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Attorneys for Global Utilities

Original +13 copies of the foregoing
filed this 4th day of September 2013, with:

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

Copies of the foregoing hand-delivered/mailed
this 4th day of September 2013 to:

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Assistant Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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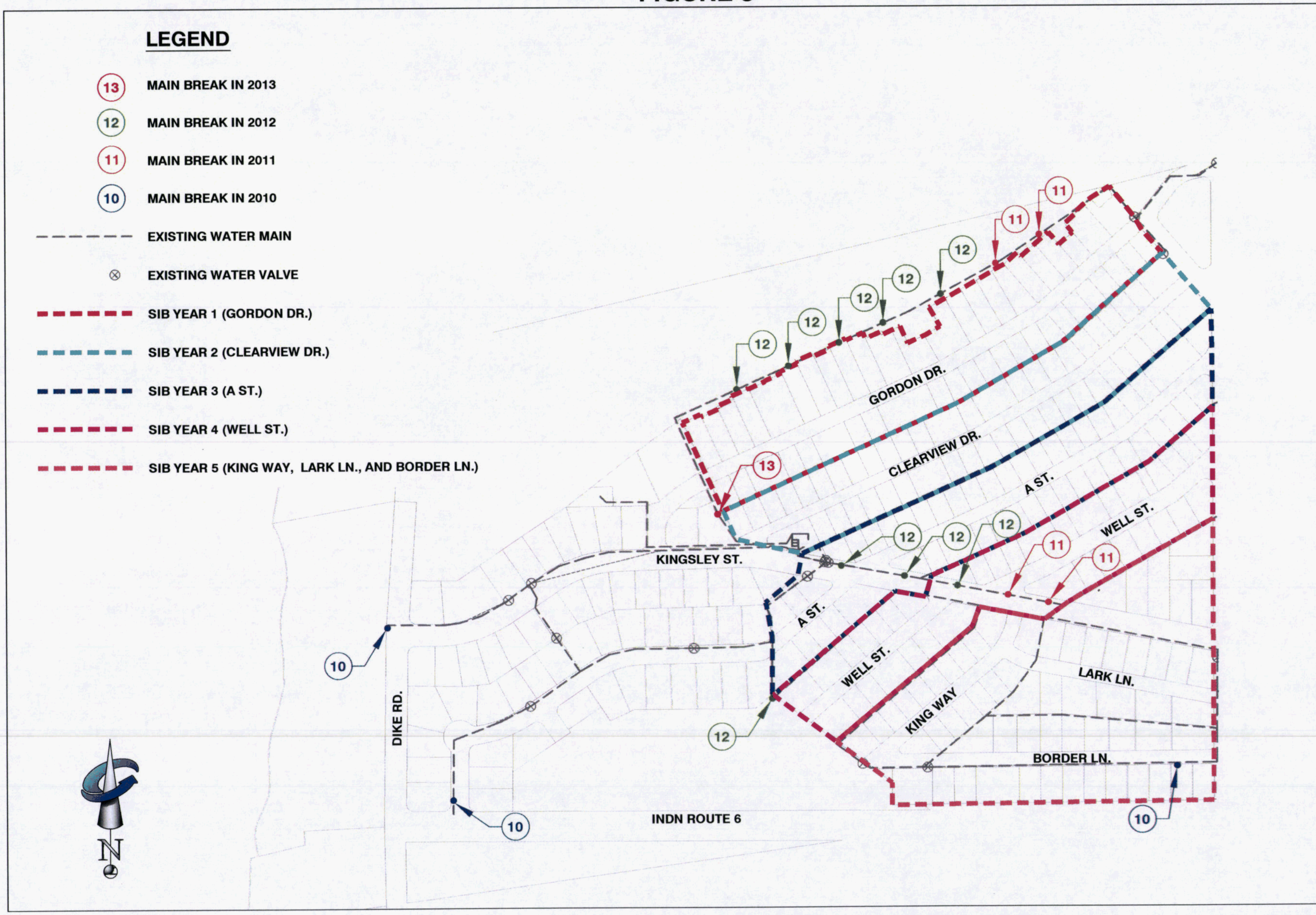
FIGURE 3



GLOBAL WATER — RELIABLE RENEWABLE REUSABLE — 21410 N. 19th Ave. • Ste. 201 • Phoenix, AZ 85027 Ph: 623.580.9600 Fx: 623.580.9659 www.gwresources.com	REVISIONS:
KING ST. 5 YEAR CIP	
PROJECT: WILLOW VALLEY WATER COMPANY	
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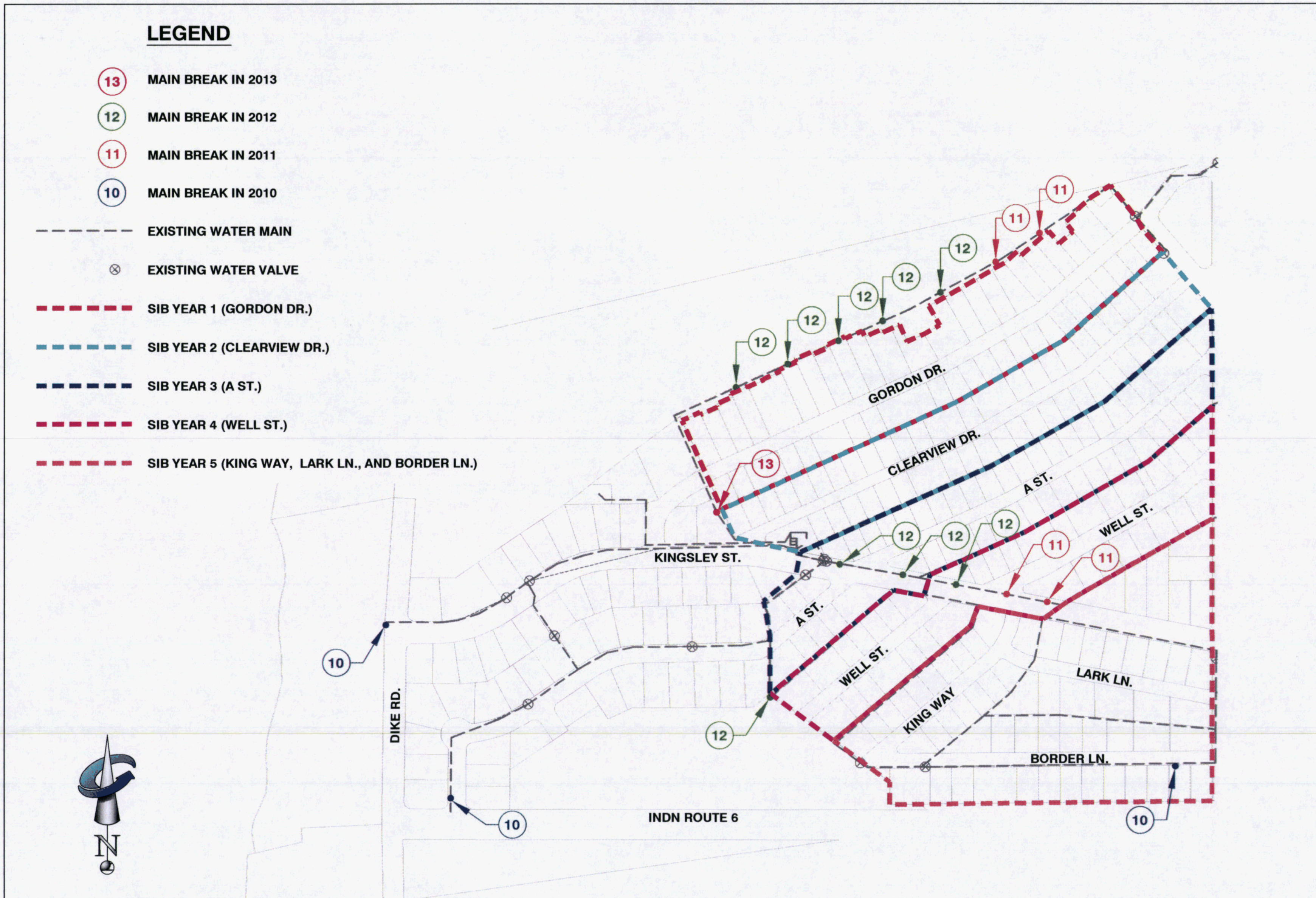
DRAWN: JMC	DATE: 08/2013
APPVD: WF	DATE: 08/2013
SHEET NO. E-1	1 OF 2

FIGURE 12



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DRAWN: JMC	DATE: 08/2013
APPVD: WF	DATE: 08/2013
SHEET NO. E-1	
1 OF 2	

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Arizona Corporation Commission
DOCKETED
JUN 27 2013
DOCKETED BY nR

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS EASTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	DOCKET NO. W-01445A-11-0310 DECISION NO. 73938 **PHASE 2** **OPINION AND ORDER**

DATE OF HEARING: April 8 and 11, 2013

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes

APPEARANCES:

Mr. Steven A. Hirsch, BRYAN CAVE LLP, on behalf of Arizona Water Company;

Mr. Timothy J. Sabo, ROSHKA DEWULF & PATTEN, PLC, on behalf of Global Water Utilities;

Mr. Michael T. Hallam, LEWIS AND ROCA LLP, on behalf of EPCOR Water Arizona, Inc.;

Mr. Michael M. Grant, GALLAGHER & KENNEDY, P.A., on behalf of Arizona Investment Council;

Mr. Jay L. Shapiro, FENNEMORE CRAIG, P.C., on behalf of Rio Rico Utilities, Inc. dba Liberty Utilities;

Mr. Garry Hays, LAW OFFICES OF GARRY HAYS, on behalf of the City of Globe;

Mr. Greg Patterson, on behalf of the Water Utilities Association of Arizona;

Mr. Daniel W. Pozefsky, Chief Counsel, on behalf of the Residential Utility Consumer Office; and

Ms. Bridget A. Humphrey and Mr. Wesley Van Cleve, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

Procedural History

On August 5, 2011, Arizona Water Company ("AWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application requesting adjustments to its rates and charges for utility service provided by its Eastern Group water systems, including its Superstition (Apache Junction, Superior, and Miami); Cochise (Bisbee and Sierra Vista); San Manuel; Oracle; SaddleBrooke Ranch; and Winkelman water systems. AWC also requested several other authorizations in the application.

On February 20, 2013, the Commission issued Decision No. 73736 in Phase 1 of this matter, granting AWC a rate increase for its Eastern Group systems and, among other things, keeping the docket open for purposes of further consideration of AWC's proposed Distribution System Improvement Charge ("DSIC"). Decision No. 73736 also set specific deadlines for: intervention; ruling on intervention requests;[1] commencement of settlement discussions; the latest date for a procedural conference; an update by the Commission's Utilities Division ("Staff") on settlement discussions; and consideration of a "Phase 2" DSIC Recommended Order (June 11 and 12, 2013 Open Meeting).

By Procedural Order issued February 21, 2013, as modified by Procedural Order issued February 25, 2013, this matter was scheduled for hearing commencing April 8, 2013, other procedural deadlines were established, and a procedural conference was scheduled for March 4, 2013.

On March 4, 2013, the procedural conference was conducted as scheduled during which the parties discussed various procedural matters.

On March 21, 2013, a Procedural Order was issued modifying certain filing deadlines established in the procedural schedule.

. . .

---

[1] In addition to the Residential Utility Consumer Office ("RUCO"), which participated in Phase 1 of the proceeding, intervention in Phase 2 was granted to Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty Utilities"); EPCOR Water Arizona, Inc. ("EPCOR"); Global Water Utilities ("Global Water"); Arizona Investment Council ("AIC"); the Water Utility Association of Arizona ("WUAA"); and the City of Globe ("Globe").

On April 1, 2013, Staff filed a Settlement Agreement signed by all parties except RUCO and Globe.

On April 2, 2013, RUCO filed a Motion for Clarification or in the Alternative Request to Take Judicial Notice of the Underlying Record. RUCO requested clarification as to whether the Commission intended to leave the record open from Phase 1 of this case.

On April 2, 2013, AWC filed a Joinder in RUCO's Motion for Clarification. AWC agreed with RUCO that the entire underlying record should be held open for citation and reference and that Phase 1 DSIC issues should not be re-litigated at the April 8, 2013 hearing.

On April 2, 2013, testimony in support of the Settlement Agreement was filed by Joel M. Reiker on behalf of AWC; by Steven M. Olea on behalf of Staff; by Greg Sorenson[2] on behalf of Liberty Utilities; by Ron Fleming and Paul Walker on behalf of Global Water; by Thomas M. Broderick on behalf of EPCOR; and by Gary Yaquinto on behalf of AIC.

On April 2, 2013, testimony in opposition to the Settlement Agreement was filed by Patrick J. Quinn and William A. Rigsby on behalf of RUCO.[3]

On April 4, 2013, a Procedural Order was issued stating that the evidentiary record in Phase 1 would be held open and incorporated into the Phase 2 record.

On April 4, 2013, Staff filed a Motion to Strike Portions of the Direct Settlement Testimony of William A. Rigsby.

On April 5, 2013, RUCO filed a Response to Staff's Motion to Strike.[4]

On April 8, 2013, an evidentiary hearing commenced before a duly authorized Administrative Law Judge ("ALJ"). The hearing continued and concluded on April 11, 2013. AWC, RUCO, Liberty Utilities, Global Water, EPCOR, AIC, WUAA, Globe, and Staff appeared through counsel.[5]

. . .

[2] Due to Mr. Sorenson's unavailability, his pre-filed testimony was adopted and sponsored by Christopher D. Krygier at the hearing. (Tr. 195-196.) [All citations are to the Phase 2 record unless otherwise indicated.]

[3] WUAA did not file testimony but its Director, Greg Patterson, filed a letter in the docket on April 2, 2013, expressing support of DSIC mechanisms generally, and for the System Improvement Benefits ("SIB") mechanism specifically, that is part of the Settlement Agreement. Globe did not file testimony and indicated on the first day of the hearing that its position regarding the Settlement Agreement was one of "neutrality." (Tr. 31.)

[4] Staff's Motion to Strike was denied on the first day of the hearing. (Tr. 8-11.)

[5] Although Kathie Wyatt, an AWC customer, was granted intervention in Phase 1, she did not appear or participate in the Phase 1 or Phase 2 hearings.

On April 15, 2013, AWC filed revised SIB Schedules A through D in accordance with Mr. Reiker's testimony at the hearing. (*See* Tr. 214-239.)

On April 29, 2013, post-hearing briefs were filed by AWC, RUCO, EPCOR, AIC, Staff, and jointly by Liberty Utilities and Global Water.

Overview of DSIC Mechanisms

As described in the Phase 1 Order in this proceeding (Decision No. 73736), AWC originally proposed implementation of a DSIC mechanism that would "allow it to recover, through abbreviated proceedings between general rate cases, the costs of the infrastructure necessary to replace its aging infrastructure, thereby ensuring the continued reliability of its service in the Eastern Group." (Decision No. 73736, at 84.) AWC claimed that a substantial investment in replacement of infrastructure was necessary to enable the Company to comply with Commission directives to reduce water losses on various systems to acceptable levels. (*Id.* at 84-85.)

In order to provide a contextual background for the DSIC issue in this Phase 2 Order, and for ease of reference to the Phase 1 record, we are reciting the following description of the parties' arguments and testimony that were set forth in Decision No. 73736.

DSIC Study and Proposed DSIC

As described in Decision No. 73736, AWC's DSIC Study, completed as a compliance item for AWC's prior company-wide rate case[6] and provided in an amended form as an exhibit in this case, asserted that both the United States as a whole, and AWC's Eastern Group in particular, are approaching a crisis because of the need for capital improvements to aging drinking water infrastructure. (*Id.* at 90.) The DSIC Study recounts that the American Society of Civil Engineers has given the country's drinking water system infrastructure a grade of D- and that the United States Environmental Protection Agency ("USEPA") has projected a 20-year capital improvement funding need for U.S. drinking water infrastructure of $334.8 billion and for Arizona drinking water infrastructure of $7.4 billion. (*Id.*)

. . .

[6] *See* Decision No. 71845 (August 25, 2010), at 95.

AWC's Phase 1 Arguments

AWC asserted that the concept of the DSIC grew out of the approaching crisis, first having been approved by the Pennsylvania Public Utility Commission ("PPUC") in 1996 in the face of Philadelphia Suburban Water Company's ("PSWC's") need to replace more than 3,100 miles of transmission and distribution mains, estimated otherwise to take approximately 212 years at PSWC's established infrastructure replacement pace. (*Id.*) The PPUC described the DSIC as a "proposed automatic adjustment clause." (*Id.*) In conceptually approving a DSIC, the PPUC stated:

> [W]ater companies face the daunting challenge of rehabilitating their existing distribution infrastructure before the property reaches the end of its service life to avoid serious public health and safety risks.
>
> In the Commission's judgment, the establishment of a DSIC along the lines proposed by PSWC can substantially aid the water company in meeting these challenges on behalf of the water consuming public. We agree with the company that the establishment of a DSIC would enable the company to address, in an orderly and comprehensive manner, the problems presented by its aging water distribution system, and would have a direct and positive effect upon water quality, water pressure and service reliability. For these reasons, we endorse the concept of using an automatic adjustment clause to address this regulatory problem for the water industry in Pennsylvania and, in particular, the type of DSIC proposed by PSWC.

The PPUC determined that the DSIC was "appropriately limited and narrowly tailored to recover a specific category of utility costs—the incremental fixed costs (depreciation and pre-tax return) associated with nonrevenue producing, nonexpense reducing distribution system improvement projects completed and placed in service between base rate cases" and further that the DSIC would not "'disassemble' the traditional ratemaking process" because it would recover only a narrow subset of total cost of service, would be capped to prevent "long-term evasion" of review of the plant costs recovered in rate base; and would reflect only the costs of used and useful plant placed into service during the three-month period before each DSIC surcharge update. (*Id.* at 91.)

AWC stated that the public utility commissions of California, Connecticut, Delaware, Illinois, Indiana, Missouri, New Hampshire, New Jersey, New York, and Ohio have also adopted DSIC-type mechanisms and that the National Association of Regulatory Utility Commissioners ("NARUC") has endorsed DSIC mechanisms (in 1999) and adopted a resolution identifying DSIC mechanisms as a Regulatory Policy Best Practice (in 2005). (*Id.*) According to AWC, PPUC Commissioners have characterized the DSIC as an important regulatory tool that includes numerous consumer safeguards and that has resulted in increased infrastructure investment. (*Id.*) Additionally, AWC claimed that both Moody's and Standard & Poors consider DSIC mechanisms to be credit supportive. (*Id.*) AWC also cited a recent survey concluding that two-thirds of American voters would be willing to pay an average of $6.20 more per month toward water system upgrades to ensure long-term access to clean water. (*Id.* at 92.) AWC estimated that the surcharge from its proposed DSIC would be approximately $1.00 per customer per month. (*Id.*)

Decision No. 73736 recounted that, according to AWC, the Commission has never approved a DSIC mechanism, although it has previously adopted a surcharge to provide funding for the replacement of undersized and inadequate water mains in the Town of Paradise Valley, in the form of a Public Safety Surcharge approved for Arizona-American Water Company ("Arizona-American") in Docket No. W-01303A-05-0405. (*Id.*) AWC acknowledged, however, that the Public Safety Surcharge was used to collect funds in advance of construction, whereas the DSIC is more similar to an Arsenic Cost Recovery Mechanism ("ACRM") in that the funds would be collected after construction. (*Id.*)

In Phase 1 of this case, AWC originally proposed a DSIC that would:

- Allow recovery of fixed costs associated with DSIC-eligible utility plant additions (net of retirements) placed in service between rate cases;
- Limit eligible plant additions to the following NARUC Uniform System of Accounts ("USOA") classifications:
  - 343 Transmission and Distribution Mains,
  - 344 Fire Mains,
  - 345 Services,
  - 346 Meters,
  - 347 Meter Installations,
  - 348 Hydrants, and
  - 398 Miscellaneous Equipment (Leak Detection Equipment);
- Require AWC to file with the Commission semi-annual DSIC updates (for step increases) reflecting the eligible plant placed in service during the six-month periods of November 1 through April 30 and May 1 through October 31, with the updates (step increases) to become effective, respectively, on July 1 and January 1;
- Require AWC to file, at least 30 days before the effective date of each DSIC update, supporting data for the update, to include the following for each system affected:
  - A balance sheet;
  - An income statement;
  - An earnings test schedule;
  - A rate review schedule showing the effects of the step increase on the income

statement and earnings test;
  - A revenue requirement schedule showing the calculation of the required increase;
  - A schedule showing the surcharge calculation, which would be broken down 50/50 between monthly fixed surcharge and volumetric surcharge and would be scaled to meter size based on equivalent capacity ratio;
  - A rate base schedule;
  - A Construction Work in Progress ledger showing monthly charges for construction of eligible DSIC facilities;
  - A schedule showing the calculation of the general plant allocation methodology; and
  - A typical bill analysis for 5/8" x ¾" meter customers;
- Require AWC to show the DSIC surcharge as a separate line item on each customer bill and, at least twice each year, to print a message on each customer bill explaining the DSIC surcharge and indicating the progress made in replacing aging infrastructure;
- Cap the DSIC at 7.5 percent of the annual amount billed to customers under otherwise applicable rates and charges;
- Require the DSIC to be reset to zero on the effective date of each new general rate case by including the DSIC-eligible plant in rate base; and
- Prohibit AWC from making a DSIC update filing for any system for which the rate of return earned in the applicable six-month period exceeded the rate of return that would be used to calculate the revenue requirement under the DSIC.[7]

AWC's proposal for the DSIC evolved over the course of the Phase 1 proceeding, with AWC accepting most of Staff's recommendations for any DSIC that would be adopted by the Commission (although Staff in Phase 1 continued to oppose the adoption of any DSIC). (*Id.* at 93.) Ultimately in Phase 1, AWC proposed a DSIC that differed from its original proposal in that the DSIC would:

- Be reviewed and modified annually rather than semi-annually;
- Require a Staff prudency and cost review before any plant costs could be included in the DSIC calculation;
- Require full Commission approval for the initial DSIC to take effect;
- Limit any annual DSIC adjustment to two percent of system revenues;
- Cap the total DSIC surcharge at six percent of system revenues;
- Require a second prudency review before DSIC-related plant costs could be included in rate base during a subsequent permanent rate case; and
- Require a true-up with refund (and interest) payments to ratepayers if it were determined during the subsequent rate case that over-collection had occurred.[8]

AWC contended that applicability of any DSIC or DSIC-like mechanism should not be limited to water systems that have water loss in excess of 10 percent because water loss can be attributable to factors other than failing infrastructure, and a system with significant infrastructure replacement needs can still have water loss lower than 10 percent due to the volume of water sold

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[7] *Id.* at 92-93.
[8] *Id.*

(such as in Superior, which has historically had water loss in excess of 10 percent but did not for the test year due to increased sales, and Apache Junction, which had water loss below 10 percent during the test year but has lost in excess of 200 million gallons of water each year from 1998 through 2009). (*Id.* at 93-94.) AWC also suggested that having excessive water loss as a prerequisite for DSIC eligibility could incentivize companies to ignore increasing water loss so that they could become eligible for DSIC treatment. (*Id.* at 94.)

AWC acknowledged in Phase 1 that its need to replace its aged infrastructure is not due to a legal mandate such as the revised USEPA maximum contaminant level ("MCL") for arsenic, but the Company drew a parallel between the USEPA MCL for arsenic and the Commission's order for AWC to reduce its water loss below 10 percent.[9] (*Id.*) AWC also asserted similarities between the DSIC and the ACRM, after which AWC ultimately modeled its proposed DSIC and without which, according to Mr. Garfield, AWC would not have been able to complete its arsenic remediation infrastructure. (*Id.*)

AWC also conceded that its infrastructure replacement needs have been developing for a long time (for example, in Bisbee, since AWC took over the system approximately 60 years ago) and that AWC has not been "ambushed" by the need to replace its aging infrastructure, but maintains that AWC has been replacing infrastructure as it has been able to do so, limited by its ability to fund capital improvements each year, by the increasing costs of infrastructure (from only $1 per foot to more than $100 per foot), and by considerations of the rate shock that would occur due to the "lumpy" nature of the replacement needs (*i.e.*, much infrastructure to be replaced at a time). (*Id.*) AWC did not argue that its need, as a water utility, to replace mains and other infrastructure is unusual, but did argue that the extent to which it needs to replace its aging infrastructure, i.e., the sheer volume of replacement needed, is extraordinary.[10] (*Id.*) While implementation of a DSIC

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[9] Mr. Garfield acknowledged that the Commission did not order AWC to reduce its water loss to below 10 percent even if it would not be cost-effective to do so. (Phase 1 Tr. at 115-16.)

[10] When asked what made AWC's situation extraordinary and warranted an adjustor mechanism, Mr. Reiker responded:

> From my perspective, I'm a finance person. The extraordinary nature is the shear [sic] magnitude of the investment. We've put evidence in the record, in Mr. Schneider's direct testimony, of massive amounts of investment that need to occur. That's extraordinary. We can't go out tomorrow and find an insurance company that will loan us $60 million. That's not going to happen.

would not alleviate AWC's need to fund the costs of the infrastructure replacement up front, AWC claimed that the DSIC would enable AWC to seek recovery of those costs in between rate cases and thus would strengthen AWC's ability to obtain the financing necessary to cover those up-front costs. (*Id.* at 95.) Mr. Garfield dismissed RUCO's characterization of the DSIC as an incentive for AWC to replace infrastructure that it is already responsible to replace in order to provide service, asserting that the DSIC is not an incentive, just a means to allow AWC to replace more of the infrastructure that it could not otherwise currently replace. (*Id.*) AWC also asserted in Phase 1 that in the absence of a DSIC, it would take AWC more than several hundred years (longer than the life of new infrastructure) to replace the infrastructure that needs to be replaced. (*Id.*) Mr. Garfield also pointed out in Phase 1 that the approximately $66 million in infrastructure replacements now needed is almost twice as much as the entire arsenic treatment remediation program that AWC had to undertake and for which it was able to obtain authorization of an ACRM. (*Id.*)

AWC acknowledged that it would benefit from a DSIC mechanism, but denied that its desire for a DSIC was motivated by a belief that the DSIC will ensure AWC's long-term profitability. (*Id.*) Mr. Harris testified in Phase 1 that the ACRM has not made AWC profitable, so he is not convinced that a DSIC will either. (*Id.*) According to AWC, ratepayers would be benefitted by DSIC because AWC will be able to accelerate its infrastructure replacement program, thereby improving service, reliability, safety,[11] and, in some cases, flows. (*Id.*) AWC disagreed that ratepayers have experienced any more risk as a result of the ACRM process and does not believe that ratepayers would experience any more risk as a result of the proposed DSIC process. (*Id.*) Mr. Garfield testified that ratepayers will benefit more from the DSIC—and ensuing rate gradualism—than they would from having a utility, "flush with cash," make a $38 million investment in one of AWC's

. . .

(Phase 1 Tr. at 276.) Mr. Reiker also acknowledged, however, that the need to replace the infrastructure was not a surprise, that AWC knew that it was going to have to be done at some point. (*Id.*)

[11] Mr. Garfield testified that AWC's water is safe, but that each main break and disruption causes a breach in the antiseptic barrier protecting the water supply, potentially exposing the water to soil and whatever else is in the environment. (Phase 1 Tr. at 166-67.) Mr. Garfield also testified that main breaks are almost a daily occurrence, something that could be changed through the authorization of a DSIC to allow recovery of the costs of infrastructure replacement. (*Id.* at 168.)

water systems and then file a rate case after the infrastructure is completed, as that would result in a very large increase in rate base and rates. (*Id.* at 95-96)

Although AWC did not factor into its Phase 1 DSIC proposal any reduction in operating expenses to reflect increased operating efficiencies, Mr. Garfield allowed that "there's some room for that to be considered . . . and probably some merit to that,"[12] although he also asserted that no other states have made such reductions in their DSIC mechanisms and suggested that operating and maintenance expenses could actually increase due to the level of replacements. (*Id.* at 96.) AWC characterized as arbitrary and unsupported the 15 percent reduction in operating and maintenance expenses proposed by RUCO in Phase 1 for any approved DSIC, suggesting that any such expense offset should be based on an objective standard such as the amount of main replaced. (*Id.*)

AWC also objected to Staff's proposed Sustainable Water Improvement Program ("SWIP"), presented as an alternative to the DSIC in Phase 1, which would have allowed deferral of costs and applied an Allowance for Funds Used During Construction ("AFUDC") component. (*Id.*) Mr. Garfield stated in Phase 1 that the SWIP would "negate the benefits of a DSIC by not having gradual changes in rates," would effectively raise the costs of the projects,[13] and would result in higher rates and even rate shock. (*Id.*) Mr. Garfield agreed that Staff's original SWIP proposal would subject the deferred amounts to full regulatory scrutiny, but asserted that the SWIP would not be effective:

> Sure, and it wouldn't give the utility any revenues to support – it's like a – it's not even an IOU. It's a promise that at a future proceeding the Commission will review, in a full regulatory rate setting, the investments; were they necessary, was it reasonable, what are the impacts, and that doesn't provide the utility with any revenues prior to a Commission decision after the fact. That would not have worked under an ACRM and it won't work under a DSIC.[14]

Mr. Garfield also disagreed with characterization of a proposed DSIC proceeding as a mini rate case, stating that an ACRM filing is not a mini rate case because more limited supporting data is provided, and there is not as much scrutiny. (*Id.*)

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[12] Mr. Garfield compared an old piece of pipe to a 1962 dump truck, which he believed would require much more maintenance than a 2012 dump truck. (Phase 1 Tr. at 109-10.) But Mr. Garfield could not say how the replacement of infrastructure would impact the cost of operating and maintaining a whole system, particularly a system like Bisbee that needs a great deal of infrastructure replaced. (*Id.* at 109-11.)

[13] According to Mr. Garfield, applying an AFUDC to the capital investments would effectively increase the cost of the projects and thus the rate base, which would result in increased rates. (Phase 1 Tr. at 118.)

[14] Phase 1 Tr. at 118-19.

AWC Phase 1 witness Ms. Ahern asserted that both a DSIC and a sufficient ROE are necessary to enable AWC to improve its cash flow, its creditworthiness, and its ability to improve its retained earnings balance, thereby allowing it to issue less long-term debt than would otherwise be needed. (*Id.* at 97.) Ms. Ahern asserted that AWC would be unable to undertake its infrastructure replacement program unless it gets both a sufficient ROE and the requested DSIC. (*Id.*) According to AWC, the revenues generated by the DSIC would enable AWC to satisfy the interest coverage requirements of its bond indenture and thus to issue long-term debt to fund its infrastructure replacement program, and AWC would not be able to complete the infrastructure replacements needed unless the DSIC is granted because the capital investment necessary cannot be supported fully without a DSIC.[15] (*Id.*)

<u>RUCO's Phase 1 Arguments</u>

RUCO opposed the DSIC because it considers the proposed infrastructure replacement projects to be routine in nature and appropriately recovered through a general rate case; considers the DSIC to be a one-sided mechanism that works to the advantage of only the shareholder; believes that there is no federal or state requirement mandating the infrastructure replacement projects proposed by AWC; believes that AWC has not proven that it cannot ensure safe and reliable water service or cost recovery unless the DSIC is approved; and believes that the DSIC raises "legal concerns." (*Id.*) RUCO's position is that the infrastructure replacements needed should be covered through normal regulatory procedures allowing cost recovery because they are "routine plant improvements" rather than something extraordinary. (*Id.*) RUCO asserted that, unlike with the ACRM, there is no federal or state mandate for the infrastructure improvements to be made, and it is not appropriate to create an exception for regular ratemaking methodologies in the absence of extraordinary circumstances. (*Id.*

[15] Mr. Garfield stated in Phase 1:

> The company is a tightly held company. The stock is tightly held. We are not publicly traded. The investors of the company infused just over $10 million of equity into the company before the end of 2010. Our equity component of our capital structure had dropped from 75 percent to 45 percent, and at a time that we were not recovering our cost of service, we were not making our return, the shareholders are sort of the last one to get paid. The bondholders get paid. They want their interest payment. You have to make the interest payment. So the stockholders wait to see what is left after all of those payments have been made. So to answer your question, $10 million was infused into the company that helped shore up the company's capital structure, but I don't think you can count on the shareholders, if the returns aren't high enough, to continue making those types of infusions of capital to the company.

(Phase 1 Tr. at 153-54.)

at 97-98.) Mr. Rigsby asserted in Phase 1 that the plant degradation "isn't something that just happens overnight," and that AWC can plan for the necessary line replacements and come to the Commission every few years to obtain recovery through the regular ratemaking process. (*Id.* at 98.) Mr. Rigsby also expressed skepticism about AWC's asserted inability to attract the capital needed to make the infrastructure improvements and replacements that AWC has identified as necessary. (*Id.*) In addition, Mr. Rigsby testified that the costs of the repairs and replacements may go down with time, through the development of more cost-effective methodologies. (*Id.*) Mr. Rigsby also claimed that AWC is fortunate in that it is a regulated monopoly that can come to the Commission for a rate increase when needed, rather than a participant in a competitive environment, and that "sometimes you got to do what you got to do; and so it's up to the company's management to take the steps necessary to make sure that the company is a viable entity." (*Id.*) According to RUCO, it would be especially inappropriate to grant a DSIC without taking into account savings in operating expenses that RUCO believes would result from replacing aging plant with new plant. (*Id.*)

RUCO provided in Phase 1 a copy of a June 1999 National Association of State Utility Consumer Advocates ("NASUCA") Resolution "Discouraging State Regulatory Commissions from Adopting Automatic Adjustment Charges for Water Company Infrastructure Costs." (*Id.*) NASUCA "strongly recommended[ed]" that DSIC-type mechanisms not be authorized because NASUCA believes that the DSIC-type mechanisms (1) contradict sound rate of return ratemaking principles, including the matching principle; (2) circumvent regulatory review of rate base items for prudence and reasonableness; (3) create bad public policy by eliminating the incentive to control costs between rate cases and incentivizing increased spending; (4) reduce rate stability and distort proper price signals by causing frequent rate increases; (5) are unnecessary to ensure adequate water quality, pressure, and continuity of service; (6) inappropriately reward water companies that imprudently fall behind in infrastructure improvements; and (7) shift business risk away from water companies and toward consumers. (*Id.*) RUCO also cited a report on cost trackers published in September 2009 by a principal with the National Regulatory Research Institute, which asserted that cost trackers result in higher utility costs and undercut the positive effects of regulatory lag, and April 2009 testimony opposing a DSIC-type mechanism made by the Consumer Advocate for the Commonwealth of

Pennsylvania before the Pennsylvania House Consumer Affairs Committee. (*Id.* at 98-99.) In addition, RUCO stated that the Commission had recently rejected a DSIC-type mechanism for Arizona-American (in Decision No. 72047 (January 6, 2011)) because it would have covered routine investments in plant and thus "d[id] not warrant the extraordinary ratemaking device of an adjuster mechanism." (*Id.* at 99.)

Although RUCO opposes adoption of a DSIC, RUCO asserted in Phase 1 that any DSIC approved by the Commission should:

- Only apply to those Eastern Group systems that have water loss in excess of 10.00 percent—specifically Miami, Oracle/SaddleBrooke Ranch, and Bisbee;
- Be limited to one filing per year;
- Include an Operations & Maintenance ("O&M") expense offset of 15.00 percent, to ensure that ratepayers benefit from reductions in O&M expense resulting from the replacement of aging infrastructure; and
- Be capped at 4.00 percent over three years subject to an annual earnings test.[16]

Mr. Rigsby explained in Phase 1 that the O&M expense offset would be a proxy for his original recommendation that a specified monetary credit be applied to each foot of replacement line recovered through the DSIC, which would be difficult to apply because certain of the plant assets proposed to be included in a DSIC cannot be measured in linear feet. (*Id.*) RUCO asserted that the O&M offset would address RUCO's concerns that ratepayers will not benefit from the DSIC even though replacement of aging infrastructure should result in reduced O&M expenses. (*Id.*)

Staff's Phase 1 Arguments

Staff also opposed AWC's proposed DSIC in Phase 1, for reasons similar to those described by RUCO. Specifically, Staff expressed concern that a DSIC alters the balance of ratemaking lag by reducing lag time for recovery of depreciation and return on plant investments, to the benefit of AWC and the detriment of its ratepayers; that allowing recovery of capital improvement costs between regular rate cases results in less scrutiny of plant investments both as to prudency and the used and usefulness of the plant; and that the DSIC, like the ACRM, may "consume significant regulatory resources" because of the guidelines that will need to be established regarding the capital

[16] Decision No. 73736 at 99.

improvements to which the DSIC would apply, the frequency and limitations on rate modifications, and requirements for customer notice and reporting. (*Id.* at 99-100.) Staff acknowledged that the DSIC would present benefits as well—to AWC in the form of quicker recovery of depreciation and returns on capital improvements as well as improved cash flow, and to ratepayers in the form of gradualism, potentially fewer future rate cases, and improved service and reliability (resulting from AWC's increased replacement of aging and deteriorating plant and reductions in water loss). (*Id.*) Staff also acknowledged that the benefits of the DSIC "may offset any disruption to the balance of regulatory lags and imposition on regulatory resources," but ultimately recommended denial of the DSIC because its particulars and consequences had not been sufficiently resolved and needed further consideration. (*Id.*)

Staff viewed the DSIC as an adjustor mechanism, the use of which should be limited to "extraordinary circumstance[s]," and asserted that AWC's proposed use of the DSIC is for routine expenditures and therefore unjustified. (*Id.*) Staff did not consider AWC's Eastern Group infrastructure replacement needs, even assuming a $67 million cost estimate, to be extraordinary. (*Id.*)

In response to AWC's evidence supporting the DSIC in Phase 1, Staff observed that the DSIC's adoption in only 11 states suggested that its costs outweigh its benefits. (*Id.*) Staff also cited NASUCA's opposition to DSIC-type mechanisms and an advocacy organization's October 2011 "Fact Sheet" describing the DSIC as a "Rip-Off for Consumers."[17] (*Id.*) In addition, Staff pointed out that Arizona water utilities are all obligated to provide safe and reliable drinking water, with or without a DSIC, and that the proposed DSIC raised the element of single issue ratemaking. (*Id.* at 100-101.)

Staff recommended in Phase 1 that instead of approving a DSIC, the Commission could approve a SWIP that would:

- Apply only to the Miami and Bisbee systems;
- Apply only to replacements of transmission and distribution mains;

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[17] The "Fact Sheet" was published by Food & Water Watch, a non-profit organization that promotes, among other things, "clean, publicly controlled water." (*See* Phase 1 Ex. S-4 at att. A; Phase 1 Ex. A-37.)

- Allow deferral of depreciation expense on qualified plant for 24 months after placed into service or until rates take effect for which the plant is included in rate base, whichever comes sooner;
- Allow recording and deferral of cost of money using the AFUDC rate on qualified plant for 24 months after placed into service or until rates take effect for which the plant is included in rate base, whichever comes sooner;
- Require full regulatory review of depreciation and cost of money deferrals for compliance with traditional ratemaking conditions (*e.g.*, prudency, used and usefulness, excess capacity) in the rate case following the plant in-service date;
- Require amortization of allowed combined depreciation and cost of money deferrals over a 10-year period;
- Condition depreciation and cost of money deferrals during the amortization period upon (1) AWC's maintenance of records correlating depreciation and cost of money deferrals with associated plant and (2) AWC's demonstrating (during rate cases) that the plant replacements contributed to reduced water loss; and
- Disallow depreciation and cost of money deferrals, wholly or in part, for deficiencies in records or deficiencies in demonstrating reduced water loss tied to plant replacements.[18]

In spite of its primary recommendation in Phase 1 to deny the DSIC and approve the SWIP, Staff also recommended conditions to be imposed for any DSIC that the Commission may decide to approve for AWC's Eastern Group. (*Id.*) Specifically, Staff recommended that:

- The DSIC be limited to Eastern Group subsystems with water loss over 10 percent (i.e., Oracle/SaddleBrooke, Bisbee, and Miami);
- AWC be required to submit quarterly filings for the first year, semi-annual filings thereafter, and cumulative annual reports;
- DSIC charges be revised and become effective on a yearly basis, 30 days after each annual filing;
- Staff be required to review AWC's initial annual filing and to prepare a memorandum and recommended order to be approved by the Commission before the initial DSIC surcharge can be implemented;
- Staff be permitted to review subsequent DSIC filings at Staff's discretion (no later than AWC's next rate case);
- Any over-collections of surcharges (for improperly calculated DSICs after the initial year) be refunded with interest at the weighted average cost of capital ("WACC") authorized in AWC's most recent rate case, with the refund to be implemented as determined by the Commission in a future rate case;
- Each annual increase (initial and subsequent) in DSIC charges be limited to 2 percent of the Commission-authorized revenue by subsystem;
- Cumulative annualized DSIC revenue by subsystem be limited to 6 percent;
- Plant items eligible for the DSIC be restricted to the following NARUC USOA plant accounts:
    - 343—Transmission and Distribution Mains,
    - 344—Fire Mains,

[18] Phase 1 Ex. S-3 at 36.

  - o 345—Services,
  - o 346—Meters,
  - o 347—Meter Installations, and
  - o 348—Hydrants;
- AWC be required to record replacement of plant items in accordance with the NARUC Uniform System of Accounts ("USOA");
- AWC be required to include in each DSIC filing the total amount of plant built during the applicable period, reconciled to the amounts recorded by USOA plant account, along with supporting documentation and any required regulatory permits;
- DSIC revenue be reduced by 10 percent to account for any cost savings (such as reduced operating expenses due to plant improvements);
- DSIC revenue be subjected to an earnings test, performed each time Staff reviews an AWC DSIC filing, to limit DSIC revenue when operating income (rate base x WACC) exceeds authorized WACC, with the earnings test to be:
  - o Based on the most recent available operating income adjusted for any operating revenue and expense adjustments adopted in this rate case, and
  - o Based on the rate base adopted in this rate case, updated to recognize changes in plant, accumulated depreciation, contributions in aid of construction ("CIAC"), advances in aid of construction ("AIAC"), and accumulated deferred income taxes ("ADIT") through the most recently available financial statements (no less than quarterly);
- AWC be required to notify customers of changes in the DSIC by including appropriate explanatory information on the first bill to be received following any change in the DSIC rate and on the first bill to be received following the effective date of the rates established in this rate case;
- DSIC eligibility be restricted to replacement facility costs (from prescribed USOA accounts) to serve existing customers;
- Plant projects funded through federal, state, and other non-investor sources be ineligible for DSIC treatment;
- The DSIC charge for each customer be calculated as a percentage (carried to two decimal places) of the total amount billed to the customer under AWC's otherwise applicable rates and charges; and
- DSIC charges collected be subject to refund to customers if AWC cannot demonstrate a reduction in water loss.[19]

Staff disagreed in Phase 1 with AWC's characterization of the DSIC as equivalent to an ACRM, not because of distinctions in how the DSIC would operate in practice as compared to an ACRM, but because of the justification for and plant additions that would be supported by the DSIC as opposed to the ACRM. (*Id.* at 103.) Staff witness Mr. Michlik pointed out in Phase 1 that while a water company has no control over the amount of arsenic in its ground water supply, it can impact its

[19] Decision No. 73736 at 101-103.

water loss and, further, that the ACRM was implemented both to address the "extraordinary financial burden" that utilities would face as a result of the new arsenic MCL and the "overwhelming regulatory burden" to the Commission expected to result from receiving many nearly simultaneous urgent filings caused by the arsenic MCL. (*Id.*) Staff also recounted the history of the Commission's adoption of the ACRM, which included numerous meetings over approximately a two-year period. (*Id.*)

Staff witness Mr. Fox testified in Phase 1 concerning the similarities and distinctions among the ACRM, AWC's proposed DSIC, and Staff's recommended SWIP. Mr. Fox observed that Staff's review of ACRM filings generally involves at least three distinct members of Staff, generally takes longer than the originally anticipated 60 days, occasionally takes up to or even more than a year, and is limited to the two steps prescribed for each approved ACRM. (*Id.*) Mr. Fox testified that the DSIC review process would be virtually the same.[20] (*Id.*) Mr. Fox also stated that Staff resources are one reason for Staff's recommendation of a SWIP rather than a DSIC in Phase 1 because Staff currently has very limited personnel available in general and also specifically with any experience reviewing ACRM filings. (*Id.*) Staff believed that the DSIC could result in numerous filings for increases, although it is likely (due to the overall cap proposed in the Phase 1 DSIC proposal) that there would have been only three distinct filings in between rate cases, each resulting in a relatively minimal rate increase. (*Id.* at 103-104.) Additionally, Mr. Fox pointed out in Phase 1 that the DSIC proposal did not require a full permanent rate case application within a specified brief period of time, while the ACRM does. (*Id.* at 104.) Mr. Fox also confirmed that the schedules AWC proposed to include in its DSIC filing are the same schedules required in an ACRM application. (*Id.*) Mr. Fox added that any DSIC should include deduction of ADIT from the cost of plant additions included in the DSIC, something that Staff now believes should have been required for the ACRM. (*Id.*)

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[20] Mr. Fox stated:

> So I think the process is essentially the same. I have an engineer do an evaluation of whether or not the plant went into service and whether it's used and useful. We'll review the supporting documentation, the invoices, the contracts, overheads, et cetera, accumulate the cost, and any - - and, you know, calculate a revenue requirement and use whatever rate design is approved and look at what the impact is on the typical customer and prepare a recommendation, and, of course, if RUCO submits a report, we would include that analysis in preparing our memorandum and recommended opinion and order.

(Phase 1 Tr. at 1456.)

In Phase 1, Mr. Fox explained that if the SWIP were adopted there would have been no rate changes or rate proceedings in between rate cases. (*Id.*) In addition, Mr. Fox stated, recovery under the SWIP would be slightly higher than recovery under the DSIC because the SWIP would have involved AFUDC and the need to compensate AWC for the time value of money.[21] (*Id.*) Staff asserted in Phase 1 that the SWIP would permit AWC to realize all the financial benefits of new plant, such as depreciation, until its next rate case while maintaining balance in regulatory lag and the principles of the historical test year. (*Id.*)

Summary of Settlement Agreement[22]

The signatory parties assert that the Phase 2 settlement process was open, transparent and inclusive of all parties. According to AWC witness Reiker, there were three formal negotiation sessions over a period of weeks involving the Company, Staff, and RUCO, with many of the intervenors attending two of the sessions. (Tr. 48-52.) Staff witness Olea stated that the negotiations were "transparent, professional and open to all parties in this docket. All parties were allowed to openly express their views and opinions on all issues." (Ex. S-1, at 9.) RUCO witness Mr. Quinn agreed that RUCO participated vigorously in the settlement discussions and was given the opportunity to express its views during negotiations, although RUCO ultimately did not sign the Agreement. (Tr. 392-396.)

Key Provisions of SIB Mechanism

The Settlement Agreement includes a number of provisions related to the SIB mechanism and surcharge that the signatory parties claim contains significant compromises compared to AWC's Phase 1 DSIC proposal, as revised during the course of the Phase 1 proceedings.

The Settlement provides, among other things for: Commission pre-approval of SIB-eligible projects; SIB project eligibility criteria; a limit on SIB surcharge recovery to the pre-tax rate of return and depreciation expense associated with SIB-eligible projects; an "efficiency credit" of five percent; a cap on the SIB surcharge of five percent of the Phase 1 revenue requirement; separate line items on customer bills reflecting the SIB surcharge and the efficiency credit; Commission approval of the SIB

[21] The analogy provided was that with the DSIC, a customer would pay a dollar today, versus instead paying a dollar and ten cents a year from today with the SWIP. (*See* Phase 1 Tr. at 1464.)
[22] The Settlement Agreement (admitted at the Phase 2 hearing as Ex. A-1) is attached hereto as "Attachment A."

surcharge prior to implementation and adjustments; a limit of five SIB surcharge filings between general rate cases; an annual true-up of the SIB surcharge; and notice to customers at least 30 days prior to SIB surcharge adjustments. (Ex. A-1.)

SIB Mechanism

As defined in the Settlement, the SIB mechanism "is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736." (Ex.A-1, ¶2.3.)

The SIB surcharge would be applicable only for plant replacement investments to provide adequate and reliable service to existing customers and that "are not designed to serve or promote customer growth." (*Id.* at ¶2.1.)

Approval of SIB-Eligible Projects

Under the terms of the Settlement Agreement, all of the SIB-eligible projects must be reviewed by Staff and approved by the Commission prior to being included by AWC in the SIB surcharge. For purposes of eligibility in this case, the specific projects proposed for inclusion in the initial surcharge are described in Exhibit A to the Settlement, which, according to Mr. Reiker, Staff has now reviewed and approved. (Ex. A-2, at 11.) On a going-forward basis, all of the projects must be completed and placed into service prior to being included in the SIB surcharge. (Ex.A-1, ¶2.5.) AWC is also required to file a report with the Commission every six months summarizing the status of all SIB-eligible projects. (*Id.* at ¶4.8.)

Costs Eligible for SIB Recovery

Cost recovery under the SIB mechanism is allowed for the pre-tax return on investment and depreciation expense for projects meeting the SIB-eligible criteria and for depreciation expense associated with those projects, net of associated plant retirements. (*Id.* at ¶3.2.) The Settlement provides that the rate of return, depreciation rates, gross revenue conversion factor and tax multiplier are to be the same as those approved in Phase 1 in Decision No. 73736. (*Id.* at ¶3.2.1, 3.2.2, 3.2.3.)

Efficiency Credit

The Settlement provides that the SIB surcharge will include an "Efficiency Credit" equal to five percent of the SIB revenue requirement. (*Id.* at ¶3.3.)

Surcharge Cap

The Agreement caps the amount that is permitted to be collected annually by each SIB surcharge filing to five percent of the revenue requirement authorized in Decision No. 73736. (*Id.* at ¶3.4.)

Timing of SIB Surcharge Filings

Under the Settlement, AWC: may file up to five SIB surcharge requests between rate case decisions; may make no more than one SIB surcharge filing every 12 months; may not make its initial SIB surcharge filing for the Eastern Group prior to 12 months following the effective date of Decision No. 73736 (*i.e.*, February 20, 2014); must make an annual SIB surcharge filing to true-up its surcharge collections; and must file a rate case application for its Eastern Group no later than August 31, 2016, with a test year ending no later than December 31, 2015, at which time any SIB surcharges then in effect would be reviewed for inclusion in base rates in that proceeding and the surcharge would be reset to zero. (*Id.* at Sections 4.0 and 5.0.)

SIB Rate Design

The Settlement Agreement states that the SIB surcharge will be a fixed monthly charge on customers' bills, with the surcharge and the efficiency credit listed as separate line items. The surcharge will increase proportionately based on customer meter size. (*Id.* at Section 8.0.)

Commission Approval of SIB Surcharge

The Agreement provides that each SIB surcharge filing must be approved by the Commission prior to implementation. Upon filing of the SIB surcharge application, Staff and RUCO would have 30 days to review the filing and dispute and/or file a request for the Commission to alter the surcharge or true-up surcharge/credit.[23] AWC is also required to provide a proposed order with each SIB filing for the Commission's consideration, and if no objection is filed to the SIB surcharge

[23] At the hearing, Mr. Olea clarified that because customer notice is required at least 30 days prior to the effective date of a surcharge adjustment (Ex. A-1, ¶7.2), any customer would have an opportunity to object to the Company's surcharge request prior to the Commission scheduling the matter for consideration at an Open Meeting. (Tr. 310-311.)

request the request shall be placed on an Open Meeting agenda at the earliest practicable date. (*Id.* at Section 9.0.)

Public Notice

Under the terms of the Settlement, at least 30 days prior to a SIB surcharge becoming effective AWC is required to provide public notice to customers in the form of a bill insert or customer letter. The notice must include: the individual surcharge amount by meter size; the individual efficiency credit by meter size; the individual true-up surcharge/credit by meter size; and a summary of the projects included in the current surcharge filing, including a description of each project and its cost. (*Id.* at ¶7.2.)

Positions of the Parties Regarding Settlement Agreement

Arizona Water Company

In Phase 1, AWC asserted that its proposed DSIC is modeled after and would operate in the same manner as an ACRM, which has been accepted by the Commission and others as being consistent with Arizona law. (Phase 1 AWC Br. at 23.) AWC also claimed that the Commission has substantial discretion to adopt ratemaking methodologies and approaches as necessary to address particular issues and that the Commission has used this discretion previously to include CWIP within rate base (to set rates for plant not yet completed at the end of a historical test year) because the public interest is served by rate stability, not by constant rate hearings. (*Id.* at 23-24.) AWC argued that the Court of Appeals' decision in *Scates v. Arizona Corp. Comm'n* acknowledged the Commission's ability to adjust rates outside of a general rate case setting in exceptional circumstances, but expressly did not decide whether the Commission could authorize a partial rate increase without requiring completely new submissions or "whether the Commission could have referred to previous submissions with some updating or whether it could have accepted summary financial information." (Phase 1 AWC Br. at 23-25 (quoting *Scates*, 118 Ariz 531, at 537, 578 P.2d 612, at 618 (App. 1978).) In response to RUCO's arguments in Phase 1, AWC asserted that RUCO had ignored that the DSIC was modeled on the ACRM, which the Commission has determined to be constitutional. AWC also argued that the Arizona Supreme Court in *Arizona Cmty. Action Ass'n v.*

Arizona Corp. Comm'n authorized step increases between rate cases under certain conditions. (Phase 1 AWC Reply Br. at 14-15, *citing Arizona Cmty. Action*, 123 Ariz. 228, 599 P.2d 184 (1979).)

AWC contends in Phase 2 that the SIB is a necessary remedy for the Company's inability to recover its cost of service for the past 16 years, resulting in AWC's shareholders subsidizing the Company's operations by more than $41 million since 1996. (Tr. 63-64.)[24] The Company asserts that its inability to earn authorized returns has undermined the ability to finance critical infrastructure replacement and improvement projects, resulting in detrimental impacts on customers due to frequent line breaks on aging distribution lines. (Phase 1 Tr. 329, 370.)

AWC claims that thousands of breaks occur every year in the Eastern Group systems but current ratemaking policies hinder the Company's ability to make necessary infrastructure replacements and improvements. The Company points out that its Eastern Group contains over 3.5 million lineal feet (600 miles) of water mains and over 33,000 service connections, of which 371,000 lineal feet and 4,915 service connections need to be replaced over the next ten years. (Water Loss Reduction Report, at 7, 18; Phase 1 Exs. A-10, at 8 and A-28, at 35.)

In response to criticisms from RUCO, AWC asserts that although it regularly replaces failing infrastructure, and has a rigorous water loss reduction program, those ongoing efforts are not sufficient to replace the large portions of infrastructure that are at or beyond their useful lives. (Phase 1 Exs. A-9, at 14 and A-28, at 43-49.) According to AWC, the scale of the needed replacement program dwarfs the resources available to the Company, thereby requiring implementation of a ratemaking tool to assist in those efforts. (Phase 1 Exs. 9, at 15-16 and A-29, at FKS-RB8.) The Company argues that RUCO presented no evidence disputing the impending water infrastructure replacement crisis facing the Company; nor did RUCO present any credible evidence that a SIB mechanism is not fully justified under these circumstances.

AWC claims that its infrastructure replacement program would require the expenditure of approximately $67 million over the next ten years, which is nearly twice the amount of capital that was required to comply with the federal arsenic standards. (Phase 1 Exs. A-9, at 14-25, A-10, at 4-5,

[24] Mr. Reiker conceded that AWC paid out to shareholders substantially more than $41 million in dividends over the same period. (Tr.118-119.)

and A-28, at 73, 81.) The Company contends that spending $67 million over the next ten years is an extraordinary expense that it does not have the resources to fund. (Phase 1 Ex. A-9, at 15-16; Phase 1 Tr. at 370.) AWC asserts that its shareholders recently infused over $10 million in equity, that the Company is not able to fund the needed replacements internally, and that its ability to finance those projects through issuance of additional long-term bonds is compromised by the Company's weakened financial state. (Phase 1 Tr. 332, 365-371.)

The Company argues that the SIB mechanism would provide credit support that will assist its efforts to attract capital to finance the infrastructure projects. AWC points out that the water industry is among the most capital intensive industries, and the SIB mechanism will help mitigate regulatory lag and add stability to cash flows, thereby helping to support the Company's credit quality, bond rating, and ability to attract capital. (Phase 1 Ex. A-34, at 21-22, 26; Phase 1 Tr. at 329-332.) AWC also contends that a DSIC-like mechanism, such as the SIB, would be viewed by credit rating agencies as credit supportive. (Phase 1 Ex. A-34, at 22-26.) AWC further claims that the SIB mechanism will help the Company's ability to recover its cost of service and will reduce regulatory lag for the critical replacement projects. (Tr. 64; Ex. A-2, at 22.)

AWC also argues that the SIB mechanism, like the ACRM that was approved previously, would provide significant benefits to customers by allowing the Company to replace and upgrade aging infrastructure while implementing more gradual and smaller rate increases. (Phase 1 Exs. A-5, at 4-5 and A-34, at 26-27.) The Company points out that the SIB-eligible projects would be limited to aging infrastructure used to serve existing customers, and for which there is no disagreement regarding the need for replacement. (Ex. A-1, at Ex. A; Tr. 72-73, 127-128; Phase 1 Exs. A-9, at 17-20 and A-28, FKS-13.)

AWC disputes RUCO's contention that a DSIC, or SIB as is now proposed, would shift risks to ratepayers because, according to the Company, absent approval of a SIB-like mechanism, the continued lag in recovery of infrastructure capital investment would leave the Company unable to recover its cost of service in a timely manner. (Phase 1 Exs. A-5 and A-34, at 6.) AWC contends that an ongoing inability to earn its authorized return on investment would ultimately result in higher rates to customers due to higher borrowing costs and more frequent rate cases. (Phase 1 Ex. A-5, at 6.)

The Company claims that rather than shifting risks to customers, the SIB would more closely align cost recovery with the customers that benefit from the infrastructure replacement projects. AWC also asserts that the SIB mechanism would promote rate stability by imposing more gradual, and smaller rate increases, while at the same time allowing the Company a better opportunity to recover its cost of service, resulting in a healthier company. (Tr. 64-65, 303; Ex. A-2, at 12-13.) AWC claims that RUCO's Director agreed that, overall, rate gradualism and a healthy utility company provide benefits to customers. (Tr. 423, 453-455.)

AWC also opposes RUCO's suggestion that if a DSIC-like or SIB mechanism is approved, the Commission should reduce the Company's return on equity ("ROE"). The Company's witness in Phase 1, Ms. Ahern, testified that it was important for purposes of raising capital that AWC receive a sufficient ROE in conjunction with a DSIC mechanism because even with such a mechanism investors' expected returns are not diminished. (Phase 1 Ex. A-34, at 29; Phase 1 Tr. 997-998.) Ms. Ahern stated that none of the other states that have adopted DSIC-like mechanisms have reduced the utility's ROE as a result. (*Id.*) The Company also cites to Staff witness Mr. Olea's testimony at the hearing that the 10.55 percent ROE authorized by the Commission in Phase 1 should not be reduced as a result of the SIB Settlement Agreement because of the five percent efficiency credit built into the Agreement. (Tr. 272-273, 275-276.) AWC points out that Mr. Olea added that because the SIB-eligible plant is only a small portion of AWC's rate base, the authorized ROE and SIB should be considered separately. (*Id.* at 317-319.) AWC asserts that RUCO did not present evidence as to what an appropriate ROE adjustment should be as a result of a SIB, and presented no studies to support its claim that a ROE adjustment should be made. (Tr. 427, 487-489.)

With respect to the issue of using depreciation expense as an offset to infrastructure replacement costs, AWC claims that the Commission's rules define depreciation expense as allowing for a utility's recovery of the original cost of plant investment, less salvage value. (Arizona Administrative Code ("A.A.C.") R14-2-102(A)(3).) The Company contends that allowed depreciation expense does not provide for extra funds, beyond the return of the capital investment in rate base, to fund plant replacements at many times the cost of the plant being replaced. AWC asserts that the Commission's rules, as well as its historic treatment of depreciation expense, entitle a utility to recovery *of* its investment (through depreciation) and *on* its investment (through ROE). (AWC Br. at 24-25.)

Regarding the legal arguments associated with the SIB mechanism, AWC argues that although the Arizona Supreme Court requires that a utility's fair value rate base must be utilized when setting rates,[25] the Commission has substantial discretion to adopt methodologies and approaches necessary to address particular issues, such as the impending infrastructure crisis the Company claims is facing Arizona's investor owned water companies. (*Arizona Corp. Comm'n v. Arizona Pub. Serv. Co.*, 113 Ariz. 368, 370, 555 P.2d 326, 328 (1976).) AWC asserts that in *Arizona Public Service*, the Arizona Supreme Court found that the Commission has discretion to consider post-test year events and it is in the public interest to have stability in the rate structure rather than a constant series of rate cases. (*Id.*)

AWC also cites *Arizona Community Action* in support of its contention that approval of the SIB mechanism is within the Commission's ratemaking discretion. In *Arizona Community Action*, the Arizona Supreme Court found that a two-step process for including CWIP in rate base, and increasing rates accordingly, was reasonable. Although the court struck down the Commission's use of the utility's ROE as the sole criterion for adjusting rates, it found that adding CWIP to the determination of fair value was reasonable under constitutional requirements if used only for a limited period of time. (123 Ariz. at 230-231, 599 P.2d at 186-187.)

The Company also argues that the holding in *Scates* supports the Commission's ability to adjust rates outside of a general rate case if exceptional circumstances exist, such as the Company believes are presented in this proceeding. In *Scates*, the Arizona Court of Appeals held that the Commission was required to determine the utility's fair value prior to authorizing adjustments to a telephone provider's charges for all installation, moving and changing of telephones. The court struck down the Commission's approval of rate increases for those charges because the Commission had not inquired as to whether the increased revenues received by the company resulted in a rate of return greater or lesser than the return established during the prior rate case hearing. (*Id.* at 534, 578

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[25] *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 151, 294 P.2d 378, 382 (1956).

P.2d at 615.) However, the court in *Scates* stated that there may be exceptional circumstances in which the Commission could authorize partial rate increases without the submission of an entirely new rate case. (*Id.* at 537, 578 P.2d at 618.)

AWC asserts that the SIB mechanism is consistent with the cited court cases because the SIB surcharges would be based on specific, identifiable, quantifiable plant additions that are reviewed by Staff, and approved by the Commission, before they are implemented. The Company also claims that it would be required to file annual summary schedules of infrastructure costs, and how those costs would affect customer rates. AWC argues that the five percent annual revenue cap, the limit of five SIB surcharge filings between rate cases, the requirement to file a rate case within five years to seek recovery of all of the SIB surcharge infrastructure costs, as well as notice requirements and other checks and approvals, are all factors that reflect consistency with the public interest, Arizona laws, and court cases interpreting the Arizona Constitution and applicable statutes. (AWC Br. at 22.)

EPCOR

EPCOR argues that the Commission should adopt the proposed SIB mechanism as set forth in the Settlement Agreement as a means of improving the fairness of water company regulation in Arizona and encouraging water utilities to make necessary replacements of water infrastructure. (EPCOR Ex. 1, at 2-3.) EPCOR witness Mr. Broderick stated that the SIB mechanism would reduce regulatory lag and increase the likelihood that utilities will undertake "earlier, well-paced and necessary improvements" to replace infrastructure in order to maintain or improve service to customers. (*Id.* at 3.)

EPCOR claims that the open and transparent negotiation process that led to the Settlement Agreement, and the diverse interests involved, required compromises that resulted in an agreement that is in the public interest. EPCOR contends that the SIB mechanism provides benefits to utilities and customers alike because it will allow surcharges only for replacement of existing plant and will allow for smaller, more gradual increases for customers, as well as an efficiency credit. (EPCOR Br. at 2.)

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Arizona Investment Council

AIC witness Mr. Yaquinto testified in support of the Settlement Agreement, stating that the SIB mechanism would provide AWC with an important tool for acquiring the capital needed to finance needed repairs to, and replacement of, infrastructure in the Company's aging systems. (AIC Ex. 1, at 4.) He indicated that the SIB surcharge would be permitted only for narrowly defined criteria, but would allow AWC the opportunity for more timely recovery of plant investments thereby reducing regulatory lag that he believes penalizes investors. (*Id.*) Mr. Yaquinto stated that AIC supports SIB-like mechanisms for all water and wastewater companies and, as set forth in the Settlement, the SIB is expected to serve as a template for other companies. (*Id.*)

AIC supports the Settlement Agreement because it believes the SIB mechanism will position AWC to compete for needed capital on better terms and conditions than would otherwise be available to replace critical infrastructure. (*Id.* at 5.) According to AIC, approval of ratemaking mechanisms like the SIB will signal to investors that there is an improved regulatory environment in Arizona, which will further enhance the ability of utilities in Arizona to compete for scarce capital. (*Id.*) Mr. Yaquinto claims that the SIB mechanism will also benefit customers by enabling water companies to make infrastructure improvements to ensure safe and reliable service, and due to efficiencies from those infrastructure investments that will flow to customers through the five percent efficiency credit. (*Id.* at 5-6.) Finally, AIC contends that customers will benefit from the SIB mechanism because there will be smaller rate increases associated with plant investments that will be spread more gradually. (*Id.* at 6.)

Liberty Utilities/Global Water

Liberty Utilities and Global Water (jointly "Liberty/Global")[26] contend that the SIB is in the public interest because it provides a needed mechanism for funding infrastructure replacements for aging facilities. They claim that the level of needed infrastructure investment is substantial and even if AWC and other water utilities were able to raise the necessary capital to fund such projects, the result for customers would be massive and sudden rate increases once those investments are

[26] Liberty/Global filed a joint brief in this case and their arguments in support of the Settlement will therefore be summarized together.

recognized in rate base. Liberty/Global state that the better way to address these infrastructure needs is to adopt a mechanism like the SIB, citing to the testimony of Mr. Olea that companies have to have the funds to provide adequate, safe, and reliable service – and the SIB will provide a better opportunity for the Company to do so. (Tr. 375.) Liberty/Global also refer to Mr. Olea's claim that the SIB will benefit both the Company and customers by having a company that is capable of making necessary replacements and improvements so that customers can receive safe and reliable water service. (*Id.* at 304.)

Liberty/Global contend that a key benefit of the SIB is that smaller, more gradual rate increases are preferable to customers. (Global Ex. 2, at Attach. 2; EPCOR Ex. 1, at 3; RRUI Ex. 1, at 2.) They claim that with more gradual rate increases it is likely that full, contested rate cases seeking large increases will become less frequent, and that gradualism is built into the Settlement by virtue of the five percent annual cap on SIB surcharge increases. (Global Ex. 2, at Attach. 2; Ex. A-1, at ¶3.4.) Another benefit cited by Liberty/Global is the five percent efficiency credit, which they claim has not been adopted in any other state that has approved a DSIC-like mechanism. (Global Ex. 2, at 3-4.) They point to Mr. Olea's testimony that the efficiency credit represents an actual dollar benefit to ratepayers that the Company will never get back. (Tr. 265, 330.) Liberty/Global further contend that the SIB will enhance the Company's financial stability by improving earnings and cash flow, and thereby its ability to raise funds. (Ex. A-2, at 11-12.)

Liberty/Global assert that the Settlement Agreement's indication that it may be used as a template for other companies furthers the public interest by providing uniformity of administration, and potentially reduces Staff's workload in reviewing SIB filings. (Tr. 208, 248.) Liberty/Global claim that the SIB was carefully designed because it is intended to be used as a template that would place more of the burden on utilities, rather than Staff, to allow for quicker processing. (*Id.* at 288, 291-292.)

With respect to the issue of using depreciation expense for infrastructure replacements, Liberty/Global argue that A.R.S. § 40-222 is not a viable alternative to adoption of the SIB. That statute provides, in relevant part, that the Commission may:

> ascertain and fix the proper and adequate rates of depreciation of the several classes of property for each, and each [public service] corporation shall conform its depreciation accounts to the rates so ascertained and fixed, and shall set aside the money so provided for out of earnings and carry such money in a depreciation fund and expend the fund, and the income therefrom, only for the purposes and under rules and regulations, both as to original expenditure and subsequent replacement, as the commission prescribes.

Liberty/Global claim that the first part of the statute, relating to fixing depreciation rates, has been implemented through the Commission's rules and is applied to utilities in Arizona. (A.A.C. R14-2-102.) However, according to Liberty/Global, the second part of the statute, authorizing the Commission to require a depreciation fund, is an "obscure and long-dormant provision" that no witness in any case has advocated be adopted. (Liberty/Global Br. at 7.) They claim that the statute was enacted in 1912, that the Commission has never used the statute, and "if a special, restricted depreciation fund was in the public interest, it would have been used by now." (*Id.*)

Liberty/Global argue that mandating a depreciation fund would result in higher rates because if depreciation funds are restricted to infrastructure replacement, rates would need to be higher to provide sufficient cash flow to the Company. (Tr. 343.) They also claim that because depreciation expense is based on the original cost of the asset, and plant costs increase over time, a depreciation fund would not provide adequate capital to replace assets decades later. (*Id.* at 77, 113-114, 360-362.) Liberty/Global further argue that the statute itself does not allow the Commission to act by ad hoc orders on this issue, but requires action by "rules and regulations." (A.R.S. § 40-222.) Finally, they contend that application of the statute would raise serious constitutional issues, likely sparking litigation, because redirecting depreciation expense to a special restricted fund would not provide the required return *of* the utility's investment, thereby violating the "takings clause" of the United States Constitution, the takings clause of the Arizona Constitution (Article 2, § 17), and Article 15, §§ 3 and 14 of the Arizona Constitution. (Liberty/Global Br. at 7-9.)

With respect to the legal arguments raised by RUCO, Liberty/Global claim that the SIB mechanism was specifically tailored to comply with all applicable legal requirements regarding ratemaking, including the fair value requirement of the Arizona Constitution. They assert that the SIB is a ratemaking adjuster mechanism that is designed to provide for the timely recovery of capital costs invested for system improvement projects meeting specific defined criteria, within AWC's general rate proceeding. Liberty/Global contend that Arizona law does not prohibit use of a ratemaking adjuster mechanism as long as the mechanism is approved in a rate case and it comports with the fair value requirement in Article 15, § 14 of the Arizona Constitution. They claim that the SIB is nearly identical in nature to the Environmental Improvement Surcharge ("EIS") approved for Arizona Public Service Company ("APS") in Decision No. 73183 (May 24, 2012) pursuant to a settlement agreement in the last APS rate case. Liberty/Global point out that the APS settlement was signed by APS, Staff, RUCO and a number of other parties without challenge to the legality of the EIS. Liberty/Global contend that due to the similarities between the EIS and SIB, the Commission's approval of the EIS effectively approved the legality of the SIB as well. (Liberty/Global Br. at 10-11.)

Liberty/Global dispute RUCO's contention that approval of a DSIC (or SIB) is an extraordinary ratemaking scheme that is legally impermissible. They assert that approval of the SIB would be within the structure of AWC's base rate case, and the Commission has approved many types of adjusters and similar mechanisms in other dockets. Liberty/Global argue that although the SIB does not fall into the category of an automatic adjustment clause for specific expenses such as gas and electric fuel costs, it is intended to recover plant investment costs incurred by the utility for making necessary system improvements and is therefore consistent with the requirements of *Scates*. As described in the *Scates* decision, adjustment clauses are generally acceptable if done within the framework of a utility's rate structure, in accordance with all statutory and constitutional requirements, and are "designed to insure that, through the adoption of a set formula geared to a specific readily identifiable cost, the utility's profit or rate of return does not change." (*Scates, supra*, 118 Ariz. 531, 535, 578 P.2d 612, 616 (App. 1978).) According to Liberty/Global, the SIB satisfies these requirements because the surcharge would apply only to projects meeting specific criteria, and applies a set formula to readily identifiable and defined plant, using the rate of return established in Phase 1, thereby ensuring the Company's authorized rate of return does not change. (Ex. A-1, at ¶¶ 3.0, 3.2, 6.3.)

Liberty/Global assert that even if the Commission were to determine that the SIB is not a ratemaking adjuster mechanism, it is still a lawful surcharge authorizing rate increases based on a determination of AWC's fair value rate base, pursuant to the holding in *Residential Utility Consumer Office v. Arizona Corp. Comm'n*, 199 Ariz. 588, 20 P.3d 1169 (App. 2001) ("*Rio Verde*"). Liberty/Global claim that contrary to RUCO's contention (Tr. 501), the Arizona Constitution does not require that the Commission take all ratemaking elements into consideration as would be done in a general rate case, but rather only requires that the fair value of a utility's property be ascertained when setting rates. (Arizona Constitution, Article 15, § 14.) They contend that once fair value is ascertained, as would be done each time a SIB surcharge adjustment is approved, the Commission has ample discretion to use the fair value in setting rates or adjusting a surcharge.

Liberty/Global dispute RUCO witness Mr. Rigsby's claim that the Commission would not be making a new fair value determination as part of each surcharge filing. (RUCO Ex. 12, at 13.) Liberty/Global point out that the Settlement Agreement requires a FVRB finding for AWC as established in Decision No. 73736, plus the additional SIB plant, along with the rate of return as applied to that FVRB and related revenue. (Tr. 332-333.) Citing *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 294 P.2d 378 (1956), Liberty/Global argue that the SIB fully complies with the fair value standard because the SIB requires a determination of the fair value of the Company's rate base, as well as the SIB plant, at the time the surcharges are proposed. (80 Ariz. 145, 151, 294 P.2d 378, 382.) Liberty/Global assert that all the Constitution requires is that the Commission determine and consider fair value in setting rates, as reinforced in the Arizona Supreme Court's decision in *US West Comm., Inc. v. Arizona Corp. Comm'n*, 201 Ariz. 242, 245-246, 34 P.3d 351, 354-355 (2001) ("*US West II*") and the Court of Appeals' decision in *Phelps Dodge Corp. v. Arizona Elec. Power Co-op., Inc.*, 207 Ariz. 95, 106, 83 P.3d 573, 584 (App. 2004) ("*Phelps Dodge*"). According to Liberty/Global, both *US West II* and *Phelps Dodge* confirm that the Commission has broad discretion in using the fair value determination, as long as the fair value is ascertained as part of the analysis. They claim that the Commission has the discretion to adopt mechanisms necessary to address particular ratemaking issues, including matters subsequent to a historic test year and construction projects contracted and commenced during the test year (*Arizona Public Service, supra*, at 371, 555 P.2d at 329), as well as construction work in progress that is not yet in service (*Arizona Comty. Action, supra*, at 230, 599 P.2d at 186.) Liberty/Global also point to the Commission's adoption in prior cases of an ACRM, without a legal challenge, that enabled water utilities to comply with federal arsenic standards, as an example of a mechanism that supports approval of the SIB in this case.

Liberty/Global contend that, as a matter of law, the SIB mechanism falls within the Commission's broad discretion and is consistent with relevant court decisions. They assert that the Commission has already determined the fair value of AWC's rate base in Phase 1; that any SIB surcharge will be based on specific infrastructure added to the approved rate base; and that AWC will be required to file annual summary schedules of the actual plant addition costs, along with FVRB information that will enable the Commission to determine, in accordance with *Scates*, how the proposed surcharge would impact the Company's rate of return. Liberty/Global claim that, following that analysis, under the terms of the Settlement, the SIB surcharge would only be permitted to the extent that AWC's return on rate base for a particular system does not exceed the rate of return authorized by Decision No. 73736. (Liberty/Global Br. at 17-18.)

Liberty/Global also argue that the SIB mechanism satisfies all required ratemaking elements under Arizona law because the SIB revenue requirement is based on the established rate of return, as well as the Phase 1 authorized gross revenue conversion factor/tax multiplier and depreciation rates, less the five percent efficiency credit, which thereby effectively reduces the SIB plant return on equity and ensures that AWC's rate of return does not increase. Other requirements cited by Liberty/Global include: the limitation of SIB surcharge filings to once every 12 months, and no more than 5 filings between general rate cases; annual true-up filings; submission of detailed information showing an analysis of the effect of the SIB plant on FVRB, revenue, and the fair value rate of return approved in Decision No. 73736; and a 30-day review period for Staff and RUCO, as well as review and approval by the Commission. (*Id.* at 20-21.) Finally, Liberty/Global contend the EIS approved in the most recent APS rate case, pursuant to a settlement signed by RUCO and a number of other parties, is very similar to the proposed SIB and therefore if the EIS is legal, the SIB must likewise be legal.

Staff

In Phase 1, Staff asserted that the DSIC, as proposed by AWC, did not comply with the Arizona Constitution. (Phase 1 Staff Br. at 26.) Staff stated that the Arizona Constitution requires the Commission to determine the fair value of a utility's property in order to set just and reasonable rates, but allows the Commission to make adjustments to rates outside of a rate case through rate adjustors under very limited circumstances. (*Id.*) Staff added that this authority was limited to exceptional situations and that to remain in compliance with the Arizona Constitution, the Commission is still required to determine fair value and to consider the overall impact of the adjustment on the rate of return. (*Id.* (citing *Scates*, 118 Ariz. at 533.)) Staff also asserted in Phase 1 that AWC had not provided sufficient detail to allow for a determination that the proposed DSIC would meet the constitutional requirements. (*Id.* at 26-27.) For example, Staff expressed doubt in Phase 1 concerning the extent or nature of Staff's evaluation of the new plant and its prudency, Staff's ability to evaluate the overall impact of the rate increase, whether the DSIC would apply only to projects specifically listed in the DSIC Study, and how due process would be ensured. (*Id.*) Staff concluded in Phase 1 that without all of these details, the constitutionality of the DSIC cannot be determined and, thus, the DSIC must be denied.

Staff further asserted in Phase 1 that the scope of the DSIC was so broad that the "DSIC crosses over from the realm of an adjustor mechanism into a rate case." (*Id.* at 28.) Staff claimed in the prior phase that the DSIC would not be used to recover costs, but instead to increase rate base; that the increased rate base would be included for all future calculations of rates; and that the surcharge would continue for the life of the asset in question, with the revenue generated to be treated as income rather than as a separate fund to be used to acquire the plant or pay the cost of the plant. (*Id.*) Staff also argued in Phase 1 that there were no exceptional circumstances that would justify the DSIC because AWC always knew that the infrastructure would need to be replaced someday and could and should have prepared for that day but failed to do so. (*Id.* at 27.)

However, Staff stated in its Phase 1 reply brief that: "Staff does not believe that a DSIC, per se, would violate the Arizona Constitution so long as its methodology meets the constitutional mandate," but that Staff was concerned that the proposed DSIC did not meet the mandate. (Phase 1

Staff Reply Br. at 19.) Staff agreed with AWC's contention that judicial interpretation of the Arizona Constitution is the origin of the requirement for a finding of fair value and the formula for ratemaking in which a rate of return is applied to that fair value. (*Id.* at 19-20 (citing *US West II*, 201 Ariz. 242, 245-46, 34 P.2d 351, 354-355).) Staff acknowledged that exceptions have been created for matters after the historic test year, including construction projects commenced during the test year and CWIP; for interim rates and automatic adjustment clauses; and for the ACRM. (*Id.* at 20-21.) Staff asserted, however, that the DSIC proposed in Phase 1 did not qualify as any of these—that it could not be justified as an interim rate because there was no emergency, and it could not be justified as an adjuster mechanism because it was designed to pass on the cost of new plant rather than changes in specific and segregated costs. (*Id.* at 21-22.) Staff indicated that, unlike an ACRM, the proposed Phase 1 DSIC would apply to more than one plant, would not be limited to only two step increases, and would not impose a requirement for a rate case application to be filed by a specific date with a rate case (including a true-up) to follow. (*Id.* at 22.)

In Phase 2, Staff negotiated and signed the Settlement Agreement that Staff asserts remedies the issues identified by Staff in Phase 1 as being legally problematic. Staff contends that the record supports a finding that AWC's infrastructure replacement needs are extraordinary in scope, and that customers will benefit from timely replacement of aging plant through decreased water losses, fewer outages, and improved quality of service. (Phase 2 Staff Br. at 2.) Staff disputes RUCO's assertion that rate setting methods must be limited to those traditionally employed in general rate cases. Staff points to the ACRM as a mechanism initially employed by the Commission a decade ago, without legal challenge, to address an extraordinary situation presented by more stringent arsenic limits imposed by the USEPA, which adversely affected a number of water companies in Arizona. (*See, e.g.*, Decision No. 66400 (October 14, 2003).)

According to Staff, the SIB mechanism comports with the requirements of the Arizona Constitution because it would require the Commission to ascertain AWC's fair value rate base each time a surcharge adjustment is made. Staff points out that Section 7 of the Settlement specifically requires the Company to provide a schedule (Schedule D) with each adjustment filing that would enable the Commission to update the fair value rate base determined in Phase 1 to reflect additional

SIB-eligible plant, which updated fair value finding would be set forth in a Commission Order approving each surcharge request. Staff asserts that it is not reasonable to suggest that the Commission would not use the updated fair value information "to aid it in the proper discharge of its duties..." as required by the Constitution. (Arizona Constitution, Article 15, § 14.) Staff also notes that the Commission may terminate the SIB at any time. (Ex. A-1, at ¶10.1.)

Staff argues that the Commission has broad discretion in employing appropriate rate setting methodologies. Staff cites *Simms, supra*, wherein the Arizona Supreme Court stated that "[t]the commission in exercising its rate-making power of necessity has a range of legislative discretion and so long as that discretion is not abused, the court cannot substitute its judgment as to what is fair value or a just and reasonable rate." (80 Ariz. 145, 154, 294 P.2d 378, 384, internal citation omitted.) Staff claims that the SIB would allow the Commission to implement a series of step rate increases, only after making an updated fair value finding, as a means of enabling AWC to undertake substantial infrastructure replacements without having to file a series of rate cases – which the courts have found would not be in the public interest. (*Arizona Public Service, supra*, 113 Ariz. 368, 371, 555 P.2d 326, 329.) Staff also cites *Arizona Community Action*, wherein the Arizona Supreme Court upheld the Commission's approval of step increases associated with CWIP additions (although the court rejected using APS' ROE as the sole criterion for triggering an increase). (123 Ariz. 228, 229-231, 599 P.2d 184, 186-187.) In that case, the court stated that it did not find fault with the Commission's attempt to avoid a constant series of extended rate hearings by allowing step increases based on the updated CWIP adjustments. (*Id.* at 230-231, 599 P.2d at 186-187.) Staff contends that the SIB does not suffer from the "sole criterion" deficiency rejected by the court because the SIB does not employ an earnings test, or any other test, that would be subject to control by the Company.

Staff points out that the SIB has a number of protections built in, including that: it was developed within the context of a full AWC rate case; it is limited to replacement projects used to serve existing customers, less retirements; each SIB surcharge would be capped at five percent of the Phase 1 revenue requirement, subject to true-up; AWC is required to file a full rate case by August 31, 2016, thus ensuring that the SIB adjustments will be of limited duration; each step increase will be approved by Commission Order; the SIB may be suspended by the Commission; and the

Commission will make a fair value finding prior to approval of each SIB adjustment, based on detailed schedules verifying the plant additions that are SIB-eligible. (Staff Br. at 6-7.)

Staff disputes RUCO's "single issue ratemaking" arguments, claiming that contrary to RUCO's assertions, the Arizona Constitution does not include that terminology, and under the holding in *Scates* a full rate case is not required for every rate adjustment given the court's statement that "[t]here may well be exceptional situations in which the Commission may authorize partial rate increases without requiring entirely new submissions." (*Scates*, 118 Ariz. at 537, 578 P.2d at 618.) The court in *Scates* stated that it was not deciding "whether the Commission could have referred to previous submissions with some updating or whether it could have accepted summary financial information." (*Id.*) Staff claims that the SIB requires updated information to be submitted by the Company and there is no reason to assume that the Commission would not consider that information in its evaluation of each SIB surcharge filing. Staff points to Mr. Olea's testimony that if objections were filed regarding the specific SIB schedules submitted by the Company, "Staff's expectations would be that the SIB would not go forward and such proceedings as the Commission or Hearing Division may order would ensue…." (Tr. 250.)

Staff also contends that, contrary to RUCO's claims, Staff's position regarding AWC's proposed DSIC in Phase 1 is not inconsistent with its support for the SIB in Phase 2. Staff asserts that its concerns in Phase 1 were that the DSIC provided benefits only to the Company, and that the DSIC lacked certain features that were necessary to comply with Arizona law. Staff claims that those issues are resolved by the Settlement Agreement because the SIB provides for a five percent efficiency credit that directly benefits ratepayers, and the SIB contains elements that comply with Arizona law regarding fair value, step increases, and the corresponding impact on rate of return. (Staff Br. at 9.)

According to Staff, the SIB provides an equitable balance between the interests of the Company and ratepayers because the SIB will enable AWC to attain timely recovery of capital investments for needed repairs and replacements while, at the same time, benefitting customers by: providing better service; imposing a five percent efficiency credit on SIB plant; and providing for smaller and more gradual rate increases. (*Id.* at 10.) With respect to RUCO's suggestion that AWC's authorized ROE of 10.55 percent should be reduced, Staff contends that RUCO did not present evidence in either Phase 1 or 2 to support its arguments. Staff claims that "as part of a DSIC-type mechanism, the parties and the ALJ could consider an *adjustment* to the ROE set by the Commission." (*Id.* at 11, emphasis original.) However, Staff argues that the 10.55 percent ROE approved in Decision No. 73736 should not be modified in Phase 2 because there is no evidence that AWC's overall risk would be reduced by adoption of the SIB, and the negotiated five percent efficiency credit is effectively a surrogate for a ROE adjustment because it reduces the ROE on SIB-eligible plant by approximately 87 basis points (assuming adoption of AWC's alternative proposal – *See* Tr. 233). (Staff Br. at 12-13.)

RUCO

RUCO argued in Phase 1 that there was no legal basis for the proposed DSIC in Arizona. RUCO stated that the Arizona Constitution generally requires the Commission to ascertain the fair value of a utility's property in Arizona when it engages in ratemaking, but that Arizona courts have allowed for two situations when the Commission may engage in ratemaking without making a fair value finding: (1) when the Commission has established an automatic adjuster mechanism, or (2) when the Commission approves interim rates. (Phase 1 RUCO Br. at 11-13 (citing, *inter alia*, *Scates* and AZ AG Op. 71-17).) RUCO asserted in Phase 1 that the DSIC was not an adjuster mechanism because it was not designed to be used to account for fluctuations in specified operating expenses caused by price volatility, but instead to recover the cost of replacing plant for which there is no allegation of price volatility. (*Id.* at 11-12.) RUCO further argued that the DSIC could not be authorized as an interim rate because AWC did not meet the criteria for obtaining interim rates (as provided in Arizona Attorney General Opinion No. 71-17) and the Company had not requested interim rates. (*Id.* at 13.) RUCO claimed in Phase 1 that the other states that have DSIC-type mechanisms have different laws than Arizona, and that Arizona law protects ratepayers from the piecemeal ratemaking and unfair rates that would result if the DSIC were approved. (*Id.* at 13-14.)

In its Phase 1 reply brief, RUCO addressed AWC's assertion that the DSIC proposed in Phase 1 must be constitutional because the ACRM is constitutional. RUCO claimed that the ACRM resulted from various stakeholders coming together to address a one-time event (the USEPA's adoption of a more stringent MCL for arsenic) that would impact dozens of Arizona water companies simultaneously; that the ACRM has been and is now treated as an adjuster mechanism, which is one of the limited exceptions to the constitutional fair value requirement as per Arizona case law; that the legality of the ACRM had never been called into question or reviewed by any Arizona court; and that whether the ACRM would satisfy the legal standard for an adjuster mechanism is "questionable and should not be presumed." (Phase 1 RUCO Reply Br. at 2.) RUCO added that the constitutionality of the ACRM was not at issue in this case and was irrelevant in considering the legality of the Phase 1 DSIC. (*Id.* at 2-3.) RUCO reiterated that the Commission must find fair value when setting rates except in limited circumstances, which were not satisfied by the DSIC, and that the proposed DSIC was therefore not authorized under Arizona law. (*Id.* at 5.)

With respect to the Phase 2 Settlement Agreement, RUCO argues that the Agreement and proposed SIB are not in the public interest because they do not provide sufficient benefits and protections for ratepayers. RUCO also reiterates many of the same legal arguments it made in Phase 1 contending that like AWC's proposed DSIC, the SIB would violate Arizona law.

RUCO does not appear to dispute AWC's substantial infrastructure replacement needs; however RUCO contends that those needs have long been known to the Company; that the Commission in Decision No. 73736 granted AWC an increase to its ROE to compensate the Company for those infrastructure needs; that the SIB fails to adequately recognize reduced operating expenses associated with the replacement plant; that ratepayers will pay more in the long run under the SIB; and that the five percent efficiency credit on SIB plant is inadequate compensation for the shifting of risk to ratepayers associated with reduced regulatory lag. (RUCO Br. at 1-3.)

RUCO argues that the SIB is not an adjuster mechanism or an interim rate, which it claims are the only exceptions recognized by the courts to the constitutional requirement of ascertaining and employing a company's fair value rate base in setting rates. RUCO cites the *Scates* and *Rio Verde* decisions by the Court of Appeals to support its contention that adjuster mechanisms may only be used to adjust narrowly defined operating expenses, such as fuel costs, and that an adjuster clause may only be implemented as part of a full rate hearing. (*Scates*, 118 Ariz. 531, 535, 578 P.2d 612, 616; *Rio Verde*, 199 Ariz. 588, 592, 20 P.3d 1169, 1173.) RUCO claims that the proposed SIB mechanism is not an adjuster mechanism because its purpose is not to make automatic adjustments for fluctuating operating expenses, but instead only serves to increase the Company's rate base and thus its operating income. RUCO asserts that the SIB only allows rates to adjust upwards as a result of permitting recovery of SIB-eligible plant costs, and that the SIB is not the type of adjustment mechanism contemplated by the court in *Scates*.

According to RUCO, the only other exception to a fair value finding in a full rate case is when interim rates are implemented, which would require that the Commission find the existence of an emergency; the posting of a bond by the utility; and an undertaking by the Commission to determine final rates after a valuation of the utility's property. (*Rio Verde, supra*, at 591, 20 P.3d at 1172.) RUCO states that AWC has not asserted that an emergency exists; nor has the Company requested implementation of interim rates. RUCO cites Arizona Attorney General Opinion No. 71-17 which defined an emergency as when "sudden change brings hardship to a company, when a company is insolvent, or when the condition of the company is such that its ability to maintain service pending a formal rate determination is in serious doubt." RUCO claims that AWC has not presented evidence that it would meet any of the criteria to satisfy an emergency finding under that definition.

RUCO asserts that the Arizona Constitution's fair value requirement would not be satisfied if rate increases were granted under the proposed SIB mechanism. According to RUCO, the SIB is not an adjuster mechanism but is simply a method to enable AWC to recover additional revenue based on capital investments made between rate cases. (RUCO Br. at 8.) RUCO contends that there are no exceptional circumstances presented in this case that would warrant approving the SIB. RUCO points to Mr. Olea's testimony at the hearing wherein he stated that the only extraordinary circumstance that developed between Phase 1, when Staff opposed the DSIC, and Phase 2, in which Staff supports the SIB, is the Commission's directive to the parties to negotiate regarding the DSIC issue. (Tr. 301.) RUCO claims that a directive from the Commission is not the type of event that would constitute an extraordinary or exceptional situation.

RUCO argues that the Commission would not be making a new fair value finding each time the Company applies for a surcharge adjustment, citing to Mr. Rigsby's testimony. (RUCO Ex. 12, at 13.) Therefore, RUCO claims, the SIB would not meet the constitutional fair value requirements under Arizona law. In its brief, RUCO quotes a passage from *Simms*, wherein the Arizona Supreme Court stated:

> It is clear, therefore, that under our constitution as interpreted by this court, the commission is required to find the fair value of the company's property and use such finding as a rate base for the purpose of calculating what are just and reasonable rates....While our constitution does not establish a formula for arriving at fair value, it does require such value to be found and used as the base in fixing rates. The reasonableness and justness of the rates must be related to this finding of fair value.

(*Simms, supra,* 80 Ariz. at 151, 294 P.2d at 382.) RUCO contends that the Schedule D analysis that the Company would be required to file with each SIB adjustment request, and which would show the impact of plant additions on the Company's fair value rate base, revenue, and fair value rate of return established in Decision No. 73736, "does not go far enough." (RUCO Br. at 10.)

Citing the claims made in Mr. Rigsby's testimony (RUCO Ex. 12, at 13-15), RUCO suggests that although the Schedule D analysis was included in order to satisfy *Scates*, "the Commission will not, as required by law, make a meaningful finding of fair value and use that finding as a rate base for the purpose of establishing rates." (RUCO Br. at 11.) RUCO contends that *Scates* requires that all parts of the ratemaking equation must be evaluated – "at least a mini-type rate case" – before rate adjustments could be made, and the SIB is deficient because it examines only one part of the equation. (*Id.*) Therefore, according to RUCO, the SIB would constitute "single issue ratemaking" and would render the fair value requirement "meaningless." (*Id.*)

RUCO asserts that there are a number of other problems with the Settlement Agreement, and the SIB mechanism, including: the five percent efficiency credit is insufficient to compensate ratepayers for shifting of risk; the Settlement does not explain what happens to the SIB after the next rate case; the SIB expands eligibility of recoverable costs to almost every kind of plant; the 10 percent water loss criterion could be gamed and would create an incentive for the Company to neglect certain systems near the 10 percent threshold so that plant replacements would become SIB-eligible; the SIB does not address the relationship between infrastructure replacement needs and use of depreciation expense funds or dividend payouts; the Settlement is unclear as to what will happen if a party objects to a SIB surcharge filing within the allotted 30-day period; the SIB does not include an earnings test; the SIB could generate revenues by serving new customers, despite language to the contrary in the Settlement; and there is no provision in the Settlement for adjusting the ROE to reflect adoption of the SIB. (RUCO Br. at 13-17.)

RUCO concludes that there are numerous reasons why the Settlement Agreement is not in the public interest. According to RUCO, the SIB is illegal under Arizona law; there is no tying of the SIB and authorized ROE; and the Commission specifically granted AWC a higher ROE in Phase 1 to address the Company's infrastructure needs. RUCO claims that adoption of the Settlement will establish a dangerous precedent and encourage companies to seek both a SIB and higher ROE to address infrastructure needs, resulting effectively in double recovery for the same purposes. Therefore, RUCO requests that the Commission reject the Settlement Agreement. (*Id.* at 18-19.)

Discussion

AWC provided compelling evidence in Phase 1 that its Eastern Group systems, most notably the Miami and Bisbee systems, have areas in which the pipes have corroded or otherwise degraded so as to become very fragile and to have leaks and breaks occurring at an excessive rate. In addition, AWC established that the frequency of leaks and breaks in Eastern Group systems is generally increasing. No party has presented evidence effectively refuting AWC's assertion that it needs to begin replacing large amounts of infrastructure in its Eastern Group systems in an attempt to ensure system reliability and reduce excessive water loss. Nor has any party effectively refuted AWC's assertion that its proposed three-year plan is a reasonable and appropriate plan to initiate the replacement of infrastructure on a much larger scale than has historically been performed, or AWC's position that it currently lacks the financial means to complete the infrastructure replacements in the timeframe it is proposing without obtaining additional funding in some manner.

The Commission generally must determine a fair value rate base and apply a rate of return to that rate base when it develops rates. The case law interpreting the Commission's constitutional duties state that the Commission may diverge from this ratemaking method when authorizing interim rates in the event of an emergency (*i.e.*, interim rates), and when the Commission authorizes (in a rate case) an automatic adjuster mechanism to address specific costs occurring subsequent to the rate case.

Scates suggests that there may be exceptional situations that warrant a departure from the usual method. RUCO takes issue with AWC's comparison of its current situation to its need to construct arsenic treatment plants to come into compliance with the USEPA MCL standard for arsenic, and asserted that AWC's current infrastructure replacement needs do not rise to the level of an exceptional situation.

Legal Issues

In both Phase 1 and Phase 2, the parties discussed in their post-hearing briefs the legality of a DSIC (and in Phase 2 the SIB) under Arizona law. Arizona Constitution, Article XV, § 14 provides: "The Corporation Commission shall, to aid it in the proper discharge of its duties, ascertain the fair value of the property within the State of every public service corporation doing business therein . . . ." This language has been interpreted to require the Commission to establish a utility's authorized rates by applying a fair rate of return to the fair value of the utility's property devoted to the public use at the time of the inquiry (or as near as possible thereto), as determined by the Commission based upon all available relevant evidence. (*See, e.g., Arizona Corp. Comm'n v. Arizona Water Co.*, 85 Ariz. 198, 203-04, 335 P.2d 412, 415 (Ariz. 1959)).

The Arizona Supreme Court has clarified that "the Commission in its discretion can consider matters subsequent to the historic year" when establishing fair value rate base in a rate case. (*Arizona Public Service*, 113 Ariz. 368, 371, 555 P.2d 326, 328-29 (1976)), and has specifically approved the portion of a Commission decision that allowed inclusion of CWIP for plant that was under construction during the test year and would go into service within two years after the effective date of a Step II increase, when the step increase methodology had been created in a full permanent rate case that included a determination of fair value. (*Arizona Cmty. Action*, 123 Ariz. 228, 230, 599 P.2d 184, 186.)

In *Arizona Public Service,* the Arizona Supreme Court held that although the Commission must ascertain fair value, it was not prohibited from taking into consideration in its fair value determination the addition of CWIP after the end of the test year. In so finding, the court stated:

> A plant under construction is at least a relevant factor which the Commission could consider in determining fair value. The attorney general's opinion would cut off consideration of any facts subsequent to the historic year. In Simms v. Round Valley, supra, we said: 'Fair value means the value of properties at the time of inquiry (citing cases),' and '(t)his is necessary for the reason that the company is entitled to a reasonable return upon the fair value of its properties at the time the rate is fixed (citing cases).' From the foregoing, it is obvious that the Commission in its discretion can consider matters subsequent to the test year, bearing in mind that all parties are entitled to a reasonable opportunity to rebut evidence presented. Construction projects contracted for and commenced during the historical year may certainly be considered by the Commission upon the cutoff time previously indicated. We would not presume to instruct the Commission as to how it should exercise its legislative functions. However, it appears to be in the public interest to have stability in the rate structure within the bounds of fairness and equity rather than a constant series of rate hearings.

(113 Ariz. at 371, 555 P.2d at 329 (internal citations omitted).) The Arizona Supreme Court reinforced this view in *Arizona Community Action*, by affirming the Commission's decision to allow inclusion of CWIP in APS' rate base within two years of a Step II rate increase. (123 Ariz. 228, 230-231, 599 P. 2d 184, 186-187.) In that case, the court considered whether it was permissible for the Commission to authorize a rate of return based on plant construction in progress but not yet in service, which would result in five percent step increases over a three-year time period (1977-1979). Although the court struck down the tying of step increases solely to APS' return on equity, it found the Commission's inclusion of funds expended on CWIP to be "entirely reasonable." (*Id.*) With respect to the legality of the step increase approved by the Commission, the court stated:

> In view of [*Arizona Public Service*], supra, we find entirely reasonable that portion of the Commission's decision allowing the inclusion of [CWIP] to go on line within two years from the effective date of the Step II increase. Nor do we find fault with the Commission's attempt to comply with our indication in [*Arizona Public Service*], supra, that a constant series of rate hearings are not necessary to protect the public interest. The hearing culminating in the order of August 1, 1977, resulted in a determination of fair value. *The adjustments ordered by the Commission in adding the CWIP to that determination of fair value were adequate to maintain a reasonable compliance with the constitutional requirements if used only for a limited period of time.*

((*Id.*)(emphasis added.)

As a general proposition, we recognize that the courts have consistently required that the Commission find fair value before allowing an adjustment in rates. As indicated above, exceptions to the requirement to base rates on a monopolistic utility's fair value rate base have typically been recognized for interim rate increases when an emergency exists, and for rate increases caused by automatic adjustment clauses, when the automatic adjustment clause itself is created in a permanent rate case that meets all legal requirements and the clause is designed to ensure that the utility's profit or rate of return is unchanged by application of the clause. (*See Rio Verde*, *supra,* 199 Ariz. 588, 20 P.3d 1169; *Scates, supra*, 118 Ariz. 531, 578 P.2d 612; Arizona Attorney General Opinion No. 71-17.)

However, in *Scates,* the Court of Appeals indicated that in exceptional circumstances the Commission may adjust rates outside of a full rate case. Although the court found the Commission did not have authority to allow increases between rate cases to certain of a telephone company's charges without a consideration of the impact on the company's rate of return and financial condition, the court suggested that updated submissions may be permitted to adjust rates between full rate cases. Thus, in *Scates*, the appellate court suggested a third exception to the general rule:

> We do not need to decide in this case whether as a matter of law there must be a de novo compliance with all provisions of the order in connection with every increase in rates. The Commission here not only failed to require any submissions, but also failed to make any examination whatsoever of the company's financial condition, and to make any determination of whether the increase would affect the utility's rate of return. There may well be exceptional situations in which the Commission may authorize partial rate increases without requiring entirely new submissions. We do not decide in this case, for example, whether the Commission could have referred to previous submissions with some updating or whether it could have accepted summary financial information.

(118 Ariz. 531, at 537, 578 P.2d 612, at 618.)

In *Rio Verde,* the Court of Appeals addressed the issue of whether the Commission properly approved a surcharge to recover increased CAP water expenses between rate cases without ascertaining the utility company's fair value. The court, citing *Simms* and *Arizona Public Service*, held that the Arizona Constitution requires the Commission to determine the company's fair value, and the justness and reasonableness of the rates must be related to this fair value. (199 Ariz. 588, at 591, 20 P.3d 1169, at 1172.)

However, the courts have also consistently upheld the Commission's broad discretion to use fair value in a manner that recognizes changing regulatory circumstances. For example, in *US West II, supra*, the Arizona Supreme Court recognized that although a fair value finding is required under the Constitution, the Commission was not bound by a "rigid formula" in setting just and reasonable rates. (201 Ariz. at 246, 34 P.3d at 355.) Although the court in *US West II* was considering fair value in the context of competitive telecommunications services, and not for a monopoly water company such as AWC, the court's discussion of the fair value requirement is instructive.

> Because neither this court nor the corporation commission possesses the power to ignore plain constitutional language, we hold that a determination of fair value is necessary with respect to a public service corporation. But what is to be done with such a finding? In the past, fair value has been the factor by which a reasonable rate of return was multiplied to yield, with the addition of operating expenses, the total revenue that a corporation could earn. That revenue figure was then used to set rates....But while the constitution clearly requires the Arizona Corporation Commission to perform a fair value determination, only our jurisprudence dictates that this finding be plugged into a rigid formula as part of the rate-setting process. Neither section 3 nor section 14 of the constitution requires the corporation commission to use fair value as the *exclusive* "rate basis."...We still believe that when a monopoly exists, the rate-of-return method is proper. Today, however, we must consider our case law interpreting the constitution against a backdrop of competition. In such a climate, there is no reason to rigidly link the fair value determination to the establishment of rates. We agree that our previous cases establishing fair value as the exclusive rate base are inappropriate for application in a competitive environment.... Thus, fair value, in conjunction with other information, may be used to insure that both the corporation and the consumer are treated fairly. In this and any other fashion that the corporation commission deems appropriate, the fair value determination should be considered. The commission has broad discretion, however, to determine the weight to be given this factor in any particular case.

(*Id.* at 245-246, 34 P.3d at 354-355.)(internal citations omitted, emphasis original.) The Court of Appeals reinforced this finding in *Phelps Dodge,* stating that:

> ...our reading of the court's ruling [in *US West II*]...is consistent with the pronouncement...that the Commission should consider fair value when setting rates within a competitive market, although the Commission has broad discretion in determining the weight to be given that factor in any particular case.

(207 Ariz. 95, at 106, 83 P.3d 573, at 584.)

The Commission has also previously employed mechanisms such as the ACRM to address extraordinary regulatory challenges for which traditional ratemaking methods were deemed inadequate. In Decision No. 66400, in which the Commission first adopted the ACRM, the Commission determined that the proposed ACRM was within the Commission's constitutional and statutory authority and permitted under applicable case law. (*See* Decision No. 66400 at 17, 19-20, 22.) AWC's ACRM included a requirement that the Company file with each adjustment filing:

> (1)the most current balance sheet at the time of the filing; (2) the most current income statement; (3) an earnings test schedule; (4) a rate review schedule (including the incremental and pro forma effects of the proposed increase); (5) a revenue requirement calculation; (6) a surcharge calculation; (7) an adjusted rate base schedule; (8) a CWIP ledger (for each project showing accumulation of charges by month and paid vendor invoices); (9) calculation of the three factor formula; and (10) a typical bill analysis under present and proposed rates.

(Id. at 14.)

The Commission further agreed that the ACRM step increase procedure was based on the approach for CWIP discussed by the Arizona Supreme Court in both *Arizona Public Service* and *Arizona Community Action.* The Commission stated that in both cases the court acknowledged the Commission's authority to consider post-test year matters as long as the Commission complied with its constitutional duty to determine fair value. The Commission also cited *Scates* as supporting the Commission's authority to approve step rate increases, although only in "exceptional situations." The Commission found that the ACRM:

> specifically require[s] that [AWC] file updated financial information to verify the actual expenditures incurred for installing arsenic treatment plant, as well as schedules verifying that the requested step increase will not result in a return in excess of the Company's "fair value" rate

> base return....We disagree with RUCO's contention that inclusion of the recoverable O&M expenses violates the tenets of the *Scates* decision.[27] As the Arizona court explained in that decision, automatic adjustment mechanisms may be approved in the context of a general rate proceeding as long as the expenses are specific and narrowly defined. The modified ACRM proposed by Staff and Arizona Water satisfies the *Arizona Community Action* and *Scates* requirements because it is an automatic adjustment mechanism that is being considered in a rate proceeding which includes a "fair value" analysis of the Company's utility plant. Moreover, the expenses that are eligible for recovery under the ACRM adjustor mechanism are narrowly defined costs that will be incurred by direct payments to third party contactors. We believe these components satisfy the requirements delineated in both the *Scates* and *Arizona Community Action* decisions.[28]

The Commission concluded that approval of step increases under the ACRM, as described in Decision No. 66400, was consistent with the Commission's authority under the Arizona Constitution, ratemaking statutes, and applicable case law. (*Id.* at 22.)

The Commission has also considered infrastructure surcharges in several additional dockets. One of these was the docket cited by AWC in Phase 1 in which the Commission considered, in the context of a permanent rate case for Arizona-American's Paradise Valley Water District, a requested Public Safety Surcharge for investments to improve fire flow facilities.[29] In that docket, the Commission approved, *inter alia*, Staff's alternative Public Safety Surcharge of $1.00 per 1,000 gallons on both second-tier and third-tier residential commodity rates and on second-tier commercial commodity rates, to be used to allow Arizona-American to recover its fire flow project costs, after which time the surcharge would terminate.[30] (Decision No. 68858 at 31-32, 39-40, 44, ex. B.) In the decision, the Commission stated that the fire-safety-related infrastructure improvements were necessary to ensure the public health and safety of ratepayers and that the ratepayers were largely in support of the improvements and willing to pay for them. (*Id.* at 32.) Following the implementation of the new rates and the Public Safety Surcharge, however, the Town of Paradise Valley, several affected resorts, and some homeowners' association members contacted the Commission to express

[27] RUCO had objected to inclusion of O&M expense adjustments in the ACRM, arguing that *Arizona Community Action* had only authorized rate base updates and that the inclusion of O&M adjustments presented matching problems.
[28] *Id.* at 19-20.
[29] Docket No. W-01303A-05-0405 et al.
[30] Official notice is taken of Decision No. 68858 (July 28, 2006).

concern regarding bill impacts. The Commission subsequently voted to reconsider the issue under A.R.S. § 40-252 and, 11 months after the Public Safety surcharge had been implemented, reset the Public Safety Surcharge to zero, stating that the issue should be addressed in Arizona-American's then-pending permanent rate case.[31] (Decision No. 70488 at 11, 14.)

The Commission also considered an infrastructure improvement surcharge in a permanent rate case for Arizona-American's Sun City Water District.[32] In that case, Arizona-American sought approval of a Fire Flow Cost Recovery Mechanism ("FCRM") that it said would allow it to carry out a fire flow improvement plan created by the Youngtown/Sun City Fire Flow Task Force formed pursuant to an earlier Commission Decision.[33] (Decision No. 70351 (May 16, 2008).) Arizona-American asserted that in the absence of a special funding mechanism, it lacked the financial ability to make the recommended fire flow improvements, which had an estimated cost between $2.6 and $5.1 million. (*Id.* at 5, 23, 24.) After accepting Staff recommendations, Arizona-American proposed that the FCRM be structured like an ACRM, but with multiple phases, each of which would be reviewed for prudency and reasonableness of costs and would necessitate a Commission Order before an increase in the FCRM. (*Id.* at 24-25.) RUCO opposed the FCRM, stating that the proposed fire flow improvements were discretionary and that the FCRM represented single-issue ratemaking and reminding the Commission of the problems experienced with the funding mechanism approved for fire flow improvements in the Paradise Valley District. (*Id.* at 5, 26-27, 28.) Staff supported the FCRM as necessary for public safety, stating that the FCRM should be adopted because the proposed project costs were significant and not a normal system upgrade. (*Id.* at 33.) The Commission denied the FCRM, stating the following:

> Our experience with considering major construction projects outside the context of a rate case teaches us that often substantial unintended adverse consequences can result from implementing surcharges such as the FCRM. Cost recovery mechanisms such as the FCRM should only be implemented in extraordinary circumstances. We do not find that the proposed fire flow improvement project warrants the extraordinary rate making treatment being proposed by the Company, Staff and Youngtown. Consequently, we deny the request to implement the FCRM. Our finding

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[31] Official notice is taken of Decision No. 70488 (September 3, 2008).
[32] Docket No. W-01303A-07-0209.
[33] Official notice is taken of Decision No. 70351 (May 16, 2008). The Decision creating the Youngtown/Sun City Fire Flow Task Force was identified as Decision No. 67093 (June 30, 2004). (Decision No. 70351 at 5.)

> on the merits of the FCRM, however, does not affect how the Commission would treat the capital improvements if the Company constructed them voluntarily and seeks their inclusion in rate base in a rate case.[34]

The Commission also considered and denied a request by Global Water to implement a Distributed Energy Recovery Tariff ("DERT") that would operate like an ACRM and allow Global Water to recover the costs of constructing renewable energy facilities built at wastewater facilities, as those renewable energy facilities were completed.[35] (Decision No. 71878 (September 15, 2010)). The initial phase of construction proposed to be covered under the DERT was a photovoltaic installation with an estimated cost of $1.5 to $2.0 million. (*Id.* at 43.) Both RUCO and Staff opposed the DERT, asserting that any such renewable energy plant costs incurred should be recovered through a rate case rather than through a special mechanism such as an ACRM-like surcharge. (*Id.* at 43-45.) The Commission agreed, stating:

> We applaud Applicants' initiatives in conservation and environmental stewardship. We also agree that in some cases, adjustors that support policy objectives are appropriate. However, the proposed plant additions not only are not required to meet government mandated standards, but they are also not essential to the provision of utility service by Applicants, and would come at the expense of increased costs to customers at a time when some customers are already finding it difficult to meet their household expenses. We find that in today's economic climate, the benefits of the proposed adjustor do not outweigh the costs to customers, which costs include having them bear the risk of Applicants' plant investments. The proposed adjustor will therefore not be approved.[36]

The Commission again considered an Infrastructure Improvement Surcharge ("IIS") requested by Arizona-American for its Sun City Water district to replace aging mains, hydrants, meters, tanks, and booster stations.[37] (Decision No. 72047 (January 6, 2011).) Arizona-American acknowledged that the type of plant to be replaced was ordinary, but asserted that the replacement costs were projected to be quite large.[38] (*Id.* at 91.) Staff and RUCO both opposed the IIS, arguing that the use of an adjustor mechanism, an extraordinary ratemaking device, was not warranted. (*Id.* at 91-92.)

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[34] Decision No. 70351 at 36.
[35] Official notice is taken of Decision No. 71878 (September 15, 2010).
[36] Decision No. 71878 at 45-46.
[37] Official notice is taken of Decision No. 72047 (January 6, 2011).
[38] The estimated cost of the necessary plant replacements was not included in the Decision, but was asserted in Arizona-American's post-hearing brief to be $7.5 million for the next five years. Official notice is taken of this statement made on page 40 of Arizona-American's post-hearing brief filed in Docket Nos. W-01303A-09-0343 et al. on July 16, 2010.

The Commission denied the IIS, "agree[ing] with RUCO and Staff that the recovery of expenditures for plant additions and improvements does not warrant the extraordinary ratemaking device of an adjustor mechanism." (*Id.* at 92.)

Most recently, however, in Phase 1 of this proceeding, we indicated that due to the evidence presented regarding the substantial infrastructure replacement needs faced by AWC, "we are supportive of the DSIC type mechanism" and kept the record open to allow additional discussions between the parties regarding the DSIC issue. (Decision No. 73736, at 104.) As discussed herein, the Settlement Agreement was the product of those discussions and was opposed only by RUCO.

Conclusion

After reviewing the court decisions interpreting the constitutional requirements imposed on the Commission's ratemaking authority, we believe that the Settlement Agreement, and the SIB mechanism incorporated therein, together with the financial information and analysis required herein, satisfies the fair value concerns addressed by various court decisions. Although RUCO asserts that the Settlement does not require a fair value finding by the Commission when the SIB surcharge is adjusted, the Schedule D information that is required to be filed at the time a surcharge adjustment request is made requires "an analysis of the impact of the SIB Plant on the fair value rate base, revenue, and the fair value rate of return as set forth in Decision No. 73736." (Ex. A-1 at ¶7.1.7.) Moreover, Mr. Olea testified that any Order would "include a finding of – a determination of fair value or a consideration of fair value." (Tr. 333.)

From a practical perspective, the SIB would operate very similarly to the existing ACRM, with which the Commission now has extensive experience, and which the Commission has determined to be lawful. However, unlike the ACRM, the SIB does not require the Company to include with its surcharge adjustment filings information regarding earnings. We will therefore require AWC to include in each of its surcharge adjustment filings similar financial information required for ACRM adjustments, as described in Decision No. 66400. To the extent that the Settlement Agreement does not require the filing of the following information with each SIB adjustment, AWC shall file the following information: (1) the most current balance sheet at the time of the filing; (2) the most current income statement; (3) an earnings test schedule; (4) a rate review schedule (including the incremental and pro forma effects of the proposed increase); (5) a revenue requirement calculation; (6) a surcharge calculation; (7) an adjusted rate base schedule; (8) a CWIP ledger (for each project showing accumulation of charges by month and paid vendor invoices); (9) calculation of the three factor formula (as requested by Staff); and (10) a typical bill analysis under present and proposed rates.

The Company shall also be required to perform an earnings test calculation for each initial filing and annual report filing to determine whether the actual rate of return reflected by the operating income for the affected system or division for the relevant 12-month period exceeded the most recently authorized fair value rate of return for the affected system or division, with the earnings test to be: based on the most recent available operating income, adjusted for any operating revenue and expense adjustments adopted in the most recent general rate case; and based on the rate base adopted in the most recent general rate case, updated to recognize changes in plant, accumulated depreciation, contributions in aid of construction, advances in aid of construction, and accumulated deferred income taxes through the most recent available financial statement (quarterly or longer). The earnings test results will be considered in the following manner. If the earnings test calculation described herein shows that the Company will not exceed its authorized rate of return with the implementation of the SIB surcharge, the surcharge for the year may go into effect upon issuance of the surcharge approval order and subject to the conditions described herein. But if the earnings test calculation described herein shows that the Company will exceed its authorized rate of return with the implementation of any part of the SIB surcharge, the surcharge for that year may not go into effect. Lastly, if the earnings test calculation described herein shows that the Company will exceed its authorized rate of return with the implementation of the full surcharge, but a portion of the surcharge may be implemented without exceeding the authorized rate of return, then the surcharge may be authorized up to that amount, again upon issuance of the surcharge approval order and subject to the conditions described herein. We reiterate that the proposed SIB surcharges shall be evaluated by the Commission according to all relevant factors, including the results of the earnings test. In any event, the earnings test shall not impact the approval of the SIB mechanism or the possibility of SIB surcharges in future years where authorized in accordance with the SIB mechanism.

With this additional information, the SIB allows for a consideration of all of AWC's costs at the time a surcharge adjustment is made, and is therefore permissible under *Scates*. The SIB mechanism also addresses the concerns cited in *Scates* in that the SIB: is an adjustment mechanism established within a rate case as part of a company's rate structure;[39] adopts a set formula that would allow only readily identifiable and narrowly defined plant to be recovered through the surcharge; and applies the rate of return authorized in Decision 73736 to SIB plant (less the five percent efficiency credit).

In accordance with the court's holding in *Simms*, which states that the Commission must find and use the fair value of the utility company's property at the time of the inquiry, and the reasonableness and justness of rates established by the Commission "must be related to this finding of fair value" (80 Ariz. at 151, 294 P.2d at 382), the SIB mechanism requires a determination of the Company's fair value rate base, including the SIB plant, at the time the surcharges are proposed and approved.

As discussed above, the applicable court decisions have found that the express language in Article 15, §14 of the Arizona Constitution requires the Commission to ascertain "fair value." The courts have consistently recognized, however, that the Commission has broad discretion in the rate setting formulas and techniques that it employs, and the courts will not disturb the Commission's findings absent an abuse of that discretion. (*See, Simms, supra*, at 154; *Arizona Public Service, supra*, at 370.) A line of decisions establishes that, as long as fair value is determined, the Commission does not abuse its discretion in adopting varying ratemaking mechanisms that allow rate recovery for: post-test year plant (*Arizona Public Service*); CWIP that is not yet in service (*Arizona Community Action*); interim rates or adjuster mechanisms without a fair value finding (*Rio Verde*); and use of fair value as only one factor to be considered in setting rates in a competitive regulatory environment (*US West II; Phelps Dodge*). An examination of these cases suggests that courts have understood that while a fair value determination is always required under the plain constitutional language of Article

[39] The SIB is a different type of adjuster mechanism than has previously been reviewed by the courts because it allows recovery of plant costs associated with AWC's substantial distribution system improvement needs, rather than fuel costs. However, even if the SIB is not considered an "adjustment mechanism" under *Scates*, we believe that it is an exceptional circumstance given the significant capital investment requirements for infrastructure replacements demonstrated by AWC.

15, §14, the Commission must have wide latitude to fashion ratemaking methods necessary to address a number of circumstances that may not have been anticipated when the Arizona Constitution was enacted. As long as the fair value finding is related to the rates set by the Commission, and that "just and reasonable rates" result from the methodologies employed (Article 15, §3), the courts have found that the Commission does not abuse its discretion in regard to its ratemaking powers.

We believe that the SIB mechanism embodied in the Settlement Agreement, together with the additional financial information and analysis required herein, is compliant with the Commission's constitutional requirements, as well as the case law interpreting the Commission's authority and discretion in setting rates. As described in the Settlement Agreement, the SIB surcharge would be based on specific, verified, and in-service plant additions that are reviewed by Staff and approved by the Commission prior to being implemented. AWC would be required to submit annual summary schedules showing the actual cost of the infrastructure, and supporting documentation that will enable Staff and the Commission to determine how the proposed surcharge adjustments would impact the fair value rate of return for each affected system. The SIB mechanism is analogous to the step increases for CWIP plant that the court found to be a reasonable ratemaking device in *Arizona Community Action* (except for tying the increases solely to return on equity). Although the SIB-eligible plant differs from CWIP to the extent that the SIB would not necessarily be under construction during the historical test year in the rate case, the requirement that the SIB plant must be fully constructed, and used in the provision of utility service (with verification that such is the case) prior to inclusion in a surcharge, provides the Commission with an even greater assurance (compared with CWIP) that the SIB plant is used and useful and therefore serves as a proper basis for approving just and reasonable rates. And, by allowing up to five surcharge adjustments between full rate case applications, the SIB takes into account the court's observation in the same case that a constant series of rate hearings is not necessary to protect the public interest. (*Id.* at 230-231, 599 P.2d at 186-187.) By requiring the filing of a full rate case at least every five years (with a review in the subsequent case of all SIB plant that was included in the surcharge during the interim between rate cases), the SIB also addresses the concern that the interim rate adjustments would only be in place for a limited period of time. In addition to the five percent efficiency credit, the SIB mechanism also includes notice requirements to customers, a review period for Staff and RUCO (and an opportunity for other parties or customers to express opposition (*See* Tr. 310-311)), and an Order by the Commission evaluating and approving the appropriateness of the SIB-eligible plant, including AWC's fair value rate base and rate of return.

Although a DSIC-like mechanism could result in much greater resource demands upon the Commission and Staff than would the current regulatory structure, efforts were made by the parties in structuring the SIB to place more of the informational filing burdens on the Company, thus mitigating many of the resource concerns that had previously existed with the original DSC proposal.

With these provisions and protections, as well as others discussed herein, we find that the Settlement Agreement represents a reasonable compromise of contested issues, is in accord with Arizona law and, as a whole, is consistent with the public interest. The Settlement is therefore approved.[40]

Segregation of Depreciation Expense

As discussed above, the issue of requiring the Company to set aside depreciation expense in a separate fund to finance infrastructure replacements and improvements was raised during the hearing. (*See, e.g.*, Tr. 111-116.) Although we do not concede, as suggested by Liberty/Global, that A.R.S. § 40-222 is legally deficient or that the United States and Arizona Constitutions would prohibit the Commission from acting under that statute or its constitutional authority, we will not require the Company to set aside depreciation expense in a separate fund for infrastructure replacement needs, at this time. However, we may reconsider this issue at a future date.

Return on Equity Adjustment

Another issue raised during the hearing was whether the 10.55 percent ROE authorized in Decision No. 73736 should be modified if a DSIC or DSIC-like mechanism were to be adopted by the Commission. The signatory parties have agreed that the rate of return, and thus the ROE, authorized in Phase 1 (Decision No. 73736) should be applied to the SIB-eligible plant when

[40] As described by Mr. Reiker at the hearing, we will adopt AWC's alternative schedules as the basis for calculating the SIB, as set forth in Ex. A-3 (See. Tr. 232-233). Ex. A-3 is attached as "Attachment B."

calculating the surcharge mechanism.[41] (Ex. A-1, ¶3.2.1.)

RUCO asserted that it was foreclosed in Phase 2 from seeking an adjustment to the Company's ROE if the Company received approval of a DSIC, based on Commissioner statements during the February 12, 2013 Open Meeting in which Phase 1 deliberations occurred resulting in Decision No. 73736. (Tr. 385.) This view was apparently shared by some other parties. (Tr. 174, 270-272; RUCO Exs. 5 and 6.) However, RUCO asserted during the Phase 2 proceeding that if a company is granted a DSIC mechanism the ROE should be adjusted downward to account for the Company's decreased risk (RUCO Ex. 11, at 4). RUCO also argued that the Commission granted AWC a higher ROE in Phase 1 in recognition of the Company's infrastructure replacement needs. (RUCO Ex. 12, at 15.)

We disagree with RUCO. As Mr. Olea testified, the existence or lack of a DSIC does not change the risk of the utility, and therefore the existence or lack of a DSIC should not change the utility's ROE. (Tr. at 275 to 276). As Mr. Olea explained, the efficiency credit is a more appropriate means to provide a financial benefit to the ratepayers. (Tr. at 276 to 277). Moreover, we find RUCO's argument ironic; while today RUCO argues that adding a DSIC reduces risk, we do not recall RUCO ever arguing that the absence of a DSIC results in higher risk. In addition, RUCO's witness Mr. Rigsby conceded that some of the "sample" group of companies used to determine ROE have DSICs. (Tr. at 485). Logically, to the extent (if any) that a DSIC impacts risk, the reduced risk would be reflected in the sample companies used to set the ROE, and we are not persuaded that any adjustment to the ROE is warranted.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On August 5, 2011, AWC filed with the Commission an application requesting adjustments to its rates and charges for utility service provided by its Eastern Group water systems,

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[41] Decision No. 73736 authorized a cost of debt of 6.82 percent and a cost of equity of 10.55 percent which, when applied to a capital structure of 49.03 percent debt and 50.97 percent equity, results in an overall weighted average cost of capital of 8.72 percent. (*Id.* at 60-62.)

including its Superstition (Apache Junction, Superior, and Miami); Cochise (Bisbee and Sierra Vista); San Manuel; Oracle; SaddleBrooke Ranch; and Winkelman water systems. AWC also requested several other authorizations in the application.

2. On February 20, 2013, the Commission issued Decision No. 73736 in Phase 1 of this matter, granting AWC a rate increase for its Eastern Group systems and, among other things, keeping the docket open for purposes of further consideration of AWC's proposed Distribution System Improvement Charge.

3. By Procedural Order issued February 21, 2013, as modified by Procedural Order issued February 25, 2013, this matter was scheduled for hearing commencing April 8, 2013, other procedural deadlines were established, and a procedural conference was scheduled for March 4, 2013.

4. On March 4, 2013, a procedural conference was conducted during which the parties discussed various procedural matters.

5. On March 21, 2013, a Procedural Order was issued modifying certain filing deadlines established in the procedural schedule.

6. On April 1, 2013, Staff filed a Settlement Agreement signed by all parties except RUCO and Globe.

7. On April 2, 2013, RUCO filed a Motion for Clarification or in the Alternative Request to Take Judicial Notice of the Underlying Record. RUCO requested clarification as to whether the Commission intended to leave the record open from Phase 1 of this case.

8. On April 2, 2013, AWC filed a Joinder in RUCO's Motion for Clarification. AWC agreed with RUCO that the entire underlying record should be held open for citation and reference and that DSIC issues should not be re-litigated at the April 8, 2013 hearing.

9. On April 2, 2013, testimony in support of the Settlement Agreement was filed by Joel M. Reiker on behalf of AWC; by Steven M. Olea on behalf of Staff; by Greg Sorenson on behalf of Liberty Utilities; by Ron Fleming and Paul Walker on behalf of Global Water; by Thomas M. Broderick on behalf of EPCOR; and by Gary Yaquinto on behalf of AIC.

10. On April 2, 2013, testimony in opposition to the Settlement Agreement was filed by

Patrick J. Quinn and William A. Rigsby on behalf of RUCO.

11. On April 4, 2013, a Procedural Order was issued stating that the evidentiary record in Phase 1 would be held open and incorporated into the Phase 2 record.

12. On April 8, 2013, an evidentiary hearing commenced before a duly authorized Administrative Law Judge. The hearing continued on April 11, 2013. AWC, RUCO, Liberty Utilities, Global Water, EPCOR, AIC, WUAA, Globe, and Staff appeared through counsel.

13. On April 15, 2013, AWC filed revised SIB Schedules A through D in accordance with Mr. Reiker's testimony at the hearing.

14. On April 29, 2013, post-hearing briefs were filed by AWC, RUCO, EPCOR, AIC, Staff, and jointly by Liberty Utilities and Global Water.

15. The Settlement provides, among other things for: Commission pre-approval of SIB-eligible projects; SIB project eligibility criteria; a limit on SIB surcharge recovery to the pre-tax rate of return and depreciation expense associated with SIB-eligible projects; an "efficiency credit" of five percent; a cap on the SIB surcharge of five percent of the Phase 1 revenue requirement; separate line items on customer bills reflecting the SIB surcharge and the efficiency credit; Commission approval of the SIB surcharge prior to implementation and adjustments; a limit of five SIB surcharge filings between general rate cases; an annual true-up of the SIB surcharge; and notice to customers at least 30 days prior to SIB surcharge adjustments.

16. The SIB mechanism "is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736." (Ex.A-1, ¶2.3.)

17. Cost recovery under the SIB mechanism is allowed for the pre-tax return on investment and depreciation expense for projects meeting the SIB-eligible criteria and for depreciation expense associated with those projects, net of associated plant retirements. The rate of return, depreciation rates, gross revenue conversion factor and tax multiplier are to be the same as those approved in Phase 1 by Decision No. 73736.

18. The SIB surcharge will include an "Efficiency Credit" equal to five percent of the SIB revenue requirement.

19. The Agreement caps the amount that is permitted to be collected annually by each SIB surcharge filing to five percent of the revenue requirement authorized in Decision No. 73736.

20. The SIB surcharge will be applicable only for plant replacement investments to provide adequate and reliable service to existing customers and that "are not designed to serve or promote customer growth."

21. Under the Settlement, AWC: may file up to five SIB surcharge requests between rate case decisions; may make no more than one SIB surcharge filing every 12 months; may not make its initial SIB surcharge filing for the Eastern Group prior to 12 months following the effective date of Decision No. 73736 (*i.e.*, February 20, 2014); must make an annual SIB surcharge filing to true-up its surcharge collections; and must file a rate case application for its Eastern Group no later than August 31, 2016, with a test year ending no later than December 31, 2015, at which time any SIB surcharges then in effect would be included in base rates in that proceeding and the surcharge would be reset to zero.

22. The SIB surcharge will be a fixed monthly charge on customers' bills, with the surcharge and the efficiency credit listed as separate line items. The surcharge will increase proportionately based on customer meter size.

23. Each SIB surcharge filing must be approved by the Commission prior to implementation. Upon filing of the SIB surcharge application, Staff and RUCO would have 30 days to review the filing and dispute and/or file a request for the Commission to alter the surcharge or true-up surcharge/credit. Although AWC is also required to provide a proposed order with each SIB filing for the Commission's consideration, and if no objection is filed to the SIB surcharge request the request shall be placed on an Open Meeting agenda at the earliest practicable date, in order to protect the public interest we believe that Staff should prepare its own Staff Report and Proposed Order for the Commission's consideration.

24. At least 30 days prior to a SIB surcharge becoming effective AWC is required to provide public notice to customers in the form of a bill insert or customer letter. The notice must

include: the individual surcharge amount by meter size; the individual efficiency credit by meter size; the individual true-up surcharge/credit by meter size; and a summary of the projects included in the current surcharge filing, including a description of each project and its cost.

25. The Settlement Agreement, with the modifications discussed above regarding financial information filing requirements, represents a reasonable compromise of contested issues, is in accord with Arizona law and, as a whole, is consistent with the public interest.

CONCLUSIONS OF LAW

1. AWC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-367.

2. The Commission has jurisdiction over AWC and the subject matter of the application.

3. Notice of the proceeding was provided in accordance with the law.

4. The SIB mechanism embodied in the Settlement Agreement is compliant with the Commission's constitutional requirements, as well as the case law interpreting the Commission's authority and discretion in setting rates. The Commission has the constitutional ratemaking authority to approve adjustment mechanisms in a general rate case.

5. The Settlement Agreement, and the SIB mechanism incorporated therein, with the modifications discussed above, satisfies the fair value concerns addressed by various court decisions.

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ORDER

IT IS THEREFORE ORDERED the Settlement Agreement filed on April 1, 2013, and the SIB mechanism incorporated therein, with the modifications discussed above, are reasonable and in the public interest, and shall be approved, as discussed herein.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN — COMMISSIONER

COMMISSIONER — COMMISSIONER — COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 27th day of June 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT Brenda Burns

DISSENT ______________

SERVICE LIST FOR: ARIZONA WATER COMPANY – PHASE 2 - DSIC

DOCKET NO.: W-01445A-11-0310

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ATTACHMENT A

ARIZONA WATER COMPANY

PHASE 2--EASTERN GROUP GENERAL RATE CASE

SETTLEMENT AGREEMENT
REGARDING DISTRIBUTION SYSTEM IMPROVEMENT CHARGE ("DSIC") AND OTHER DSIC-LIKE PROPOSALS

Docket No. W-01445A-11-0310

DECISION NO. 73938

A-1

SETTLEMENT AGREEMENT ON DSIC AND DSIC-LIKE PROPOSALS
AND
LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle specific, identified remaining issues related to Phase 2 of Docket No. W-01445A-11-0310, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Eastern Group of systems as identified in its August 5, 2011 application ("Rate Case"). These remaining issues relate to a DSIC proposal presented by AWC in the Rate Case and the parties' responses to that proposal, including presentation of DSIC-like proposals. This Agreement is entered into by the following entities:

Arizona Water Company

Arizona Corporation Commission Utilities Division ("Staff")

Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company, Valencia Water Company- Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility of Northern Scottsdale (collectively the "Global Utilities")

EPCOR Water Arizona Inc.

Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty Utilities")

The Water Utility Association of Arizona ("WUAA")

Arizona Investment Council ("AIC")

These entities shall be referred to collectively as the "Signatory Parties."

TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

1.0 RECITALS

1.1 Docket No. W-01445A-11-0310 was commenced by the filing of a rate application by AWC on August 5, 2011. AWC's application ("Application"), among other relief, proposed that the Arizona Corporation Commission ("ACC" or "Commission") adopt a Distribution System Improvement Charge ("DSIC").

1.2 Following a sufficiency finding by Staff on September 6, 2011, RUCO filed an Application to Intervene on September 14, 2011. Kathie Wyatt filed an Application to Intervene on October 20, 2011.

1.3 The Administrative Law Judge granted the applications to intervene filed by RUCO and Kathie Wyatt. No other persons or entities intervened in the Rate Case or participated in the proceedings until after the Commission entered its Decision No. 73736 on February 20, 2013.

1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 14, 2012. The evidentiary hearing closed on May 24, 2012. Testimony and exhibits were presented by AWC, RUCO, and Staff. Kathie Wyatt did not appear.

1.5 Following post-hearing briefing, the Administrative Law Judge issued a Recommended Opinion and Order ("ROO") on January 30, 2013. AWC and RUCO filed exceptions to the ROO and Staff responded to AWC's exceptions. In addition, amendments to the ROO were presented at the Open Meeting at which the Commission considered the ROO on February 12, 2013. At the Open Meeting on that date, the Commission voted 5-0 to adopt Decision No. 73736, and reopened intervention for the limited purpose of discussing AWC's DSIC proposal, other DSIC-like proposals, and the possibility of achieving a settlement or compromise on the two. On February 21, 2013, the Administrative Law Judge issued a Procedural Order setting forth a schedule for the determination of the remaining issues in Phase 2 of the Rate Case (the "Phase 2 Proceedings").

1.6 The Global Utilities, EPCOR Water Arizona Inc., Liberty Utilities, WUAA, Arizona Investment Council and the City of Globe moved to intervene and were granted intervention in the Phase 2 Proceedings. Staff filed a notice of settlement discussions on February 21, 2013, setting settlement discussions in the Phase 2 Proceedings for March 4, 2013. The Signatory Parties and Kathie Wyatt were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Formal settlement discussions between the Signatory Parties began on the scheduled date of March 4, 2013. Kathie Wyatt did not appear or participate. A settlement was reached on all issues in the Phase 2 Proceedings by the participating Signatory Parties.

1.7 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties, with each such party having an equal opportunity to participate. All Signatory Parties attended and actively participated in the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' good faith efforts to settle all of the issues presented in the Phase 2 Proceedings.

1.8 The purpose of this Agreement is to document the settlement of all issues presented in the Phase 2 Proceedings in a manner that will promote the public interest and provide for a prompt resolution of the issues on the schedule ordered by the Commission.

1.9 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented in the Phase 2 Proceedings and promoting the health, welfare and safety of customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation of the Phase 2 Proceedings.

1.10 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the System Improvement Benefits ("SIB") mechanism contained herein shall become effective at the earliest practicable date.

2.0 SYSTEM IMPROVEMENT BENEFITS ("SIB") MECHANISM

2.1 It is necessary for AWC to undertake a variety of system improvements in order to maintain adequate and reliable service to existing customers. AWC is also required to complete certain system improvements in order to comply with requirements imposed by law. The Signatory Parties acknowledge that these projects are necessary to provide proper, adequate and reliable service to existing customers; are not designed to serve or promote customer growth; and will not comprise an upgrade or expansion of existing plant unless justified for existing customers per Section 6.3.3.

2.2 Both the cost of these projects and the timing of their proposed completion and other factors set forth in the record create a circumstance for AWC that justifies the implementation of a SIB mechanism.

2.3 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the Commission may authorize a SIB mechanism for AWC in Docket W-01455A-11-0310. The SIB mechanism is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736.

2.4 A list of these projects and an estimation of the capital costs of each is set forth in SIB Plant Table I, attached hereto as Exhibit A

2.5 AWC may seek a SIB surcharge for projects on SIB Plant Table I that have been completed and placed into service, per SIB Plant Table II (Exhibit C).

3.0 CALCULATION OF AMOUNTS TO BE COLLECTED BY THE SIB SURCHARGE

3.1 The amount to be collected by the SIB surcharge ("SIB Authorized Revenue") shall be equal to the SIB revenue requirement minus the SIB efficiency credit.

3.2 The SIB revenue requirement is equal to the required pre-tax return on investment and depreciation expense associated with SIB-eligible projects that have been completed and placed into service, per SIB Plant Table II (Exhibit C), net of associated retirements. For such calculation:

3.2.1 The required rate of return is equal to the overall rate of return authorized in Decision No. 73736.

3.2.2 The gross revenue conversion factor/tax multiplier is equal to the gross revenue conversion factor/tax multiplier approved in Decision No. 73736 and;

3.2.3 The applicable depreciation rate(s) is equal to the depreciation rate(s) approved in Decision No. 73736.

3.3 The SIB Efficiency Credit shall be equal to five percent of the SIB revenue requirement.

3.4 The amount to be collected by each SIB surcharge filing shall be capped annually at five percent of the revenue requirement authorized in Decision No. 73736.

4.0 TIMING AND FREQUENCY OF SIB FILINGS

4.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that:

4.2 AWC may make its initial SIB surcharge filing no earlier than twelve months after the entry of Decision No. 73736.

4.3 Any subsequent SIB surcharge filings shall be made within sixty (60) days of the end of the previous twelve (12)-month SIB surcharge period.

4.4 AWC may make no more than one (1) SIB surcharge filing every twelve (12) months.

4.5 AWC is permitted no more than five (5) SIB surcharge filings between rate case decisions.

4.6 Unless otherwise authorized by the Commission, AWC (Eastern Group) shall be required to file its next general rate case no later than August 31, 2016 with a test year ending no later than December 31, 2015.

4.7 Any SIB surcharges that are in effect shall be reset to zero upon the date new rates become effective in AWC's next general rate case.

4.8 Every six (6) months AWC shall file a report with Docket Control delineating the status of all SIB eligible projects listed per SIB Plant Table I above, and may include modifications to that list for approval by the Commission using the process referenced in Section 6.0.

4.9 AWC shall make an annual SIB surcharge filing to true-up its collections under the SIB surcharge and establish the surcharge for the new surcharge period. A new SIB surcharge may be combined with an existing SIB surcharge such that a single SIB surcharge and SIB efficiency credit are shown on a customer's bill.

5.0 RECONCILIATION AND TRUE-UPS

5.1 The revenue collected by the SIB surcharge over the preceding twelve months shall be trued-up and reconciled with the SIB Authorized Revenue for that period.

5.2 For each twelve (12) month period that a SIB surcharge is in effect, AWC shall reconcile the amounts collected by the SIB surcharge with the SIB Authorized Revenue, for that twelve (12)-month period, consistent with Schedule B, attached hereto as Exhibit B.

5.3 Any under- or over-collected SIB revenues shall be recovered or refunded, without interest, over a twelve-month period by means of a fixed monthly true-up surcharge or credit.

5.4 Starting with the second annual SIB surcharge, where there are over/under-collected balances related to the previous annual SIB surcharge, such over/under-collected balances shall be carried over to the next year, and capped to the extent annual revenues do not exceed the five percent cap. If, after the five year period there remains an over/under-collected balance, such balance shall be reset to zero, and any over/under-collected balance shall be addressed in the Company's next rate case for the Eastern Group.

6.0 ADDING PROJECTS TO SIB PLANT TABLE I

6.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that AWC, during the period to which the SIB applies, may request Commission authorization to modify or add other projects to SIB Plant Table I. Such additional projects may be added to SIB Plant Table I if they satisfy the criteria set forth in Paragraphs 6.2, 6.3, and 6.4.

6.2 To be eligible for SIB recovery, an asset must be utility plant investment that represents expenditures made by the Company to maintain or improve existing customer service and system reliability, integrity and safety. Eligible plant additions are limited to replacement projects. The costs of extending facilities or capacity to serve new customers are not recoverable through the SIB mechanism.

6.3 To be eligible for SIB recovery, a project must be a distribution system improvement that satisfies at least one of the following criteria:

6.3.1 Water loss for the system exceeds ten (10) percent, as calculated by the following formula:

6.3.1.1 ((Volume of Water Produced – (Volume of Water Sold + Volume of Water Put to Beneficial Use))/(Volume of Water Produced)). If the Volume of Water Put to Beneficial Use is not metered, it shall be established in a reliable, verifiable manner;

6.3.2 Water Utility plant assets have remained in service beyond their useful service lives (based on that system's authorized utility plant depreciation rates) and are in need of replacement due to being worn out or in a deteriorating condition through no fault of the Company;

6.3.3 Any other engineering, operational or financial justification supporting the need for a plant asset replacement, other than AWC's negligence or improper maintenance, including, but not limited to:

6.3.3.1 A documented increasing level of repairs to, or failures of, a plant asset justifying its replacement prior to reaching the end of its useful service life (e.g. black poly pipe);

6.3.3.2 Meter replacements for systems that have implemented a meter testing and maintenance program in compliance with A.A.C. R14-2-408 (E);

6.3.3.3 Meters replaced in a system for the purpose of complying with the U.S. Environmental Protection Agency's Reduction of Lead in Drinking Water Act of 2010; and

6.3.3.4 Assets that are required to be moved, replaced or abandoned by a governmental agency or political subdivision if AWC can show that it has made a good faith effort to seek reimbursement for all or part of the costs incurred.

6.4 To be eligible for SIB treatment, a project must be a distribution system improvement with assets to be classified in the following plant categories:

6.4.1 Transmission and Distribution Mains;

6.4.2 Fire Mains;

6.4.3 Services, including Service Connections;

6.4.4 Valves and Valve Structures;

6.4.5 Meters and Meter Installations;

6.4.6 Hydrants

6.5 With a request to modify or add projects to SIB Plant Table I, AWC shall provide a proposed order for Commission consideration. Staff and RUCO shall have 30 days to object to the projects AWC is seeking to include in its revised SIB Plant Table I. Staff shall promptly process AWC's request and shall docket any Staff recommendations to the Commission within thirty days after AWC has filed its request. If there is no objection to AWC's request, that request shall be placed on an open meeting agenda at the earliest practical date.

7.0 SIB SURCHARGE FILING REQUIREMENTS

7.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that AWC shall include the following information with each SIB surcharge filing:

7.1.1 A schedule (an example of which is attached hereto as Exhibit C, SIB Plant Table II) showing the SIB eligible projects completed for which AWC seeks cost recovery. Such projects must 1) be projects set forth in AWC's initial SIB Plant Table I or have been added to said SIB Plant Table I pursuant to Section 6.0 of this agreement; 2) have been completed by AWC; and 3) be actually serving customers.

7.1.2 SIB Schedule A (an example of which is attached hereto as Exhibit D), showing a calculation of the SIB revenue requirement and SIB efficiency credit, as well as the individual SIB fixed surcharge calculation;

7.1.3 SIB Schedule B (an example of which is attached hereto as Exhibit B), showing the overall SIB revenue true-up calculation for the prior twelve-month SIB surcharge period, as well as the individual SIB fixed true-up surcharge or credit calculation;

7.1.4 SIB Schedule C (an example of which is attached hereto as Exhibit E) showing the effect of the SIB surcharge on a typical residential customer bill;

7.1.5 SIB Plant Table II, summarizing SIB-eligible projects completed and included in the current SIB surcharge filing.

7.1.6 SIB Plant Table I (an example of which is attached hereto as Exhibit A), summarizing SIB-eligible projects contemplated for the next twelve (12)-month SIB surcharge period:

7.1.7 SIB Schedule D (an example of which is attached as Exhibit F) showing an analysis of the impact of the SIB Plant on the fair value rate base, revenue, and the fair value rate of return as set forth in Decision No. 73736.

7.1.8 A proposed order for the Commission's consideration.

7.2 At least 30 days prior to the SIB surcharge becoming effective, AWC shall provide public notice in the form of a billing insert or customer letter which includes the following information:

7.2.1 The individual SIB surcharge amount, by meter size;

7.2.2 The individual SIB efficiency credit, by meter size;

7.2.3 Any individual SIB true-up surcharge or credit, by meter size; and

7.2.4 A summary of the projects included in the current SIB surcharge filing, including a description of each project and its cost.

8.0 RATE DESIGN

8.1 The SIB fixed surcharge/rate design shall be calculated as follows:

8.1.1 The SIB surcharge shall be a fixed monthly surcharge containing a SIB fixed surcharge and the SIB efficiency credit as its two components.

8.1.2 The SIB surcharge shall be calculated by dividing the overall SIB revenue requirement by the number of 5/8-inch equivalent meters serving active customers at the end of the most recent twelve (12) month period, and shall increase with meter size based on the following meter capacity multipliers:

8.1.2.1	5/8-inch x ¾-inch	1.0 times
8.1.2.2	1-inch	2.5 times
8.1.2.3	1 ½-inch	5 times
8.1.2.4	2-inch	8 times
8.1.2.5	3-inch	16 times
8.1.2.6	4-inch	25 times

8.1.2.7	6-inch	50 times
8.1.2.8	8-inch	80 times
8.1.2.9	10-inch & above	115 times

8.2 The SIB surcharge shall apply to all of AWC's metered general service customers, including private fire service customers.

9.0 SIB SURCHARGE IMPLEMENTATION

9.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that:

9.2 AWC's SIB surcharges and SIB true-up surcharges/credits shall not become effective unless approved by the Commission.

9.3 AWC shall provide a proposed order with each SIB surcharge filing for the Commission's consideration.

9.4 Staff and RUCO shall have thirty (30) days from the date a SIB surcharge filing is made by AWC to review the amount of the SIB surcharge or SIB true-up surcharge or credit, and dispute and/or file a request for the Commission to alter the SIB surcharge or SIB true-up surcharge/credit. If no objection is filed to AWC's request within the thirty-day timeframe, the request shall be placed on an open meeting agenda at the earliest practicable date.

10.0 COMMISSION REVIEW OF SIB MECHANISM

10.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that the Commission may determine that good cause exists to suspend, terminate or modify AWC's SIB mechanism, after the affected parties are afforded due process and an opportunity to be heard prior to any suspension, termination, or modification of the SIB mechanism.

10.2 The Signatory Parties agree that, although the SIB mechanism discussed in this agreement may be used as a template in other rate proceedings, it is specific to AWC in Docket W-01455A-11-0310. The Signatory Parties further agree that Staff may recommend and/or that any utility may apply to the Commission for a similar SIB mechanism for projects meeting the criteria outlined herein in a full rate case application.

11.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

11.1 This Agreement shall serve as the procedural device by which the Signatory Parties will submit their proposed settlement of the Phase 2 Rate Proceeding to the Commission. Nothing herein is intended to amend or supersede Decision No. 73736, which Decision is final in every respect.

11.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement anticipated by the Commission's February 21, 2013 Procedural Order, shall be offered into the Commission's record as evidence. All Signatory Parties waive the filing and submission of surrebuttal testimony and exhibits from Staff and Intervenors, and the filing and submission of rejoinder testimony and exhibits from AWC.

11.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.

11.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms of this Agreement, as approved by the Commission.

11.5 The Signatory Parties agree to support and defend this Agreement, including filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing in the Phase 2 Proceedings scheduled to begin on April 8, 2013, and will not oppose any provision of the Agreement in pre-filed or live testimony. The parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the mechanism anticipated in this Agreement, and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.

11.6 If the Commission fails to issue an order adopting all material terms of this Agreement or adds new or different material terms to this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If a Signatory Party files an application for rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Signatory Party's application for rehearing.

11.7 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

12.0 MISCELLANEOUS PROVISIONS

12.1 The provisions set forth in the Agreement are made for purposes of settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory parties in this proceeding or related to other or future rate cases.

12.2 This Agreement represents the Signatory Parties' mutual desire to settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

12.3 This case presents a unique set of circumstances and to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

12.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.

12.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

11.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.

12.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.

12.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

12.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

Executed this 1st day of April, 2013.

ARIZONA WATER COMPANY

By: William M Garfield
Name: William M. Garfield
Its: President and COO

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

By:____________________
Name:____________________
Its:____________________

GLOBAL WATER – PALO VERDE UTILITIES COMPANY

By:____________________
Name:____________________
Its:____________________

Executed this ____ day of March, 2013.

ARIZONA WATER COMPANY

By:________________________
Name:________________________
Its:________________________

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

By:________________________
Name: STEVE OLEA
Its: Utilities Division Director

GLOBAL WATER – PALO VERDE UTILITIES COMPANY

By:________________________
Name:________________________
Its:________________________

Executed this ____ day of March, 2013.

ARIZONA WATER COMPANY

By:____________________________
Name:__________________________
Its:____________________________

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

By:____________________________
Name:__________________________
Its:____________________________

GLOBAL WATER – PALO VERDE UTILITIES COMPANY

By:____________________________
Name: Ron Fleming
Its: Vice-President

GLOBAL WATER – SANTA CRUZ WATER COMPANY

By:______________________
Name: Ron Fleming
Its: Vice-President

VALENCIA WATER COMPANY – TOWN DIVISION

By:______________________
Name: Ron Fleming
Its: Vice-President

VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION

By:______________________
Name: Ron Fleming
Its: Vice-President

WATER UTILITY OF GREATER TONOPAH

By:______________________
Name: Ron Fleming
Its: Vice-President

WILLOW VALLEY WATER CO.

By:______________________
Name: Ron Fleming
Its: Vice-President

WATER UTILITY OF NORTHERN SCOTTSDALE

By:________________________________
Name: Ron Fleming
Its: Vice-President

EPCOR WATER ARIZONA, INC.

By:________________________________
Name:______________________________
Its:_________________________________

RIO RICO UTILITIES, INC. dba LIBERTY UTILITIES

By:________________________________
Name:______________________________
Its:_________________________________

THE WATER UTILITY ASSOCIATION OF ARIZONA

By:________________________________
Name:______________________________
Its:_________________________________

ARIZONA INVESTMENT COUNCIL

By:________________________________
Name:______________________________
Its:_________________________________

WATER UTILITY OF NORTHERN SCOTTSDALE

By:__________________________
Name:________________________
Its:___________________________

EPCOR WATER ARIZONA, INC.

By: [signature]
Name: JIM McKEE
Its: VP - CORP. SERVICES

RIO RICO UTILITIES, INC. dba LIBERTY UTILITIES

By:__________________________
Name:________________________
Its:___________________________

THE WATER UTILITY ASSOCIATION OF ARIZONA

By: [signature]
Name: Greg PATTERSON
Its: DIRECTOR

ARIZONA INVESTMENT COUNCIL

By:__________________________
Name:________________________
Its:___________________________

DECISION NO. 73938

WATER UTILITY OF NORTHERN SCOTTSDALE

By:______________________
Name:____________________
Its:______________________

EPCOR WATER ARIZONA, INC.

By:______________________
Name:____________________
Its:______________________

RIO RICO UTILITIES, INC. dba LIBERTY UTILITIES

By:______________________
Name: Gregory S Sorensen
Its: VP & GM

THE WATER UTILITY ASSOCIATION OF ARIZONA

By:______________________
Name:____________________
Its:______________________

ARIZONA INVESTMENT COUNCIL

By:______________________
Name:____________________
Its:______________________

WATER UTILITY OF NORTHERN SCOTTSDALE

By:____________________
Name:____________________
Its:____________________

EPCOR WATER ARIZONA, INC.

By:____________________
Name:____________________
Its:____________________

RIO RICO UTILITIES, INC. dba LIBERTY UTILITIES

By:____________________
Name:____________________
Its:____________________

THE WATER UTILITY ASSOCIATION OF ARIZONA

By:____________________
Name:____________________
Its:____________________

ARIZONA INVESTMENT COUNCIL

By: Gary Yaquinto
Name: Gary Yaquinto
Its: President & CEO

EXHIBIT A

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 1 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	NA					11-004			$0	
2	NA					11-004			$0	
3	NA					11-004			$0	
4	NA					11-004			$0	
6	NA					11-004			$0	
9	NA					11-004			$0	
10	NA					11-004			$0	
11	NA					11-004			$0	
12	NA					11-004			$0	
14	NA					11-004			$0	
17	NA					11-004			$0	
18	NA					11-004			$0	
25	NA					11-004			$0	
27	NA					11-004			$0	
28	NA					11-004			$0	
31	NA					11-004			$0	

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 1 of 6) cont.
Information to be included with SIB-Eligible Project Notification

32	NA					11-004			$0	
33	NA					11-004			$0	
35	NA					11-004			$0	
Subtotal Cost (estimate)									*$0*	

DECISION NO. 73938

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 2 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	343 T&D Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	NA					11-004			$0	
2	343	1,350	6	DI	88.81	11-004	Boise St.	2015	$119,894	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 88 service connections and replace 88 meters between Boise Street and Avalon Street. This project will replace approximately 800 LF of 4-inch CA water main installed in 1970 in an alley between 113th Way and 114th Street. The existing water main and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	343	650	6	DI	88.81	11-004	114th St.	2014	$57,727	Install approximately 650 LF of 6-inch DI replacement pipe with polywrap, replace 102 service connections, replace 102 meters, and replace 1 fire hydrant between 114th Street and Meridian Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	NA					11-004			$0	
6	NA					11-004			$0	

SUPERSTITION/APACHE JUNCTION

TABLE I (Page 2 of 6) cont.

Information to be included with SIB-Eligible Project Notification

9	343	4,700	6	DI	88.71	11-004	Hidalgo St.	2013	$416,937	Install approximately 4,700 LF of 6-inch DI replacement pipe with polywrap, replace 32 service connections and replace 32 meters along Hidalgo Street and Concho Street. This project will replace approximately 2,950 LF of 1.5-inch and 2-inch GS water main installed in 1959 and 1960 along Hidalgo Street and will also replace approximately 2,350 LF of 1-inch and 2-inch GS water main installed in 1960 along Concho Street. These existing water mains and service connections to be replaced have 19 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
10	NA					11-004			$0	
11	NA					11-004			$0	
12	NA					11-004			$0	
14	NA					11-004			$0	
17	NA					11-004			$0	
18	NA					11-004			$0	
25	NA					11-004			$0	
27	343	500	6	DI	89.65	11-004	Emerald Dr.	2014	$44,825	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap, replace 8 service connections and replace 8 meters along South Emerald Drive. This project will replace approximately 500 LF of 2-inch ST water main installed in 1955 along South Emerald Drive. The existing water mains and service connections to be replaced has 10 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	NA					11-004			$0	
31	NA					11-004			$0	
32	343	600	6	DI	84.90	11-004	Broadway Ave.	2014	$50,940	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 3 service connections, replace 3 meters, and replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace approximately 600 LF of 6-inch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION

TABLE I (Page 2 of 6) cont.

Information to be included with SIB-Eligible Project Notification

33	NA	1,400	6	DI	89.48	11-004	Boise St.	2014	$125,272	Install approximately 1,400 LF of 6-inch DI replacement pipe with polywrap, replace 13 service connections and replace 13 meters along Boise Street and 105th Place. This project will replace approximately 1,100 LF of 2-inch PVC water main installed in 1966 along Boise Street and approximately 300 LF of 2-inch PVC water main installed in 1966 along 105th Place. The existing water mains and service connections to be replaced have 7 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
35	NA					11-004			$0	
Subtotal Cost (estimate)									**$815,595**	

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 3 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers:
Project No.	345 Services	Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	345	126	1-inch	Copper	4,077.36	11-004	Peralta Estates Unit 2	2014	$513,747	Replace 126 service connections and replace 126 meters in Peralta Estates Unit Two. The existing water mains have 25 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
2	345	88	1-inch	Copper	4,750.34	11-004	Boise St.	2015	$418,030	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 88 service connections and replace 88 meters between Boise Street and Avalon Street. This project will replace approximately 800 LF of 4-inch CA water main installed in 1970 in an alley between 113th Way and 114th Street. The existing water main and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	345	102	1-inch	Copper	3,570.63	11-004	114th St.	2014	$364,204	Install approximately 650 LF of 6-inch DI replacement pipe with polywrap, replace 102 service connections, replace 102 meters and replace 1 fire hydrant between 114th Street and Meridian Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	345	87	1-inch	Copper	3,902.31	11-004	Delaware Dr.	2014	$339,501	Replace 87 service connections and replace 87 meters along Delaware and Lawther Drives. The existing water mains have 22 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION
TABLE 1 (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

6	345	25	1-inch	Copper	4,000.32	11-004	Greasewood Dr.	2014	$100,008	Replace 25 service connections and replace 25 meters along Greasewood Drive and Escondido Court. The existing water main has 20 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
9	345	32	1-inch	Copper	4,499.32	11-004	Hidalgo St.	2013	$143,978	Install approximately 4,700 LF of 6-inch DI replacement pipe with polywrap, replace 32 service connections and replace 32 meters along Hidalgo Street and Concho Street. This project will replace approximately 2,950 LF of 1.5-inch and 2-inch GS water main installed in 1959 and 1960 along Hidalgo Street and will also replace approximately 2,350 LF of 1-inch and 2-inch GS water main installed in 1960 along Concho Street. These existing water mains and service connections to be replaced have 19 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
10	345	47	1-inch	Copper	3,987.04	11-004	Sugar Creek Dr.	2014	$187,391	Replace 47 service connections and replace 47 meters along Sugar Creek Drive, Pleasant Place and Breathless Drive. The existing water mains have 19 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
11	345	101	1-inch	Copper	4,041.83	11-004	Pinyon Dr.	2015	$408,225	Replace 101 service connections and replace 101 meters along Pinyon Drive and Virginia, Scenic, Cactus Wren, and Gregory Streets. The existing water mains have 18 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
12	345	44	1-inch	Copper	4,076.36	11-004	Peralta Estates	2015	$179,360	Replace 44 service connections and replace 44 meters in Peralta Estates Unit Two. The existing water main has 17 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
14	345	121	1-inch	Copper	4,127.63	11-004	Copper Dr.	2015	$499,443	Replace 121 service connections and replace 121 meters along Copper, Gold and Silver Drives. The existing water mains have 16 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
17	345	25	1-inch	Copper	4,037.08	11-004	Sleepy Hollow	2015	$100,927	Replace 25 service connections and replace 25 meters along Sleepy Hollow Trail and Lazy Lane. The existing water mains have 15 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

18	345	21	1-inch	Copper	3,946.08	11-004	Hideaway Lane	2015	$82,868	Replace 21 service connections and replace 21 meters along Hideaway Lane, Lazy Lane, and Breathless Drive. The existing water mains have 14 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
25	345	48	1-inch	Copper	3,959.74	11-004	Mountain Rd.	2015	$190,068	Replace 48 service connections and replace 48 meters along Mountain Road, Elmont Drive and Malcolm Drive. The existing water mains have 11 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
27	345	8	1-inch	Copper	4,146.89	11-004	Emerald Dr.	2014	$33,175	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap; replace 8 service connections and replace 8 meters along South Emerald Drive. This project will replace approximately 500 LF of 2-inch ST water main installed in 1955 along South Emerald Drive. The existing water mains and service connections to be replaced has 10 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	345	30	1-inch	Copper	3,963.58	11-004	Sleepy Hollow Trail, Breathless Dr	2014	$118,907	Replace 30 service connections and replace 30 meters along Sleepy Hollow Trail, Breathless Drive and Tum Tum Court. The existing water mains have 10 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
31	345	14	1-inch	Copper	4,055.48	11-004	Hummingbird Lane	2015	$56,777	Replace 14 service connections and replace 14 meters along Hummingbird Lane. The existing water main has 7 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
32	345	3	1-inch	Copper	4,491.60	11-004	Broadway Ave.	2014	$13,475	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 3 service connections, replace 3 meters, and replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace approximately 600 LF of 6-inch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

33	345	13	1-inch	Copper	3,856.50	11-004	Boise St.	2014	$50,135	Install approximately 1,400 LF of 6-inch DI replacement pipe with polywrap, replace 13 service connections and replace 13 meters along Boise Street and 105th Place. This project will replace approximately 1,100 LF of 2-inch PVC water main installed in 1966 along Boise Street and approximately 300 LF of 2-inch PVC water main installed in 1966 along 105th Place. The existing water mains and service connections to be replaced have 7 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
35	345	14	1-inch	Copper	4,055.48	11-004	Alhambra Way	2014	$56,777	Replace 14 service connections and replace 14 meters along Hummingbird Avenue and Alhambra Way. The existing water main has 6 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$3,856,996	

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 4 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	346 Meters	Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	346	5/8-inch	126	80.00	11-004	Peralta Estates Unit 2	2014	$10,080	Replace 126 meters in Peralta Estates Unit Two. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
2	346	5/8-inch	88	80.00	11-004	Boise St.	2015	$7,040	Replace 88 meters between Boise Street and Avalon Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
3	346	5/8-inch	102	80.00	11-004	114^{th} St.	2014	$8,160	Replace 102 meters between 114^{th} Street and Meridian Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	346	5/8-inch	87	80.00	11-004	Delaware Dr.	2014	$6,960	Replace 87 meters along Delaware and Lawther Drives. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION
TABLE 1 (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

6	346	5/8-inch	25	80.00	11-004	Greasewood Dr.	2014	$2,000	Replace 25 meters along Greasewood Drive and Escondido Court. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
9	346	5/8-inch	32	80.00	11-004	Hidalgo St.	2013	$2,560	Replace 32 meters along Hidalgo Street and Concho Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers.
10	346	5/8-inch	47	80.00	11-004	Sugar Creek Dr.	2014	$3,760	Replace 47 meters along Sugar Creek Drive, Pleasant Place and Breathless Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
11	346	5/8-inch	101	80.00	11-004	Pinyon Dr.	2015	$8,080	Replace 101 meters along Pinyon Drive and Virginia, Scenic, Cactus Wren, and Gregory Streets. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
12	346	5/8-inch	44	80.00	11-004	Peralta Estates	2015	$3,520	Replace 44 meters in Peralta Estates Unit Two. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
14	346	5/8-inch	121	80.00	11-004	Copper Dr.	2015	$9,680	Replace 121 meters along Copper, Gold and Silver Drives. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
17	346	5/8-inch	25	80.00	11-004	Sleepy Hollow	2015	$2,000	Replace 25 meters along Sleepy Hollow Trail and Lazy Lane. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

18	346	5/8-inch	21	80.00	11-004	Hideaway Lane	2015	$1,680	Replace 21 meters along Hideaway Lane, Lazy Lane, and Breathless Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
25	346	5/8-inch	48	80.00	11-004	Mountain Rd.	2015	$3,840	Replace 48 meters along Mountain Road, Elmont Drive and Malcolm Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
27	346	5/8-inch	8	80.00	11-004	Emerald Dr.	2014	$640	Rplace 8 meters along South Emerald Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
28	346	5/8-inch	30	80.00	11-004	Sleepy Hollow Trail, Breathless Dr	2014	$2,400	Replace 30 meters along Sleepy Hollow Trail, Breathless Drive and Tum Tum Court. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
31	346	5/8-inch	14	80.00	11-004	Hummingbird Lane	2015	$1,120	Replace 14 meters along Hummingbird Lane. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
32	346	5/8-inch	3	80.00	11-004	Broadway Ave.	2014	$240	Replace 3 meters along Broadway Avenue from Tomahawk Road to Vista Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
33	346	5/8-inch	13	80.00	11-004	Boise St.	2014	$1,040	Replace 13 meters along Boise Street and 105th Place. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

SUPERSTITION/APACHE JUNCTION

TABLE I (Page 4 of 6) cont.

Information to be Included with SIB-Eligible Project Notification

35	346	5/8-inch	14	$80.00	11-004	Alhambra Way	2014	$1,120	Replace 14 meters along Hummingbird Avenue and Alhambra Way. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)								$75,920	

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 5 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	348 Hydrants	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
1	NA			11-004			$0	
2	NA			11-004			$0	
3	348	1	2,886.70	11-004	114th St.	2014	$2,887	Replace 1 fire hydrant between 114th Street and Meridian Road. This project will replace a fire hydrant installed in 1970. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
4	NA			11-004			$0	
6	NA			11-004			$0	
9	NA			11-004			$0	
10	NA			11-004			$0	
11	NA			11-004			$0	
12	NA			11-004			$0	
14	NA			11-004			$0	
17	NA			11-004			$0	
18	NA			11-004			$0	
25	NA			11-004			$0	
27	NA			11-004			$0	
28	NA			11-004			$0	
31	NA			11-004			$0	

SUPERSTITION/APACHE JUNCTION
TABLE 1 (Page 5 of 6) cont.
Information to be included with SIB-Eligible Project Notification

32	348	1	2,693.80	11-004	Broadway Ave.	2014	$2,694	Replace 1 fire hydrant along Broadway Avenue from Tomahawk Road to Vista Road. This project will replace a fire hydrant installed in 1960 along Broadway Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
33	NA			11-004			$0	
35	NA			11-004			$0	
Subtotal Cost (estimate)							$5,581	

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 6 of 6, Summary)
Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
1	11-004	REPLACE 126 SERVICE CONNECTIONS IN PERALTA ESTATES UNIT TWO	$523,827
2	11-004	INSTALL 1,350 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 88 SERVICE CONNECTIONS BETWEEN BOISE STREET AND AVALON STREET	$544,964
3	11-004	INSTALL 650 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 102 SERVICE CONNECTIONS BETWEEN 114TH STREET AND MERIDIAN ROAD	$432,978
4	11-004	REPLACE 87 SERVICE CONNECTIONS ALONG DELAWARE AND ALWTHER DRIVES	$346,461
6	11-004	REPLACE 25 SERVICE CONNECTIONS ALONG GREASEWOOD DRIVE AND ESCONDIDO COURT	$102,008
9	11-004	INSTALL 4,700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 32 SERVICE CONNECTIONS ALONG HIDALOG STREET AND CONCHO STREET	$563,475
10	11-004	REPLACE 46 SERVICE CONNECTIONS ALONG SUGAR CREEK DRIVE, PLEASANT PLACE AND BREATHLESS DRIVE	$191,151
11	11-004	REPLACE 101 SERVICE CONNECTIONS ALONG PINYON DRIVE AND VIRGINIA, SCENIC, CACTUS WREN, AND GREGORY STREETS	$416,305
12	11-004	REPLACE 44 SERVICE CONNECTIONS IN PERALTA ESTATES UNIT TWO	$182,880
14	11-004	REPLACE 121 SERVICE CONNECTIONS ALONG COPPER, GOLD AND SILVER DRIVES	$509,123
17	11-004	REPLACE 25 SERVICE CONNECTIONS ALONG SLEEPY HALLOW TRAIL AND LAZY LANE	$102,927
18	11-004	REPLACE 21 SERVICE CONNECTIONS ALONG HIDEAWAY LANE, LAZY LANE AND BREATHLESS DRIVE	$84,548
25	11-004	REPLACE 48 SERVICE CONNECTIONS ALONG MOUNTAIN ROAD, ELMONT DRIVE AND MALCOLM DRIVE	$193,908
27	11-004	INSTALL 500 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 8 SERVICE CONNECTIONS ALONG SOUTH EMERALD DRIVE	$78,640
28	11-004	REPLACE 30 SERVICE CONNECTIONS ALONG SLEEPY HOLLOW TRAIL, BREATHLESS DRIVE AND TUM TUM COURT	$121,307

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 6 of 6, Summary) cont.
Information to be included with SIB-Eligible Project Notification

31	11-004	REPLACE 14 SERVICE CONNECTIONS ALONG HUMMINGBIRD LANE	$57,897
32	11-004	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 3 SERVICE CONNECTIONS ALONG BROADWAY AVENUE FROM TOMAHAWK ROAD TO VISTA ROAD	$67,349
33	11-004	INSTALL 1,400 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 13 SERVICE CONNECTIONS ALONG BOISE STREET AND 105TH PLACE	$176,447
35	11-004	REPLACE 14 SERVICE CONNECTIONS ALONG HUMMINGBIRD LANE AND ALHAMBRA WAY	$57,897
Total Cost (estimate)			$4,754,092

SUPERSTITION/SUPERIOR
TABLE I (Page 1 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	NA					11-021			$0	
34	NA					11-021			$0	
36	NA					11-021			$0	
Subtotal Cost (estimate)									$0	

SUPERSTITION/SUPERIOR
TABLE I (Page 2 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	343 T&D Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	343	1,350	6	DI	83.07	11-021	Stone Avenue	2013	$112,145	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters, and replace 3 fire hydrants along Stone Avenue from Kiser Street to Mofatt Street. This project will replace approximately 950 LF of 4-inch CI water main installed in 1937 along Stone Avenue and approximately 400 LF of 2-inch CA water main installed in 1942 along Kiser Street. The existing water mains to be replaced have 14 recorded leaks and over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
34	NA					11-021			$0	
36	343	1,250	6	DI	98.18	11-021	Garrot Avenue	2015	$122,725	Install approximately 1,250 LF of 6-inch DI replacement pipe with polywrap, replace 31 service connections, and replace 31 meters along Garrot Avenue and Stansberry Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1939 in the alley west of Garrot Avenue and approximately 600 LF of 6-inch CA water main installed in 1930 on Stansberry Avenue. The existing water mains to be replaced have 6 recorded leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$234,870	

DECISION NO. 73938

SUPERSTITION/SUPERIOR
TABLE I (Page 3 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	345 Services	Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	345	25	1-inch	Copper	3,996.17	11-021	Stone Avenue	2013	$99,904	Install approximately 1,350 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters, and replace 3 fire hydrants along Stone Avenue from Kiser Street to Moffatt Street. This project will replace approximately 950 LF of 4-inch CI water main installed in 1937 along Stone Avenue and approximately 400 LF of 2-inch CA water main installed in 1942 along Kiser Street. The existing water mains to be replaced have 14 recorded leaks and over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
34	345	28	1-inch	Copper	4,022.64	11-021	Hill Street	2014	$112,634	Replace 28 service connections along Hill Street from Church Avenue to Terrance Drive. The existing water mains have 7 recorded service line leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
36	345	31	1-inch	Copper	4,958.40	11-021	Garrot Avenue	2015	$153,710	Install approximately 1,250 LF of 6-inch DI replacement pipe with polywrap, replace 31 service connections, and replace 31 meters along Garrot Avenue and Stansberry Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1939 in the alley west of Garrot Avenue and approximately 600 LF of 6-inch CA water main installed in 1930 on Stansberry Avenue. The existing water mains to be replaced have 6 recorded leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$366,248	

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SUPERSTITION/SUPERIOR
TABLE I (Page 4 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant).	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	346 Meters	Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	346	5/8-inch	25	80.00	11-021	Stone Avenue	2013	$2,000	Replace 25 meters along Stone Avenue from Kiser Street to Mofatt Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
34	346	5/8-inch	28	80.00	11-021	Hill Street	2014	$2,240	Replace 28 meters along Hill Street from Church Avenue to Terrance Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
36	346	5/8-inch	31	80.00	11-021	Garrot Avenue	2015	$2,480	Replace 31 meters along Garrot Avenue and Stansberry Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)								$6,720	

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SUPERSTITION/SUPERIOR
TABLE I (Page 5 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	348 Hydrants	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
19	348	3	2,826.37	11-021	Stone Avenue	2013	$8,479	Replace 3 fire hydrants along Stone Avenue from Kiser Street to Mofatt Street. This project will replace fire hydrants installed in 1937 along Stone Avenue and fire hydrants installed in 1942 along Kiser Street. The existing hydrants are old and failing requiring replacement. Replacement parts are unavailable for these hydrants. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
34	NA			11-021			$0	
36	NA			11-021			$0	
Subtotal Cost (estimate)							$8,479	

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Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
19	11-021	INSTALL 1,350 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 25 SERVICE CONNECTIONS ALONG STONE AVENUE FROM KISER STREET TO MOFATT STREET	$222,528
34	11-021	REPLACE 26 SERVICE CONNECTIONS ALONG HILL STREET FROM CHURCH AVENUE TO TERRANCE DRIVE	$114,874
36	11-021	INSTALL 1,250 LF OF 6" DIP w/POLLYWRAP AND REPLACE 31 SERVICE CONNECTIONS ALONG GARROT AVENUE AND STANSBERRY AVENUE	$278,915
Total Cost (estimate)			$616,317

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SUPERSTITION/MIAMI

TABLE I (Page 1 of 6)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	NA					04-002			$0	
7	NA					04-002			$0	
8	NA					04-002			$0	
13	NA					04-002			$0	
15	NA					04-002			$0	
16	NA					04-002			$0	
20	NA					04-002			$0	
21	NA					04-002			$0	
22	NA					04-002			$0	
23	NA					04-002			$0	
24	NA					04-002			$0	
26	NA					04-002			$0	
29	NA					04-002			$0	
30	NA					04-002			$0	
Subtotal Cost (estimate)									$0	

SUPERSTITION/MIAMI
TABLE I (Page 2 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	343 T&D Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	NA					04-002			$0	
7	NA					04-002			$0	
8	343	600	6	DI	89.54	04-002	Ranch Rd.	2014	$53,724	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection and replace 1 meter along Ranch Road. This project will replace approximately 600 LF of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	343	1,050	6	DI	88.78	04-002	Russell Ave.	2014	$93,219	Install approximately 1,050 LF of 6-inch DI replacement pipe with polywrap, replace 23 service connections, and replace 23 meters along Snedden Avenue east of Russell Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
15	NA					04-002			$0	

SUPERSTITION/MIAMI

TABLE I (Page 2 of 6) cont.

Information to be included with SIB-Eligible Project Notification

16	343	250	6	DI	90.57	04-002	Monroe St.	2013	$22,643	Install approximately 250 LF of 6-inch DI replacement pipe with polywrap, replace 6 service connections and replace 6 meters along Monroe Street from Miami Street to Marion Street. This project will replace approximately 400 LF of 2-inch PVC water main installed in 1976 and 2-inch GS water main installed in 1936 on Monroe Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	343	550	6	DI	83.02	04-002	Central Ave.	2014	$45,661	Install approximately 550 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters, replace 1 fire hydrant along Central Avenue from Braley Street to Monroe Street. This project will replace approximately 550 LF of 6-inch ST water main installed in 1955 on Central Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	343	1,700	6	DI	89.08	04-002	Orphan St.	2014	$151,436	Install approximately 1,700 LF of 6-inch DI replacement pipe with polywrap, replace 33 service connections, and replace 33 meters along Orphan Street and Kenzie Avenue. This project will replace approximately 1,050 LF of 2-inch CA water main installed in 1949 on Orphan Avenue, and will replace approximately 650 LF of 1-inch and 2-inch GS water mains installed in 1932 on Kenzie Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	343	2,750	6	DI	87.78	04-002	Fredric St.	2015	$241,395	Install approximately 2,750 LF of 6-inch DI replacement pipe with polywrap, replace 53 service connections, replace 53 meters and replace 2 fire hydrants along Fredric Street and Bird Street. This project will replace approximately 1,450 LF of 2-inch GS water main installed in 1930 and 1936 on Fredric Street and approximately 1,300 LF of 2-inch GS and 4-inch CA water main installed in 1930 and 1949, respectively, and in 1949 on Bird Street. The existing water mains and service connections to be replaced have 13 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
23	NA					04-002			$0	

SUPERSTITION/MIAMI
TABLE I (Page 2 of 6) cont.
Information to be included with SIB-Eligible Project Notification

24	343	600	6	DI	88.74	04-002	Story St.	2014	$53,244	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters and install 2 fire hydrants along Story Street east of Russell Avenue. This project will replace approximately 600 LF of 2-inch GS water main installed in 1956. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
26	343	800	6	DI	90.03	04-002	Young St.	2015	$72,024	Install approximately 800 LF of 6-inch DI replacement pipe with polywrap, replace 17 service connections and replace 17 meters along Young Street, Second Avenue, Hill Street, and Third Avenue. This project will replace approximately 300 LF of 1-inch ST water main installed in 1975, approximately 350 LF of 1-inch PVC water main installed in 1979, and approximately 100 LF of 2-inch PVC water main installed in 1975. The existing water mains and service connections to be replaced have 11 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
29	343	1,600	6	DI	87.70	04-002	Washborn Rd.	2013	140,320	Install approximately 1,600 LF of 6-inch DI replacement pipe with polywrap and replace 1 fire hydrant along Washborn Road. This project will replace approximately 1,600 LF of 6-inch HDPE water main along Washborn Road. The existing water main to be replaced has 9 recorded water main leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
30	343	500	6	DI	89.48	04-002	Loomis Ave.	2015	$44,740	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap, replace 5 service connections and replace 5 meters, east of Loomis Avenue. This project will replace approximately 500 LF of 1-inch GS water main installed in 1935 east of Loomis Avenue. The existing water main and service connections to be replaced have 9 recorded leaks in the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$918,406	

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SUPERSTITION/MIAMI
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Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant) 345 Services	Replacement Plant Description (SIB-eligible plant) Quantity	Diameter	Material	Cost/Unit	PWSID No.	Site (location description)	Replacement Plant Expected In-Service Date	Cost (estimated)	1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
5	345	10	1-inch	Copper	4,147.43	04-002	Globe Ave.	2014	$41,474	Replace 10 service connections and replace 10 meters along Globe Avenue. The existing water mains have 22 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
7	345	22	1-inch	Copper	4,139.00	04-002	Chisolm Ave.	2014	$91,058	Replace 22 service connections and replace 22 meters along Chisolm Avenue. The existing water mains have 20 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
8	345	1	1-inch	Copper	3,435.50	04-002	Ranch Rd.	2014	$3,436	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap and replace 1 service connection, and replace 1 meter along Ranch Road. This project will replace approximately 600 LF of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	345	23	1-inch	Copper	4,137.96	04-002	Russell Ave.	2014	$95,173	Install approximately 1,050 LF of 6-inch DI replacement pipe with polywrap, replace 23 service connections, and replace 23 meters along Snedden Avenue east of Russell Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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TABLE I (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

15	345	18	1-inch	Copper	4,055.49	04-002	McKinney Ave.	2015	$72,999	Replace 18 service connections and replace 18 meters along McKinney Avenue from Braley Street to Hill Street. The existing water mains have 16 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
16	345	6	1-inch	Copper	3,848.24	04-002	Monroe St.	2013	$23,089	Install approximately 250 LF of 6-inch DI replacement pipe with polywrap, replace 6 service connections and replace 6 meters along Monroe Street from Miami Street to Marion Street. This project will replace approximately 400 LF of 2-inch PVC water main installed in 1976 and 2-inch GS water main installed in 1936 on Monroe Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	345	25	1-inch	Copper	4,192.08	04-002	Central Ave.	2014	$104,802	Install approximately 550 LF of 6-inch DI replacement pipe with polywrap, replace 25 service connections, replace 25 meters and replace 1 fire hydrant along Central Avenue from Braley Street to Monroe Street. This project will replace approximately 550 LF of 6-inch ST water main installed in 1955 on Central Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	345	33	1-inch	Copper	3,828.75	04-002	Orphan St.	2014	$126,349	Install approximately 1,700 LF of 6-inch DI replacement pipe with polywrap, replace 33 service connections and replace 33 meters along Orphan Street and Kenzie Avenue. This project will replace approximately 1,050 LF of 2-inch CA water main installed in 1949 on Orphan Avenue, and will replace approximately 650 LF of 1-inch and 2-inch GS water mains installed in 1932 on Kenzie Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	345	53	1-inch	Copper	4,036.73	04-002	Fredric St.	2015	$213,947	Install approximately 2,750 LF of 6-inch DI replacement pipe with polywrap, replace 53 service connections, replace 53 meters and replace 2 fire hydrants along Fredric Street and Bird Street. This project will replace approximately 1,450 LF of 2-inch GS water main installed in 1930 and 1936 on Fredric Street and approximately 1,300 LF of 2-inch GS and 4-inch CA water main installed in 1930 and 1949, respectively, and in 1949 on Bird Street. The existing water mains and service connections to be replaced have 13 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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Information to be included with SIB-Eligible Project Notification

23	345	17	1-inch	Copper	4,028.46	04-002	Glendale Ave.	2015	$68,484	Replace 17 service connections and replace 17 meters along Glendale Avenue from Braley Street to Hill Street. The existing water mains have 13 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
24	345	11	1-inch	Copper	4,042.78	04-002	Story St.	2014	$44,471	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Story Street east of Russell Avenue. This project will replace approximately 600 LF of 2-inch GS water main installed in 1956. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
26	345	17	1-inch	Copper	3,830.70	04-002	Young St.	2015	$65,122	Install approximately 800 LF of 6-inch DI replacement pipe with polywrap, replace 17 service connections and replace 17 meters along Young Street, Second Avenue, Hill Street, and Third Avenue. This project will replace approximately 300 LF of 1-inch ST water main installed in 1975, approximately 350 LF of 1-inch PVC water main installed in 1979, and approximately 100 LF of 2-inch PVC water main installed in 1975. The existing water mains and service connections to be replaced have 11 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
29	NA								$0	
30	345	5	1-inch	Copper	3,575.45	04-002	Loomis Ave.	2015	$17,877	Install approximately 500 LF of 6-inch DI replacement pipe with polywrap, replace 5 service connections and replace 5 meters, east of Loomis Avenue. This project will replace approximately 500 LF of 1-inch GS water main installed in 1935 east of Loomis Avenue. The existing water main and service connections to be replaced have 9 recorded leaks in the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$968,281	

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	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	346 Meters	Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	346	5/8-inch	10	80.00	04-002	Globe Ave.	2014	$800	Replace 10 meters along Globe Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
7	346	5/8-inch	22	80.00	04-002	Chisolm Ave.	2014	$1,760	Replace 22 meters along Chisolm Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
8	346	5/8-inch	1	80.00	04-002	Ranch Rd.	2014	$80	Replace 1 meter along Ranch Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
13	346	5/8-inch	23	80.00	04-002	Russell Ave.	2014	$1,840	Replace 23 meters along Snedden Avenue east of Russell Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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Information to be included with SIB-Eligible Project Notification

15	346	5/8-inch	18	80.00	04-002	McKinney Ave.	2015	$1,440	Replace 18 meters along McKinney Avenue from Braley Street to Hill Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
16	346	5/8-inch	6	80.00	04-002	Monroe St.	2013	$480	Replace 6 meters along Monroe Street from Miami Street to Marion Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	346	5/8-inch	25	80.00	04-002	Central Ave.	2014	$2,000	Replace 25 meters along Central Avenue from Braley Street to Monroe Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	346	5/8-inch	33	80.00	04-002	Orphan St.	2014	$2,640	Replace 33 meters along Orphan Street and Kenzie Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
22	346	5/8-inch	53	80.00	04-002	Fredric St.	2015	$4,240	Replace 53 meters along Fredric Street and Bird Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
23	346	5/8-inch	17	80.00	04-002	Glendale Ave.	2015	$1,360	Replace 17 meters along Glendale Avenue from Braley Street to Hill Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
24	346	5/8-inch	11	80.00	04-002	Story St.	2014	$880	Replace 11 meters along Story Street east of Russell Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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Information to be included with SIB-Eligible Project Notification

26	346	5/8-inch	17	80.00	04-002	Young St.	2015	$1,360	Replace 17 meters along Young Street, Second Avenue, Hill Street, and Third Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
29	NA				04-002			$0	
30	346	5/8-inch	5	80.00	04-002	Loomis Ave.	2015	$400	Replace 5 meters east of Loomis Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)								$19,280	

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TABLE I (Page 5 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	348 Hydrants	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
5	NA			04-002			$0	
7	NA			04-002			$0	
8	NA			04-002			$0	
13	NA			04-002			$0	
15	NA			04-002			$0	
16	NA			04-002			$0	
20	348	1	2,321.78	04-002	Central Ave.	2014	$2,2322	Replace 1 fire hydrant along Central Avenue from Braley Street to Monroe Street. This project will replace a fire hydrant installed in 1955 on Central Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
21	NA			04-002			$0	
22	348	2	2,321.12	04-002	Fredric St.	2015	$4,642	Replace 2 fire hydrants along Fredric Street and Bird Street. This project will replace fire hydrants installed in 1930s on Fredric Street and Bird Street. The existing hydrants are old and failing requiring replacement. Replacement parts are unavailable for these hydrants. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
23	NA			04-002			$0	
24	NA			04-002			$0	
26	NA			04-002			$0	

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TABLE I (Page 5 of 6) cont.
Information to be included with SIB-Eligible Project Notification

29	NA	1	2,517.50	04-002	Washborn Rd.		$2,518	Replace 1 fire hydrant along Washborn Road. This project will replace a fire hydrant Washborn Road. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
30	NA			04-002			$0	
Subtotal Cost (estimate)							$9,482	

SUPERSTITION/MIAMI

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Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
5	04-002	REPLACE 10 SERVICE CONNECTIONS ALONG GLOBE AVENUE	$42,274
7	04-002	REPLACE 22 SERVICE CONNECTIONS ALONG CHISOLM AVENUE	$92,818
8	04-002	INSTALL 600 LF OF 6-INCH DIP w/POLLYWRAP ALONG RANCH ROAD AND REPLACE 1 SERVICE CONNECTION	$57,240
13	04-002	INSTALL 1,050 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 23 SERVICE CONNECTIONS ALONG SNEDDED AVENUE EAST OF RUSSELL AVENUE	$190,232
15	04-002	REPLACE 18 SERVICE CONNECTIONS ALONG MCKINNEY AVENUE FROM BRALEY STREET TO HILL STREET	$74,439
16	04-002	INSTALL 250 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 6 SERVICE CONNECTIONS ALONG MONROE STREET FROM MIAMI STREET TO MARION STREET	$46,212
20	04-002	INSTALL 550 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 25 SERVICE CONNECTIONS ALONG CENTRAL AVENUE FROM BRALEY STREET TO MONROE STREET	$154,785
21	04-002	INSTALL 1,700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 33 SERVICE CONNECTIONS ALONG ORPHAN STREET AND KENZIE AVENUE	$280,425
22	04-002	INSTALL 2,750 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 53 SERVICE CONNECTIONS ALONG FREDRIC STREET AND BIRD STREET	$464,224
23	04-002	REPLACE 17 SERVICE CONNECTIONS ALONG GLENDALE AVENUE FROM BRALEY STREET TO HILL STREET	$69,844
24	04-002	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG STORY STREET EAST OF RUSSELL AVENUE	$98,595
26	04-002	INSTALL 800 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 17 SERVICE CONNECTIONS ALONG YOUNG STREET, SECOND AVENUE, HILL STREET AND THRID AVENUE	$138,506
29	04-002	INSTALL 1,600 LF OF 6-INCH DIP w/POLYWRAP ALONG WASHBORN ROAD	$142,838
30	04-002	INSTALL 500 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 5 SERVICES EAST OF LOOMIS AVENUE	$63,017
Total Cost (estimate)			**$1,915,449**

FALCON VALLEY/ORACLE

TABLE I (Page 1 of 6)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	NA					11-019			$0	
38	NA					11-019			$0	
39	NA					11-019			$0	
40	NA					11-019			$0	
41	NA					11-019			$0	
42	NA					11-019			$0	
Subtotal Cost (estimate)									$0	

Docket No, W-01445A-11-0310

DECISION NO. 73938

FALCON VALLEY/ORACLE
TABLE I (Page 2 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	343 T&D Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	NA					11-019			$0	
38	NA					11-019			$0	
39	NA					11-019			$0	
40	NA					11-019			$0	
41	NA					11-019			$0	
42.	NA					11-019			$0	
Subtotal Cost (estimate)									$0	

FALCON VALLEY/ORACLE
TABLE I (Page 3 of 6)
Information to be included with SIB-Eligible Project Notification

Project No.	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
	345 Services	Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	345	61	1-inch	Copper	2,717.88	11-019	Beverly Circle	2013	$165,791	Replace 61 service connections and replace 61 meters along Beverly Circle. The existing water mains have 36 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
38	345	35	1-inch	Copper	2,639.48	11-019	Sonberg Drive	2013	$92,382	Replace 35 service connections and replace 35 meters along Sonberg Drive, Harold Drive and Rockcliff Boulevard. The existing water mains have 21 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
39	345	19	1-inch	Copper	2,735.75	11-019	Camino Seco	2014	$51,979	Replace 19 service connections and replace 19 meters along Camino Seco and Calle Valencia. The existing water mains have 9 recorded service line leaks over the last 5 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
40	345	27	1-inch	Copper	2,837.44	11-019	Adams Street	2014	$76,611	Replace 27 service connections and replace 27 meters along Adams Street, Howard Street and Logan Street. The existing water mains have 7 recorded service line leaks and 1 water main leak over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
41	345	24	1-inch	Copper	2,668.79	11-019	Two O'Clock Hills Road	2015	$64,051	Replace 24 service connections and replace 24 meters along North Two O'clock Hills Road and Chaparral Street. The existing water mains have 8 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

FALCON VALLEY/ORACLE

TABLE I (Page 3 of 6) cont.

Information to be included with SIB-Eligible Project Notification

42	345	16	1-inch	Copper	2,709.84	11-019	Cedar Ridge Drive	2015	$43,357	Replace 16 service connections and replace 16 meters along North Cedar Ridge Drive. The existing water main has 6 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									**$494,171**	

FALCON VALLEY/ORACLE
TABLE I (Page 4 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	346 Meters	Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	346	5/8-inch	61	80.00	11-019	Beverly Circle	2013	$4,880	Replace 61 meters along Beverly Circle. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
38	346	5/8-inch	35	80.00	11-019	Sonberg Drive	2013	$2,800	Replace 35 meters along Sonberg Drive, Harold Drive and Rockcliff Boulevard. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
39	346	5/8-inch	19	80.00	11-019	Camino Seco	2014	$1,520	Replace 19 meters along Camino Seco and Calle Valencia. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
40	346	5/8-inch	27	80.00	11-019	Adams Street	2014	$2,160	Replace 27 meters along Adams Street, Howard Street and Logan Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers.
41	346	5/8-inch	24	80.00	11-019	Two O'Clock Hills Road	2015	$1,920	Replace 24 meters along North Two O'clock Hills Road and Chaparral Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

FALCON VALLEY/ORACLE
TABLE I (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

42	346	5/8-inch	16	80.00	11-019	Cedar Ridge Drive	2015	$1,280	Replace 16 meters along North Cedar Ridge Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)								**$14,560**	

FALCON VALLEY/ORACLE
TABLE I (Page 5 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	348 Hydrants	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
37	NA			11-019			$0	
38	NA			11-019			$0	
39	NA			11-019			$0	
40	NA			11-019			$0	
41	NA			11-019			$0	
42	NA			11-019			$0	
Subtotal Cost (estimate)							$0	

FALCON VALLEY/ORACLE

TABLE I (Page 6 of 6, Summary)

Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
37	11-019	REPLACE 61 SERVICE CONNECTIONS AND METERS ALONG BEVERLY CIRCLE.	$170,671
38	11-019	REPLACE 35 SERVICE CONNECTIONS AND METERS ALONG SONBERG DRIVE, HAROLD DRIVE AND ROCKCLIFF BOULEVARD.	$95,182
39	11-019	REPLACE 19 SERVICE CONNECTIONS AND METERS ALONG CAMINO SECO AND CALLE VALENCIA.	$53,499
40	11-019	REPLACE 27 SERVICE CONNECTIONS AND METERS ALONG ADAMS STREET, HOWARD STREET AND LOGAN STREET.	$78,771
41	11-019	REPLACE 24 SERVICE CONNECTIONS AND METERS ALONG NORTH TWO O'CLOCK HILLS ROAD AND CHAPARRAL STREET.	$65,971
42	11-019	REPLACE 16 SERVICE CONNECTIONS AND METERS ALONG NORTH CEDAR RIDGE DRIVE.	$44,637
Total Cost (estimate)			$508,731

COCHISE/BISBEE
TABLE 1 (Page 1 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	NA					02-001			$0	
44	NA					02-001			$0	
45	NA					02-001			$0	
46	NA					02-001			$0	
47	NA					02-001			$0	
48	NA					02-001			$0	
49	NA					02-001			$0	
50	NA					02-001			$0	
51	NA					02-001			$0	
52	NA					02-001			$0	
Subtotal Cost (estimate)									$0	

COCHISE/BISBEE
TABLE I (Page 2 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	343 T&D Mains	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	343	1,900	6	DI	90.27	02-001	Bowers Street	2012	$171,513	Install approximately 1,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch ST water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1961 on Bowers Street; and approximately 500 LF of 2-inch GS water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	343	700	6	DI	88.34	02-001	Ocotillo Avenue	2012	$61,838	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters, and replace 1 fire hydrant along Ocotillo Street. This project will replace approximately 600 LF of 1-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of 1-inch PVC water main installed in 1980, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocotillo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE
TABLE I (Page 2 of 6) cont.
Information to be included with SIB-Eligible Project Notification

45	343	2,450	6	DI	92.37	02-001	Ledge Avenue	2014	$226,307	Install approximately 2,450 LF of 6-inch DI replacement pipe with polywrap, replace 41 service connections, and replace 41 meters along Ledge Avenue and Quality Road. This project will replace approximately 1,050 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 100 LF of 2-inch ST water main installed in 2002; approximately 1,000 LF of 2-inch GS water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	343	900	6	DI	92.09	02-001	Highway 80	2014	$82,881	Install approximately 900 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection, and replace 1 meter along Highway 80 and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	343	1,650	6	DI	91.98	02-001	Ledge Avenue	2014	$151,767	Install approximately 1,650 LF of 6-inch DI replacement pipe with polywrap, replace 20 service connections, and replace 20 meters along Ledge Avenue, Quality Road and Alleys. This project will replace approximately 150 LF of 1-inch GS water main installed in 1939, approximately 100 LF of 1-inch PVC water main installed in 1976, approximately 750 LF of 2-inch GS water main installed in 1939 and 1947; and approximately 350 LF of 3-inch GS water main installed in 1932 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
48	343	2,900	6	DI	91.66	02-001	Teran Street	2013	$265,814	Install approximately 2,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, and replace 22 meters along Teran Street, Aruizu Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 LF of 6-inch ST water main installed in 1908 and 1976. The existing water mains and service connections to be replaced have 20 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE
TABLE I (Page 2 of 6) cont.
Information to be included with SIB-Eligible Project Notification

49	343	700	6	DI	88.73	02-001	Park Avenue	2013	$62,111	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922; and approximately 250 LF of 6-inch ST water main installed in 1922 on Second Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	343	600	6	DI	92.16	02-001	Brophy Avenue	2014	$55,296	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	343	1,000	6	DI	86.18	02-001	Cole Avenue	2014	$86,180	Install approximately 1,000 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	343	400	6	DI	85.06	02-001	Church Street	2012	$34,024	Install approximately 400 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 1 fire hydrant along Church Street from Clawson Avenue to Sowels Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water main installed in 1908 on Church Street. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$1,197,731	

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TABLE I (Page 3 of 6)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	345 Services	Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	345	22	1-inch	Copper	2555.67	02-001	Bowers Street	2012	$56,225	Install approximately 1,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch ST water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1961 on Bowers Street; and approximately 500 LF of 2-inch GS water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	345	11	1-inch	Copper	2673.90	02-001	Ocotillo Avenue	2012	$29,413	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters, and replace 1 fire hydrant along Ocotillo Street. This project will replace approximately 600 LF of 1-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of 1-inch PVC water main installed in 1980, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocotillo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

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TABLE I (Page 2 of 6) cont.
Information to be included with SIB-Eligible Project Notification

49	343	700	6	DI	88.73	02-001	Park Avenue	2013	$62,111	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922; and approximately 250 LF of 6-inch ST water main installed in 1922 on Second Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	343	600	6	DI	92.16	02-001	Brophy Avenue	2014	$55,296	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	343	1,000	6	DI	86.18	02-001	Cole Avenue	2014	$86,180	Install approximately 1,000 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	343	400	6	DI	85.06	02-001	Church Street	2012	$34,024	Install approximately 400 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 1 fire hydrant along Church Street from Clawson Avenue to Sowels Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water main installed in 1908 on Church Street. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$1,197,731	

COCHISE/BISBEE
TABLE I (Page 3 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	345 Services	Quantity	Diameter	Material	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	345	22	1-inch	Copper	2555.67	02-001	Bowers Street	2012	$56,225	Install approximately 1,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch ST water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1961 on Bowers Street; and approximately 500 LF of 2-inch GS water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	345	11	1-inch	Copper	2673.90	02-001	Ocotillo Avenue	2012	$29,413	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, replace 11 meters, and replace 1 fire hydrant along Ocotillo Street. This project will replace approximately 600 LF of 1-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of 1-inch PVC water main installed in 1980, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocotillo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE
TABLE I (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

45	345	41	1-inch	Copper	2,178.15	02-001	Ledge Avenue	2014	$89,304	Install approximately 2,450 LF of 6-inch DI replacement pipe with polywrap, replace 41 service connections, and replace 41 meters along Ledge Avenue and Quality Road. This project will replace approximately 1,050 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 100 LF of 2-inch ST water main installed in 2002; approximately 1,000 LF of 2-inch GS water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	345	1	1-inch	Copper	1,717.75	02-001	Highway 80	2014	$1,718	Install approximately 900 LF of 6-inch DI replacement pipe with polywrap, replace 1 service connection, and replace 1 meter along Highway 80 and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	345	20	1-inch	Copper	1,954.85	02-001	Ledge Avenue	2014	$39,097	Install approximately 1,650 LF of 6-inch DI replacement pipe with polywrap, replace 20 service connections, and replace 20 meters along Ledge Avenue, Quality Road and Alleys. This project will replace approximately 150 LF of 1-inch GS water main installed in 1939, approximately 100 LF of 1-inch PVC water main installed in 1976, approximately 750 LF of 2-inch GS water main installed in 1939 and 1947; and approximately 350 LF of 3-inch GS water main installed in 1932 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
48	345	22	1-inch	Copper	2,052.15	02-001	Teran Street	2013	$45,147	Install approximately 2,900 LF of 6-inch DI replacement pipe with polywrap, replace 22 service connections, and replace 22 meters along Teran Street, Aruizu Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 LF of 6-inch ST water main installed in 1908 and 1976. The existing water mains and service connections to be replaced have 20 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE
TABLE I (Page 3 of 6) cont.
Information to be included with SIB-Eligible Project Notification

49	345	12	1-inch	Copper	2,698.67	02-001	Park Avenue	2013	$32,384	Install approximately 700 LF of 6-inch DI replacement pipe with polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922; and approximately 250 LF of 6-inch ST water main installed in 1922 on Second Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	345	11	1-inch	Copper	1,875.09	02-001	Brophy Avenue	2014	$20,626	Install approximately 600 LF of 6-inch DI replacement pipe with polywrap, replace 11 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	345	7	1-inch	Copper	2,985.16	02-001	Cole Avenue	2014	$20,896	Install approximately 1,000 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	345	7	1-inch	Copper	2,507.04	02-001	Church Street	2012	$17,549	Install approximately 400 LF of 6-inch DI replacement pipe with polywrap, replace 7 service connections, replace 7 meters, and replace 1 fire hydrant along Church Street from Clawson Avenue to Sowels Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water main installed in 1908 on Church Street. The existing water mains and service connections to be replaced have 12 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)									$352,359	

COCHISE/BISBEE
TABLE I (Page 4 of 6)
Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
Project No.	346 Meters	Size	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	
43	346	5/8-inch	22	80.00	02-001	Bowers Street	2012	$1,760	Replace 22 meters along Bowers Street from Marie Street to McDonald Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	346	5/8-inch	11	80.00	02-001	Ocotillo Avenue	2012	$880	Replace 11 meters along Ocotillo Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
45	346	5/8-inch	41	80.00	02-001	Ledge Avenue	2014	$3,280	Replace 41 meters along Ledge Avenue and Quality Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
46	346	5/8-inch	1	80.00	02-001	Highway 80	2014	$80	Replace 1 meter along Highway 80 and Winwood Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
47	346	5/8-inch	20	80.00	02-001	Ledge Avenue	2014	$1,600	Replace 20 meters along Ledge Avenue, Quality Road and Alleys. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE
TABLE 1 (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

48	346	5/8-inch	22	80.00	02-001	Teran Street	2013	$1,760	Replace 22 meters along Teran Street, Aruizu Street, Carbajal Street, and Vargas Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
49	346	5/8-inch	12	80.00	02-001	Park Avenue	2013	$960	Replace 12 meters along Park Avenue. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	346	5/8-inch	11	80.00	02-001	Brophy Avenue	2014	$880	Replace 11 meters along Brophy Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
51	346	5/8-inch	7	80.00	02-001	Cole Avenue	2014	$560	Replace 7 meters along Cole Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	346	5/8-inch	7	80.00	02-001	Church Street	2012	$560	Replace 7 meters along Church Street from Clawson Avenue to Sowels Avenue. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)								**$12,320**	

COCHISE/BISBEE

TABLE I (Page 5 of 6)

Information to be included with SIB-Eligible Project Notification

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more) - replacement of existing plant for other reasons supported by persuasive showing by utility
Project No.	348 Hydrants	Quantity	Cost/Unit			Expected In-Service Date	Cost (estimated)	2. Provide narrative explaining why this segment of plant is a priority. 3. Provide narrative explaining how replacing this plant will benefit existing customers. 4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
43	348	1	2,876.32	02-001	Bowers Street	2012	$2,876	Replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace a fire hydrant installed in 1958 along Bowers Street. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
44	348	1	2,524.87	02-001	Ocotillo Avenue	2012	$2,525	Replace 1 fire hydrant along Ocotillo Street. This project will replace a fire hydrant installed in 1960 along Ocotillo Street. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
45	NA			02-001			$0	
46	NA			02-001			$0	
47	NA			02-001			$0	
48	NA			02-001			$0	
49	348	1	2,615.10	02-001	Park Avenue	2013	$2,615	Replace 1 fire hydrant along Park Avenue. This project will replace a fire hydrant installed in 1920 along Park Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
50	NA			02-001			$0	
51	348	2	2,634.45	02-001	Cole Avenue	2014	$5,269	Replace 2 fire hydrants along Cole Avenue. This project will replace fire hydrants installed in 1908 along Cole Avenue. The existing hydrants are old and failing requiring replacement. Replacement parts are unavailable for these hydrants. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

COCHISE/BISBEE

TABLE 1 (Page 5 of 6) cont.

Information to be included with SIB-Eligible Project Notification

52	348	1	2,743.86	02-001	Church Street	2012	$2,744	Replace 1 fire hydrant along Church Street from Clawson Avenue to Sowels Avenue. This project will replace a fire hydrant installed in 1908 along Church Street from Clawson Avenue to Sowels Avenue. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Subtotal Cost (estimate)							**$16,029**	

DECISION NO. 73938

COCHISE/BISBEE

TABLE I (Page 6 of 6, Summary)

Information to be included with SIB-Eligible Project Notification

Project No.	PWSID No.	Project Description	Cost (estimated)
43	02-001	INSTALL 1,900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 22 SERVICE CONNECTIONS ALONG BOWERS STREET FROM MARIE STREET TO McDONALD STREET.	$232,374
44	02-001	INSTALL 700 LF OF 6-INCH DIP W/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG OCOTILLO AVENUE.	$94,656
45	02-001	INSTALL 2,450 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 41 SERVICE CONNECTIONS ALONG LEDGE AVENUE AND QUALITY ROAD.	$318,891
46	02-001	INSTALL 900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 1 SERVICE CONNECTION ALONG HIGHWAY 80 AND WINWOOD ROAD.	$84,679
47	02-001	INSTALL 1,650 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 20 SERVICE CONNECTIONS ALONG LEDGE AVENUE, QUALITY ROAD, AND ALLEYS.	$192,464
48	02-001	INSTALL 2,900 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 22 SERVICE CONNECTIONS ALONG TERAN STREET, ARUIZU STREET, CARBAJAL STREET, AND VARGAS STREET.	$312,721
49	02-001	INSTALL 700 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 12 SERVICE CONNECTIONS ALONG PARK AVENUE.	$98,070
50	02-001	INSTALL 600 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 11 SERVICE CONNECTIONS ALONG BROPHY AVENUE.	$76,802
51	02-001	INSTALL 1,000 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 7 SERVICE CONNECTIONS ALONG COLE AVENUE.	$112,905
52	02-001	INSTALL 400 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 7 SERVICE CONNECTIONS ALONG CHURCH STREET FROM CLAWSON AVENUE TO SOWELS AVENUE.	$54,877
Total Cost (estimate)			$1,578,439

EXHIBIT B

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit
As of December 31, 2012

SIB Schedule B

SIB Schedule B

Line No.		[A]	[B]
		SUPERSTITION	
1	CALCULATION OF OVERALL SIB REVENUE TRUE-UP FROM PRIOR 12-MONTH SIBA SURCHARGE PERIOD		
2	Overall SIB Revenue Requirement from Prior 12-Month SIB Surcharge Period	$ 335,722	
4	Overall SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period	$ (16,786)	
6	Total SIB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SIB Surcharge Period		$ 318,936
8	Total SIB Surcharge Revenues from Prior 12-Month SIB Surcharge Period	$ 310,000	
10	Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Surcharge Period	$ (15,500)	
12	Total SIB Surcharge Revenues Net of Efficiency Credit from Prior 12-Month SIB Surcharge Period		$ 294,500
14	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (ln. 6 - ln. 12)		24,436

DECISION NO. 73938

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SIB Schedule B

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit
As of December 31, 2012

Line No.	CALCULATION OF INDIVIDUAL SIB FIXED TRUE-UP SURCHARGE/CREDIT	[A]	[B]	[C]	[D]	[E]
1						
2					SIB True-Up Surcharge/(Credit)	
3				5/8 x 3/4-Inch	Fixed	Annual
4		No. of		Equivalent	Surcharge /	Revenue by
5		Customers	Meter	Meters	(Credit)	Meter Size
6	Customer Meter Size	12/31/2012	Multiplier	(C X F)		
7						
8						
9	5/8 x 3/4-Inch	21,521	1	21,521	$ 0.07	$ 17,098
10	1-Inch	1,824	2.5	4,559	$ 0.17	$ 3,622
11	1 1/2-Inch	-	5	-	$ 0.33	$ -
12	2-Inch	285	8	2,278	$ 0.53	$ 1,810
13	3-Inch	31	16	492	$ 1.06	$ 391
14	4-Inch	21	25	523	$ 1.66	$ 415
15	6-Inch	25	50	1,225	$ 3.31	$ 973
16	8-Inch	2	80	160	$ 5.30	$ 127
17	10-Inch	-	115	-	$ 7.61	$ -
18						
19	Totals	23,708		30,758		$ 24,436
20						
21						
22						
23						
24	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (p. 1, ln. 14)				$ 24,436	
25						
26	Individual SIB Fixed True-Up Surcharge/(Credit) Per 5/8 x 3/4-Inch Equivalent Meter (ln. 24 + col. C, ln. 19 + 12)					0.07

DECISION NO. 73938

Docket No, W-01445A-11-0310

SIB PLANT TABLE II (Page 1 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		Original Plant (Plant Being Retired)			
Project No.	309 Supply Mains	Pipe Length	Diameter	Material	Cost/Unit			In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)	Actual Cost	Actual Retirement Date	Original In-Service Date	Original Cost	Accumulated Depreciation Reserve (as of the actual retirement date)
Subtotal Actual Cost													

EXHIBIT C

SIB PLANT TABLE II (Page 3 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		Original Plant (Plant Being Retired)			
Project No.	333 Services	Quantity	Diameter	Material	Cost/Unit			In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)	Actual Cost	Actual Retirement Date	Original In-Service Date	Original Cost	Accumulated Depreciation Reserve (as of the actual retirement date)
Subtotal Actual Cost													

SIB PLANT TABLE II (Page 2 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)				PWSID No.	Site (location description)	Replacement Plant		Original Plant (Plant Being Retired)			
Project No.	331 T&D Mains	Pipe Length	Diameter	Material	Cost/Unit			In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)	Actual Cost	Actual Retirement Date	Original In-Service Date	Original Cost	Accumulated Depreciation Reserve (as of the actual retirement date)
Subtotal Actual Cost													

Docket No, W-01445A-11-0310

SIB PLANT TABLE II (Page 4 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)			PWSID No.	Site (location description)	Replacement Plant		Original Plant (Plant Being Retired)			
Project No.	334 Meters	Size	Quantity	Cost/Unit			In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)	Actual Cost	Actual Retirement Date	Original In-Service Date	Original Cost	Accumulated Depreciation Reserve (as of the actual retirement date)
Subtotal Actual Cost												

DECISION NO. 73938

SIB PLANT TABLE II (Page 5 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	NARUC Acct No. (SIB-eligible plant)	Replacement Plant Description (SIB-eligible plant)		PWSID No.	Site (location description)	Replacement Plant		Original Plant (Plant Being Retired)			
Project No.	335 Hydrants	Quantity	Cost/Unit			In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)	Actual Cost	Actual Retirement Date	Original In-Service Date	Original Cost	Accumulated Depreciation Reserve (as of the actual retirement date)
Subtotal Actual Cost											

SIB PLANT TABLE II (Page 6 of 6, Summary)

Information to be included with SIB-Eligible Completed Project Filings

Project No.	PWSID No.	Project Description	Cost (estimated)	Actual Cost	Detailed explanation of why actual costs have exceeded estimated costs by more than 10% for the project
Total Cost					

EXHIBIT D

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB Revenue Requirement and Individual Surcharge
As of December 31, 2012

SIB Schedule A

Line No.	CALCULATION OF OVERALL SIB REVENUE REQUIREMENT & EFFICIENCY CREDIT	[A] SUPERSTITION	[B]
2	Total Authorized Revenue Requirement - Decision No. 73736	$ 17,848,923	
4	SIB Revenue Cap %	5.00%	
6	Net SIB Revenue Cap (ln. 2 x ln. 4)		$ 892,446
8	SIB-Eligible Plant in Service - Per SIB Table II Summary	$ 2,000,000	
10	Accumulated Depreciation - 1/2-Year Convention (ln, 24 x .5)	27,700	
12	SIB Rate Base (ln. 8 - ln. 10)	$ 1,972,300	
14	Required Rate of Return - Decision No. 73736	8.72%	
16	Required SIB Operating Income (ln. 12 x ln. 14)	$ 171,985	
18	Gross Revenue Conversion Factor/Tax Multiplier - Per Decision No. 73736	1.6590	
20	Revenue Requirement - Return on SIB-Eligible Rate Base (ln. 16 x ln. 18)	$ 285,322	
22	Applicable Depreciation Rate - Per Decision No. 73736	2.77%	
24	SIB Depreciation Expense (ln. 8 x ln. 22)	$ 55,400	
26	Less: Depreciation Expense Associated with Applicable Retirements - Per SIB Table II Summary	$ 5,000	
28	Net Depreciation Expense - SIBA Eligible Plant (ln. 24 - ln. 26)	$ 50,400	
30	SIB Capital Costs - Pre-Tax Return & Depreciation (ln. 20 + ln. 28)		$ 335,722
32	Under or Over Recovery from Previous Period		$ -
35	Overall SIB Revenue Requirement - Lesser of Net SIB Revenue Cap or SIB Captial Costs		$ 335,722
37	SIB Efficiency Credit %	-5.00%	
39	Overall SIB Efficiency Credit (ln. 35 x ln. 37)		$ (16,786)

DECISION NO. 73938

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Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB Revenue Requirement and Individual Surcharge
As of December 31, 2012

Line No.	CALCULATION OF INDIVIDUAL SIB FIXED SURCHARGE AND EFFICIENCY CREDIT	[A]	[B]	[C]	[D]	[E]	[F]	[G]
					SIB Surcharge		SIB Efficiency Credit	
	Customer Meter Size	No. of Customers 12/31/2012	Meter Multiplier	5/8 x 3/4-inch Equivalent Meters (C X F)	Individual Fixed Surcharge	Annual Revenue by Meter Size	Individual Fixed Credit	Annual Refund by Meter Size
9	5/8 x 3/4-inch	21,521	1	21,521	$ 0.91	$ 234,900	$ (0.05)	(11,745.00)
10	1-inch	1,824	2.5	4,559	$ 2.27	$ 49,763	$ (0.11)	(2,488.18)
11	1 1/2-inch	-	5	-	$ 4.55	$ -	$ (0.23)	-
12	2-inch	285	8	2,278	$ 7.28	$ 24,864	$ (0.36)	(1,243.21)
13	3-inch	31	16	492	$ 14.55	$ 5,370	$ (0.73)	(268.51)
14	4-inch	21	25	523	$ 22.74	$ 5,708	$ (1.14)	(285.38)
15	6-inch	25	50	1,225	$ 45.48	$ 13,371	$ (2.27)	(668.54)
16	8-inch	2	80	160	$ 72.77	$ 1,748	$ (3.64)	(87.32)
17	10-inch	-	115	-	$ 104.60	$ -	$ (5.23)	-
19	Totals	23,708		30,758		$ 335,722		$ (16,786)
24	Overall SIB Revenue Requirement (p. 1, ln. 32)						$ 335,722	
26	Individual SIB Fixed Surcharge Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 ÷ col. C, ln. 19 ÷ 12)							$ 0.91
28	Overall SIB Efficiency Credit (p. 1, ln. 36)						$ (16,786)	
30	Individual SIB Fixed Efficiency Credit Per 5/8 x 3/4-inch Equivalent Meter (ln. 28 ÷ col. C, ln. 19 ÷ 12)							$ (0.05)

DECISION NO. 73938

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EXHIBIT E

SIB Schedule C

ARIZONA WATER **COMPANY**
Docket No. W-01445A-11-0310
Typical Bill Analysis - Residential 5/8 x 3/4-Inch Meter
As of December 31, 2012

SIB Schedule C

		[A]	[B]	[C]	[D]	[E]	[F]	[G]
		SUPERSTITION						
Line No.	Gallons Consumed	Present Bill	SIB Fixed Surcharge	SIB Efficiency Credit	SIB True-Up Surcharge / (Credit)	Total Pro Forma Bill	Net SIB Increase	Percent SIB Increase
1								
2	-	$ 22.26	$ 0.91	$ (0.05)	$ 0.07	$ 23.19	$ 0.93	4.2%
3	1,000	23.89	0.91	(0.05)	0.07	24.82	0.93	3.9%
4	2,000	25.53	0.91	(0.05)	0.07	26.46	0.93	3.6%
5	3,000	27.16	0.91	(0.05)	0.07	28.09	0.93	3.4%
6	4,000	30.49	0.91	(0.05)	0.07	31.42	0.93	3.1%
7	5,000	33.82	0.91	(0.05)	0.07	34.75	0.93	2.8%
8	6,000	37.14	0.91	(0.05)	0.07	38.07	0.93	2.5%
9	7,000	40.47	0.91	(0.05)	0.07	41.40	0.93	2.3%
10	8,000	43.80	0.91	(0.05)	0.07	44.73	0.93	2.1%
11	9,000	47.12	0.91	(0.05)	0.07	48.05	0.93	2.0%
12	10,000	50.45	0.91	(0.05)	0.07	51.38	0.93	1.8%
13	11,000	55.25	0.91	(0.05)	0.07	56.18	0.93	1.7%
14	12,000	60.05	0.91	(0.05)	0.07	60.98	0.93	1.5%
15	13,000	64.84	0.91	(0.05)	0.07	65.77	0.93	1.4%
16	14,000	69.64	0.91	(0.05)	0.07	70.57	0.93	1.3%
17	15,000	74.44	0.91	(0.05)	0.07	75.37	0.93	1.2%
18	20,000	98.42	0.91	(0.05)	0.07	99.35	0.93	0.9%
19	25,000	122.41	0.91	(0.05)	0.07	123.34	0.93	0.8%
20								
21								
22								
23								
24	Residential Bill at Average Consumption of 6,300 Gallons	$ 38.14	$ 0.91	$ (0.05)	$ 0.07	$ 39.07	$ 0.93	2.4%
25								
26								
27	Basic Service Charge	$ 22.26	$ 0.91	$ (0.05)	$ 0.07	$ 23.19	$ 0.93	4.2%
28								
29	Commodity Rate Per 1,000 Gallons							
30	0 - 3,000 Gallons	$ 1.6340	n/a	n/a	n/a	n/a	n/a	n/a
31	3,001 - 10,000 Gallons	$ 3.3270	n/a	n/a	n/a	n/a	n/a	n/a
32	Over 10,000 Gallons	$ 4.7970	n/a	n/a	n/a	n/a	n/a	n/a
33								
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DECISION NO. 73938

Docket No, W-01445A-11-0310

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EXHIBIT F

ATTACHMENT B

Docket No, W-01445A-11-0310

SIB Schedule A - REVISED
Page 1 of 2

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB Revenue Requirement and Individual Surcharge
As of December 31, 2012

SIB Schedule A

Line No.	CALCULATION OF OVERALL SIB REVENUE REQUIREMENT & EFFICIENCY CREDIT		[A] SUPERSTITION	[B]
1				
2	Total Authorized Revenue Requirement - Decision No. 73736		$ 17,848,923	
3				
4	SIB Revenue Cap %		5.00%	
5				
6	Net SIB Revenue Cap (ln. 2 x ln. 4)			$ 892,446
7				
8	SIB-Eligible Plant in Service - Per SIB Table II Summary		$ 2,000,000	
9				
10	Accumulated Depreciation - 1/2-Year Convention (ln. 28 x .5)		27,700	
11				
12	SIB Rate Base (ln. 8 - ln. 10)		$ 1,972,300	
13				
14				
15	Required Rate of Return - Decision No. 73736			
16	Weighted Cost of Equity:	5.38%		
17	Revenue Conversion Factor:	1.6590		
18	Pre-Tax Weighted Cost of Equity (ln. 16 x ln. 17):	8.92%		
19	Weighted Cost of Debt:	3.34%		
20				
21	Pre-Tax Cost of Capital (ln. 18 + ln. 19):	12.26%	12.26%	
22				
23	Required Revenues (ln. 12 x ln. 21)		$ 241,900	
24				
25				
26	Applicable Depreciation Rate - Per Decision No. 73736		2.77%	
27				
28	SIB Depreciation Expense (ln. 8 x ln. 26)		$ 55,400	
29				
30	Less: Depreciation Expense Associated with Applicable Retirements - Per SIB Table II Summary		$ 5,000	
31				
32	Net Depreciation Expense - SIBA Eligible Plant (ln. 28 - ln. 30)		$ 50,400	
33				
34	SIB Capital Costs - Pre-Tax Return & Depreciation (ln. 23 + ln. 32)			$ 292,300
35				
36	Under or Over Recovery from Previous Period			$ -
37				
38				
39	Overall SIB Revenue Requirement - Lesser of Net SIB Revenue Cap or SIB Captial Costs			$ 292,300
40				
41	SIB Efficiency Credit %		-5.00%	
42				
43	Overall SIB Efficiency Credit (ln. 39 x ln. 41)			$ (14,615)
44				
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DECISION NO. 73938

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB Revenue Requirement and Individual Surcharge
As of December 31, 2012

CALCULATION OF INDIVIDUAL SIB FIXED SURCHARGE AND EFFICIENCY CREDIT

Line No.	Customer Meter Size	[A] No. of Customers 12/31/2012	[B] Meter Multiplier	[C] 5/8 x 3/4-Inch Equivalent Meters (C X F)	[D] SIB Surcharge: Individual Fixed Surcharge	[E] SIB Surcharge: Annual Revenue by Meter Size	[F] SIB Efficiency Credit: Individual Fixed Credit	[G] SIB Efficiency Credit: Annual Refund by Meter Size
9	5/8 x 3/4-inch	21,521	1	21,521	$ 0.79	$ 204,518	$ (0.04)	(10,225.88)
10	1-inch	1,824	2.5	4,559	$ 1.98	$ 43,327	$ (0.10)	(2,166.33)
11	1 1/2-inch	-	5	-	$ 3.96	$ -	$ (0.20)	-
12	2-inch	285	8	2,278	$ 6.34	$ 21,648	$ (0.32)	(1,082.41)
13	3-inch	31	16	492	$ 12.67	$ 4,676	$ (0.63)	(233.78)
14	4-inch	21	25	523	$ 19.80	$ 4,969	$ (0.99)	(248.47)
15	6-inch	25	50	1,225	$ 39.60	$ 11,641	$ (1.98)	(582.07)
16	8-inch	2	80	160	$ 63.35	$ 1,521	$ (3.17)	(76.03)
17	10-inch	-	115	-	$ 91.07	$ -	$ (4.55)	-
19	Totals	23,706		30,758		$ 292,300		$ (14,615)
24	Overall SIB Revenue Requirement (p. 1, ln. 32)						$ 292,300	
26	Individual SIB Fixed Surcharge Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 ÷ col. C, ln. 19 ÷ 12)							$ 0.79
28	Overall SIB Efficiency Credit (p. 1, ln. 36)						$ (14,615)	
30	Individual SIB Fixed Efficiency Credit Per 5/8 x 3/4-inch Equivalent Meter (ln. 28 ÷ col. C, ln. 19 ÷ 12)							$ (0.04)

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DECISION NO. 73938

Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit
As of December 31, 2012

SIB Schedule B

Line No.	CALCULATION OF OVERALL SIB REVENUE TRUE-UP FROM PRIOR 12-MONTH SIBA SURCHARGE PERIOD	[A] SUPERSTITION	[B]
1			
2	Overall SIB Revenue Requirement from Prior 12-Month SIB Surcharge Period	$ 292,300	
3			
4	Overall SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period	$ (14,615)	
5			
6	Total SIB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SIB Surcharge Period		$ 277,685
7			
8	Total SIB Surcharge Revenues from Prior 12-Month SIB Surcharge Period	$ 310,000	
9			
10	Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Surcharge Period	$ (15,500)	
11			
12	Total SIB Surcharge Revenues Net of Efficiency Credit from Prior 12-Month SIB Surcharge Period		$ 294,500
13			
14	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (ln. 6 - ln. 12)		(16,815)
15			
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DECISION NO. 73938

Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit
As of December 31, 2012

Line No.	CALCULATION OF INDIVIDUAL SIB FIXED TRUE-UP SURCHARGE/CREDIT	[A]	[B]	[C]	[D]	[E]
					SIB True-Up Surcharge/(Credit)	
	Customer Meter Size	No. of Customers 12/31/2012	Meter Multiplier	5/8 x 3/4-inch Equivalent Meters (C X F)	Fixed Surcharge / (Credit)	Annual Revenue by Meter Size
9	5/8 x 3/4-inch	21,521	1	21,521	$ (0.05)	$ (11,766)
10	1-inch	1,824	2.5	4,559	$ (0.11)	$ (2,493)
11	1 1/2-inch	-	5	-	$ (0.23)	$ -
12	2-inch	285	8	2,278	$ (0.36)	$ (1,245)
13	3-inch	31	16	492	$ (0.73)	$ (269)
14	4-inch	21	25	523	$ (1.14)	$ (286)
15	6-inch	25	50	1,225	$ (2.28)	$ (670)
16	8-inch	2	80	160	$ (3.64)	$ (87)
17	10-inch	-	115	-	$ (5.24)	$ -
19	Totals	23,706		30,758		$ (16,815)
24	Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (p. 1, ln. 14)				$ (16,815)	
26	Individual SIB Fixed True-Up Surcharge/(Credit) Per 5/8 x 3/4-inch Equivalent Meter (ln. 24 ÷ col. C, ln. 19 ÷ 12)					(0.05)

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DECISION NO. 73938

Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Typical Bill Analysis - Residential 5/8 x 3/4-Inch Meter
As of December 31, 2012

SIB Schedule C

Line No.	Gallons Consumed		[A] Present Bill		[B] SIB Fixed Surcharge		[C] SIB Efficiency Credit		[D] SUPERSTITION SIB True-Up Surcharge / (Credit)		[E] Total Pro Forma Bill		[F] Net SIB Increase	[G] Percent SIB Increase
1														
2	-	$	22.26	$	0.79	$	(0.04)	$	(0.05)	$	22.97	$	0.71	3.2%
3	1,000		23.89		0.79		(0.04)		(0.05)		24.60		0.71	3.0%
4	2,000		25.53		0.79		(0.04)		(0.05)		26.23		0.71	2.8%
5	3,000		27.16		0.79		(0.04)		(0.05)		27.87		0.71	2.6%
6	4,000		30.49		0.79		(0.04)		(0.05)		31.20		0.71	2.3%
7	5,000		33.82		0.79		(0.04)		(0.05)		34.52		0.71	2.1%
8	6,000		37.14		0.79		(0.04)		(0.05)		37.85		0.71	1.9%
9	7,000		40.47		0.79		(0.04)		(0.05)		41.18		0.71	1.7%
10	8,000		43.80		0.79		(0.04)		(0.05)		44.50		0.71	1.6%
11	9,000		47.12		0.79		(0.04)		(0.05)		47.83		0.71	1.5%
12	10,000		50.45		0.79		(0.04)		(0.05)		51.16		0.71	1.4%
13	11,000		55.25		0.79		(0.04)		(0.05)		55.95		0.71	1.3%
14	12,000		60.05		0.79		(0.04)		(0.05)		60.75		0.71	1.2%
15	13,000		64.84		0.79		(0.04)		(0.05)		65.55		0.71	1.1%
16	14,000		69.64		0.79		(0.04)		(0.05)		70.35		0.71	1.0%
17	15,000		74.44		0.79		(0.04)		(0.05)		75.14		0.71	0.9%
18	20,000		98.42		0.79		(0.04)		(0.05)		99.13		0.71	0.7%
19	25,000		122.41		0.79		(0.04)		(0.05)		123.11		0.71	0.6%
20														
21														
22														
23														
24	Residential Bill at Average Consumption of 6,300 Gallons	$	38.14	$	0.79	$	(0.04)	$	(0.05)	$	38.85	$	0.71	1.9%
25														
26														
27	Basic Service Charge	$	22.26	$	0.79	$	(0.04)	$	(0.05)	$	22.97	$	0.71	3.2%
28														
29	Commodity Rate Per 1,000 Gallons													
30	0 - 3,000 Gallons	$	1.6340		n/a		n/a		n/a		n/a		n/a	n/a
31	3,001 - 10,000 Gallons	$	3.3270		n/a		n/a		n/a		n/a		n/a	n/a
32	Over 10,000 Gallons	$	4.7970		n/a		n/a		n/a		n/a		n/a	n/a
33														
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DECISION NO. 73938

Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Fair Value Rate Base, Revenue & Rate of Return
As of December 31, 2012

SIB Schedule D

Line No.		[A] Per Decision 73736	[B] Net SIB Step-1 Increase	[C] Net SIB Step-2 Increase	[D] SUPERSTITION Net SIB Step-3 Increase	[E] Net SIB Step-4 Increase	[F] Net SIB Step-5 Increase	[G] Pro Forma With SIB
1	Total Operating Revenue	$ 17,848,923	$ 277,685	$ -	$ -	$ -	$ -	$ 18,126,608
3	Operating Expenses							
4	Operations & Maintenance	$ 8,057,876	$ -	$ -	$ -	$ -	$ -	$ 8,057,876
5	Depreciation & Amortization	2,671,694	50,400	-	-	-	-	2,722,094
6	Taxes Other than Income	1,049,113	-	-	-	-	-	1,049,113
7	Income Taxes	1,695,023	64,101	-	-	-	-	1,759,124
8	Total Operating Expenses	$ 13,473,706	$ 114,501	$ -	$ -	$ -	$ -	$ 13,588,207
10	Operating Income (ln. 1 - ln. 8)	$ 4,375,217	$ 163,184	$ -	$ -	$ -	$ -	$ 4,538,401
12	Interest Expense							
13	Weighted Avg. Cost of Debt	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%
14	Interest Expense (ln. 13 x ln. 19)	$ 1,676,832	$ 65,914	$ -	$ -	$ -	$ -	$ 1,742,746
16	Net Income (ln. 10 - ln. 14)	$ 2,698,385	$ 97,270	$ -	$ -	$ -	$ -	$ 2,795,655
19	Rate Base - O.C.L.D.	$ 50,174,504	$ 1,972,300	$ -	$ -	$ -	$ -	$ 52,146,804
21	Return on Rate Base - O.C.L.D. (ln. 10 ÷ ln. 19)	8.72%	8.27%	0.00%	0.00%	0.00%	0.00%	8.70%
23	Authorized Return on Rate Base	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
25	Capital Structure							
26	Debt %	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%
27	Equity %	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
29	Total Equity (ln. 19 x ln. 27)	$ 25,573,945	$ 1,005,281	$ -	$ -	$ -	$ -	$ 26,579,226
31	Authorized Return on Equity	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
33	Return on Equity (Ln. 16 ÷ ln. 29)	10.55%	9.68%	0.00%	0.00%	0.00%	0.00%	10.52%

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DECISION NO. 73938

Docket No, W-01445A-11-0310

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Fair Value Rate Base, Revenue, & Rate of Return
As of December 31, 2012

SIB Schedule D

Line No.		[A] Per Decision 73736	[B] Net SIB Step-1 Increase	[C] Net SIB Step-2 Increase	[D] SUPERSTITION Net SIB Step-3 Increase	[E] Net SIB Step-4 Increase	[F] Net SIB Step-5 Increase	[G] Pro Forma With SIB
1	Total Operating Revenue	$ 17,848,923	$ 318,936	$ -	$ -	$ -	$ -	$ 18,167,859
2								
3	Operating Expenses							
4	Operations & Maintenance	$ 8,057,876	$ -	$ -	$ -	$ -	$ -	$ 8,057,876
5	Depreciation & Amortization	2,671,694	50,400	-	-	-	-	2,722,094
6	Taxes Other than Income	1,049,113	-	-	-	-	-	1,049,113
7	Income Taxes	1,695,023	106,663	-	-	-	-	1,801,686
8	Total Operating Expenses	$ 13,473,706	$ 157,063	$ -	$ -	$ -	$ -	$ 13,630,769
9								
10	Operating Income (ln. 1 - ln. 8)	$ 4,375,217	$ 161,874	$ -	$ -	$ -	$ -	$ 4,537,091
11								
12	Interest Expense							
13	Weighted Avg. Cost of Debt	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%	3.34%
14	Interest Expense (ln. 13 x ln. 19)	$ 1,676,832	$ 65,914	$ -	$ -	$ -	$ -	$ 1,742,746
15								
16	Net Income (ln. 10 - ln. 14)	$ 2,698,385	$ 95,959	$ -	$ -	$ -	$ -	$ 2,794,344
17								
18								
19	Rate Base - O.C.L.D.	$ 50,174,504	$ 1,972,300	$ -	$ -	$ -	$ -	$ 52,146,804
20								
21	Return on Rate Base - O.C.L.D. (ln. 10 ÷ ln. 19)	8.72%	8.21%	0.00%	0.00%	0.00%	0.00%	8.70%
22								
23	Authorized Return on Rate Base	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
24								
25	Capital Structure							
26	Debt %	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%	49.03%
27	Equity %	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%	50.97%
28								
29	Total Equity (ln. 19 x ln. 27)	$ 25,573,945	$ 1,005,281	$ -	$ -	$ -	$ -	$ 26,579,226
30								
31	Authorized Return on Equity	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%	10.55%
32								
33	Return on Equity (Ln. 16 ÷ ln. 29)	10.55%	9.55%	0.00%	0.00%	0.00%	0.00%	10.51%
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DECISION NO. 73938

Docket No, W-01445A-11-0310

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BOB BURNS
SUSAN BITTER SMITH

BRENDA BURNS
COMMISSIONER

Direct Line: (602) 542-0745
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ARIZONA CORPORATION COMMISSION

June 17, 2013

RE: Arizona Water Company (Rates Phase 2) Docket No. W-01445A-11-0310

Dissent by Commissioner Brenda Burns

Decision #73736 did not grant DSIC. Instead, the Decision stated:

> [W]e conclude that the Eastern Group, due to the age of some of its systems and the resulting increased need for infrastructure replacement and improvement, necessitates a somewhat higher COE (page 61, lines 15-17)

However, this Decision allows for a different mechanism to fund that infrastructure replacement and improvement (SIB) and preserves the same ROE from Decision #73736, thereby authorizing double recovery.

In this case:

AWC proposed a cost of common equity of 12.5%
RUCO proposed a cost of common equity of 9.4%
Staff proposed a cost of common equity of 9.4%

Decisions, since 2010, have granted the following ROEs, for Class A and Class B companies (not including this AWC case):

Class A: 9.37% (average, of seven companies)
Class A: 9.50% (median)

Class B: 9.52% (average, of six companies)
Class B: 9.50% (median)

The results, reflected above, are remarkably consistent. Therefore, if we had awarded 10.0% to AWC, in this Decision, we still would have granted an ROE that is fifty basis points higher than recent history's median. It must also be noted that current interest rates have been at historic lows. On top of that, we awarded SIB.

During my tenure, I have been receptive to and advocated for crucial water reforms. This Commission, over the last two-plus years, has done an admirable job of meeting the challenges of adopting new policies by doing so in a prudent and cogent manner. Due to years of workshops, meetings with stakeholders, evidence presented in various rate cases and discussions in Open Meetings I have been persuaded that a DSIC-like mechanism is a reform proposal worth executing. I believe, when appropriate, a properly implemented DSIC/SIB mechanism can help ensure infrastructure integrity, provide stability for a water company and lessen rate shock for customers.

If AWC had originally been awarded a 10.0% ROE, in tandem with this Commission's first ever DSIC-like mechanism, as suggested by the ROO, it would have been a fair outcome. The AWC ratepayers should not be asked to pay for an elevated ROE while also being the test case for a newly approved SIB.

This Decision is not in the best interest of the ratepayers and now potentially exposes the Commission to litigation that could jeopardize the worthy features of SIB. I would hate to see a lot of good work, performed by stakeholders and ACC staff, fall by the wayside because of this action. For the reasons stated above, I must dissent.

Sincerely,

Brenda Burns
Commissioner

WILLOW VALLEY WATER COMPANY
W-01732A-12-0315
Calculation of Overall SIB Revenue Requirement Including Efficiency Credit

Line	Description	2015	2016	2017	2018	2019
1						
2	Total revenue Requirement: Settlement	$1,106,923	$1,106,923	$1,106,923	$1,106,923	$1,106,923
3						
4	SIB Revenue CAP	5%	5%	5%	5%	5%
5						
6	Net SIB Revenue CAP (Lines 2*4))	$ 55,346	$ 55,346	$ 55,346	$ 55,346	$ 55,346
7						
8	SIB Eligible Plant Placed in Service in Each *Previous* Year	$ 211,491	$ 171,022	$ 145,040	$ 133,701	$ 214,979
9						
10	Accumulated Depreciation	$ 3,148	$ 8,679	$ 13,205	$ 17,282	$ 22,211
11						
12	SIB Rate Base (Lines 8-10)	$ 208,343	$ 162,343	$ 131,835	$ 116,419	$ 192,768
13						
14	Required Rate of Return: Settlement	7.7%	7.7%	7.7%	7.7%	7.7%
15						
16	Required SIB Operating Income (Lines 14*12)	$ 16,042	$ 12,500	$ 10,151	$ 8,964	$ 14,843
17						
18	GRCF: Settlement	1.6651	1.6651	1.6651	1.6651	1.6651
19						
20	Return on SIB Eligible Rate Base (Lines 18*16)	$ 26,712	$ 20,814	$ 16,903	$ 14,926	$ 24,715
21						
22	SIB Depreciation Expense	$ 3,148	$ 8,679	$ 13,205	$ 17,282	$ 22,211
23						
24	Less Depreciation Expense Associated with SIB Eligible Retirements	$ -	$ -	$ -	$ -	$ -
25						
26	Net Depreciation Expense (Lines 22-24)	$ 3,148	$ 8,679	$ 13,205	$ 17,282	$ 22,211
27						
28	Revenue Requirement SIB Capital Costs - Pre Tax Return and Depreciation Expense (Lines 20 + 28)	$ 29,861	$ 29,494	$ 30,108	$ 32,209	$ 46,926
29						
30	Under or (Over) Recovery from Previous Period	$ -	$ -	$ -	$ -	$ -
31						
32	Overall SIB Revenue Requirement - Lesser of Net SIB Revenue Cap or SIB Capital Costs (Lines 28+30 or Line 6)	$ 29,861	$ 29,494	$ 30,108	$ 32,209	$ 46,926
33						
34	SIB Efficiency Credit %	5.0%	5.0%	5.0%	5.0%	5.0%
35						
36	SIB Efficiency Credit (Lines 34*32)	$ 1,493	$ 1,475	$ 1,505	$ 1,610	$ 2,346
37						
38	SIB Revenue Requirement Net of Efficiency Credit (Lines 32 - 36)	$ 28,368	$ 28,019	$ 28,602	$ 30,598	$ 44,580
39						
40	Connections	$ 1,495	$ 1,495	$ 1,495	$ 1,495	$ 1,495
41						
42	Surcharge Per Connection Annual (Lines 38/40)	$ 19	$ 19	$ 19	$ 20	$ 30
43						
44	Surcharge Per Connection Monthly (Lines 42/12)	$ 1.58	$ 1.56	$ 1.59	$ 1.71	$ 2.48
45						
46	**CUMULATIVE IMPACTS (Assumes each of the above SIB Surcharges is approved and no new permanent rates in effect.)**					
47	Cummulative SIB Revenue Requirement Net of Efficiency Credit	$ 28,368	$ 56,387	$ 84,989	$ 115,587	$ 160,167
48						
49	Cumulative SIB Surcharges Monthly	$ 1.58	$ 3.14	$ 4.74	$ 6.44	$ 8.93
50						
51	Median Residential Bill - Settlement Rates	$ 37.03	$ 37.03	$ 37.03	$ 37.03	$ 37.03
52						
53	Total Median Bill Including Surchages (Lines 49 + 51)	$ 38.61	$ 40.17	$ 41.77	$ 43.47	$ 45.96
54						
55	Annual Increase for Median Customer	4.27%	4.04%	3.97%	4.08%	5.72%

A-47
ADMITTED

SIB Data from Attachment A to the Responsive Testimony of Robert B. Mease

Line 12	**SIB Rate Base**	$ 208,562
Line 14	**Pre-Tax Cost of Capital**	10.16%
Line 16	**Req'd SIB Operating Income**	$ 21,191
Line 39	**Overall SIB Efficiency Credit**	$ (1,352)

Demonstration of Effect on ROE in Willow Valley

Line 16	**Req'd SIB Operating Income**	$ 21,191
Subtract: Line 39	**Overall SIB Efficiency Credit**	$ (1,352)
		$ 19,839

$19,839 divided by Line 12 SIB Rate Base = 9.53%

Line 12 Pre-Tax Cost of Capital of 10.16% minus 9.53% = 0.67 (67 basis points)

ROE in Settlement is 9.5%

67 basis points is 7.1% of 9.5%

Thus the 5% Efficiency Credit is resulting in a reduction to ROE in excess of 5%

EXHIBIT
A-48
ADMITTED

SIB Data from Global's Exhibit

Line 12	**SIB Rate Base**	$ 208,562
Line 14	**Required Rate of Return**	7.7%
Line 16	**Req'd SIB Operating Income**	$ 16,042
Line 36	**Overall SIB Efficiency Credit**	$ (1,493)

Demonstration of Effect on ROE in Willow Valley

Line 16	**Req'd SIB Operating Income**	$ 16,042
Subtract: Line 36	**Overall SIB Efficiency Credit**	$ (1,493)
		$ 14,549

$14,549 divided by Line 12 SIB Rate Base = 7.0%

Line 12 Required Rate of Return of 7.7% minus 7.0% = 0.70 (7- basis points)

ROE in Settlement is 9.5%

70 basis points is 7.4% of 9.5%

Thus the 5% Efficiency Credit is resulting in a reduction to ROE in excess of 5%

0000041396

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission
DOCKETED
MAR 2 3 2006
DOCKETED BY

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER COMPANY, INC. FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-01732A-05-0532

DECISION NO. 68610

OPINION AND ORDER

DATE OF HEARING:	February 1, 2006
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Amy Bjelland
APPEARANCES:	Mr. William P. Sullivan, CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, P.L.C., on behalf of Willow Valley Water Company, Inc.; and Mr. David M. Ronald, Staff Attorney, Legal Division, on behalf of the Arizona Corporation Commission's Utilities Division.

BY THE COMMISSION:

On July 26, 2005, Willow Valley Water Company, Inc. ("Willow Valley" or "Applicant") filed an application for an extension of its Certificate of Convenience and Necessity ("Certificate" or "CC&N") with the Arizona Corporation Commission ("Commission") to provide public water utility service to various parts of Mohave County, Arizona.

On August 23, 2005, the Commission's Utilities Division ("Staff") issued a letter of insufficiency pursuant to A.A.C. R14-2-411(C).

On October 12, 2005, Applicant docketed its Filing of Supplemental Information.

On November 10, 2005, Staff issued notice that the application had met the sufficiency requirements of A.A.C. R14-2-411(C).

On November 17, 2005, by Procedural Order, a hearing was scheduled for February 1, 2006, and other dates were set for publication of notice and procedural filing by parties to the proceeding. On this date, Applicant filed its Notice of Filing Public Service Franchise.

On November 30, 2005, the Applicant filed certification that public notice had been provided in accordance with the Commission's Procedural Order.

On January 10, 2006, Staff filed its Staff Report recommending approval of the application with conditions.

On February 1, 2006, a full public hearing was convened before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Applicant and Staff appeared with counsel. At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, Willow Valley is an Arizona corporation that provides water utility service to 1,415 customers in portions of Mohave County, Arizona pursuant to Decision No. 32436 (August 23, 1960). Willow Valley is a wholly owned subsidiary of West Maricopa Combine, Inc., and according to Staff has no outstanding Commission compliance issues.

2. On July 26, 2005, Willow Valley filed an application for extension of its existing CC&N with the Commission to provide public water utility service to various parts of Mohave County, Arizona. The proposed extension area includes approximately 48.53 acres of accretion lands[1] in the area of Mohave County bordering the Fort Mohave Indian Reservation and the Colorado River. From the time of its certification, Willow Valley believed that its CC&N abutted the Colorado River and it has met all service requests within the proposed extension area. However, as stated in its application, Willow Valley "recently became aware that the Extension Area was not recognized as lands existing outside the bed and banks of the Colorado River at the time Willow Valley received its certificate . . . and that the lands are, therefore, not included within the legal description contained in

[1] These are lands that gradually accumulate as alluvium and are added to land situated on the bank of the Colorado River or deposited due to the permanent shifting of the River.

Decision No. 32436."

3. On August 23, 2005, Staff issued an insufficiency letter.

4. On October 12, 2005, Applicant docketed its Filing of Supplemental Information.

5. On November 10, 2005, Staff issued its sufficiency letter.

6. On November 17, 2005, by Procedural Order, a hearing was scheduled for February 1, 2006, and other dates were set for publication of notice and procedural filing by parties to the proceeding. On this date, Applicant filed its Notice of Filing Public Service Franchise.

7. On November 30, 2005, the Applicant filed certification that public notice had been provided in accordance with the Commission's Procedural Order.

8. On January 10, 2006, Staff filed its Staff Report recommending approval of the application with conditions. The Staff Report was revised without objection at hearing to make a technical correction and include a due process provision in the staff recommendation for a condition requisite for approval.

9. On February 1, 2006, a full public hearing was convened before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Applicant and Staff appeared with counsel. At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order.

Water System

10. Staff stated that Willow Valley has three water systems; Cimarron Lake System (Public Water System ("PWS") No. 08-129), the Unit 1 System (PWS No. 08-034, and the King Street System (PWS No. 08-040). The King Street System and the Unit 1 System are interconnected and will serve the CC&N extension area. These two systems include four wells, which have a total production capacity of 1,240 gallons per minute ("gpm"), 293,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving 1,415 connections as of June 2005. Two wells serve customers and two are on standby. The two wells in use have a combined capacity of 900 gpm. Staff stated that, based on historical growth rates, it is anticipated that the existing service area would have approximately 1,475 total customers at the end of five years. Willow Valley has predicted an additional 24 new lots for the proposed CC&N extension at the end of five years.

Staff projected that the existing 900 gpm of production and 293,000 gallons of storage can serve approximately 2,500 connections. Staff concluded that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area and can reasonably be expected to develop additional storage and production as required in the future.

11. Willow Valley plans to finance the required utility facilities through advances in aid of construction, which generally take the form of Main Extension Agreements ("MXAs"). MXAs between water utilities and private parties are governed by A.A.C. R14-2-406, and result in developer construction of the facilities, conveyance of the facilities to the utility company, and a refund by the water utility of ten percent of the annual revenue associated with the line to the developer for a period of ten years. Staff recommended that Willow Valley filed with Docket Control, as a compliance item, a Notice of Filing indicating Willow Valley has submitted for Staff review and approval a copy of the fully executed MXAs for water facilities for the extension area within 365 days of a decision in this case.

12. Willow Valley received a request to serve the extension area from the developer of Willow Valley Estates 20, McKellips Land Corporation. Mr. Joseph John Mihlik, President and Chairman of Willow Valley, testified that the developer projects approximately 24 lots will be occupied within two years.

13. Willow Valley proposed to provide water utility service to the extension area under its authorized rates and charges. Mr. Mihlik testified that the extension area is contiguous to Willow Valley's current CC&N area and that the closest alternate water utility is located two miles away from the CC&N extension area. He stated that Willow Valley is current on its property taxes.

14. Staff stated that the Arizona Department of Environmental Quality ("ADEQ") has determined that this system is currently delivering water that meets ADEQ water quality standards.

15. Willow Valley is not located in an Active Management Area and therefore is not subject to Arizona Department of Water Resources ("ADWR") reporting and conservation rules. Staff stated that Willow Valley has not received a copy of the Developer's Letter of Adequate Water Supply for the CC&N extension area from ADWR. Therefore, Staff recommended that Willow Valley be ordered to file with Docket Control, as a compliance item, copies of the Developer's

Adequate Water Supply letter, stating that there is adequate water, no later than one year after a decision in this docket.

16. Rules established by the United States Environmental Protection Agency ("EPA") require the maximum contaminant level ("MCL") for arsenic in potable water to be reduced from 50 parts per billion ("ppb") to 10 ppb, effective January 23, 2006. Staff stated that the most recent lab analysis of the wells for the three water systems indicates that the arsenic levels range from 2.2 to 7 ppb. Based on these arsenic concentrations, Willow Valley is in compliance with the new arsenic MCL.

17. Staff stated that a Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage resources during periods of water shortages due to pump breakdowns, droughts, or other unforeseeable events. Willow Valley has a curtailment tariff on file with the Utilities Division.

18. Arizona law requires every applicant for a CC&N or CC&N extension to submit evidence to the Commission that the applicant has received consent, franchise or permit from the proper authority prior to being granted the CC&N or CC&N extension. Willow Valley is located in an unincorporated part of Mohave County, and has docketed its franchise agreement with Mohave County.

19. Because an allowance for the property tax expense of Willow Valley is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventative measure Willow Valley annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the company is current in paying its property taxes in Arizona.

Staff's Recommendations

20. Staff recommended that the Commission approve the Willow Valley application for a CC&N extension within portions of Mohave County, Arizona, to provide water service, subject to

compliance with the following conditions:

(a) That Willow Valley charge its authorized rates and charges in the extension area.

(b) That Willow Valley file with Docket Control, as a compliance item, a Notice of Filing indicating Willow Valley has submitted for Staff review and approval a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

(c) That Willow Valley obtain and file with Docket Control, as a compliance item, copies of the Developer's Letter of Adequate Water Supply, stating that there is adequate water, no later than one year after a decision in this docket.

21. Staff further recommended that the Commission's Decision granting the requested CC&N extension to Willow Valley be considered null and void after due process should Willow Valley fail to meet Condition Nos. (b) and (c) listed above within the time specified.

CONCLUSIONS OF LAW

1. Willow Valley is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282 *et seq*.

2. The Commission has jurisdiction over Willow Valley and the subject matter of the application.

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water utility service in the proposed extension area.

5. Willow Valley is a fit and proper entity to receive a water CC&N extension to include the service area more fully described in Exhibit A attached hereto, subject to compliance with the conditions set forth above.

ORDER

IT IS THEREFORE ORDERED that the application of Willow Valley Water Company, Inc. for an extension of its existing water Certificate of Convenience and Necessity to include the area described in Exhibit A attached hereto and incorporated herein by reference be, and is hereby approved, subject to the conditions more fully described herein.

IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. charge its authorized rates and charges in the extension area.

IT IS FURTHER ORDERED that should Willow Valley Water Company, Inc. fail to meet the conditions enumerated in the following two Ordering Paragraphs, the Commission's Decision granting the requested Certificate extension to Willow Valley Water Company, Inc. shall be considered null and void after due process.

IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating Willow Valley Water Company, Inc. has submitted for Staff review and approval a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. obtain and file with Docket Control, as a compliance item, copies of the Developer's Letter of Adequate Water Supply, stating that there is adequate water, no later than one year after a decision in this docket.

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IT IS FURTHER ORDERED that Willow Valley Water Company, Inc. shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

Jeffrey M. Hatch-Miller

CHAIRMAN

COMMISSIONER

COMMISSIONER | COMMISSIONER | COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 23rd day of March, 2006.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT ______________________

DISSENT ______________________

AB:mj

SERVICE LIST FOR: WILLOW VALLEY WATER COMPANY, INC.

DOCKET NO.: W-01732A-05-0532

William P. Sullivan
Michael A. Curtis
Nancy A. Mangone
CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB
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Utilities Division
ARIZONA CORPORATION COMMISSION
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EXHIBIT A

REVISED EXHIBIT "A"
(consisting of Parcels A, B, and C)
Legal Description
Page 1 of 1

PARCEL "A":

All that portion of the abandoned channel of the Colorado River, as it existed immediately prior to re-channelization, that lies South of the North line of fractional Section 21, T18N, R22W, G. &S. R. B. &M., Mohave County, Arizona, and that lies East of the Easterly dredging right of way line of the present channel of the Colorado River, approximately described as follows:

COMMENCING at the Northeast Corner of said fractional Section 21;
thence S 76° 17' 28" W, along the North line of said fractional Section 21, 2796 feet more or less to the point of beginning, said point being a point on a meander line of the left descending bank of said abandoned channel;
thence S 42° 51' W 250 feet to a point;
thence S 57° 39' W 390 feet to a point;
thence S 78° 45' W 260 feet to a point;
thence S 60° 44' W 200 feet to a point;
thence S 65° 57' W 477 feet to a point;
thence S 39° 51' W 260 feet to a point;
thence S 45° 43' W 390 feet to a point on the Easterly dredging right of way line of said present channel;
thence Northerly along said right of way line, which is a curve to the right, having a tangent that bears N 02° 52' 39" E from the last described point, a radius of 7190.90 feet and a central angle of 6° 17' 40", 790 feet to a point on the North line of said fractional Section 21;
thence N 76 ° 17' 28" E along the North line of said fractional Section 21, 1778 feet to the true point of beginning. Containing 13.60 Acres more or less.

PARCEL "B":

All that portion of the abandoned channel of the Colorado River, as it existed immediately prior to re-channelization, that lies South of the North line and a Westerly prolongation thereof, of fractional Section 21, T18N, R22W, G. &S. R. B. &M., Mohave County, Arizona, and that is bounded on the East by the Easterly dredging right of way line of the present channel of the Colorado River and is bounded on the South and East by the left descending bank of the abandoned channel of the Colorado River as it existed immediately prior to dredging, and is bounded on the West by the left descending bank of the present normal-flow channel of the Colorado River, approximately described as follows:

COMMENCING at the Northeast Corner of said fractional Section 21;
thence S 76° 17' 28" W, along the North line of said fractional Section 21, 4574.36 feet to a point, said point being the intersection of the North line of said fractional Section 21 and said Easterly dredging right of way line of the present channel of the Colorado River and the Point of Beginning;
thence Southerly along said right of way line, which is a curve to the left having a tangent that bears S 09° 10' 19" W from the last described point, a radius of 7190.90 feet and a central angle of 6° 17' 40", 790 feet to a point, said point being a point on a meander line of the left descending bank of said abandoned channel;
thence along a meander line of said abandoned channel S 44° 59' W 579 feet to a point;

REVISED EXHIBIT "A"
(consisting of Parcels A, B, and C)
Legal Description

thence along a meander line of said abandoned channel S 16° 00' W 418 feet to a point, said point being on a Westerly prolongation of the South riparian Section line of fractional Section 21 as established by the United States Bureau of Land Management and also being a point on a meander line of the left descending bank of the present normal-flow channel of the Colorado River;
thence along said left bank of the present normal-flow channel N 01° 30' E 680 feet to a point;
thence N 10° 02' E 200 feet to a point;
thence N 01° 26' E 220 feet to a point;
thence N 13° 29' E 410 feet to a point, said point being on a Westerly prolongation of the North line of said fractional Section 21;
thence along the North line of said fractional Section 21 and a Westerly prolongation thereof N 76° 17' 28" E 480 feet to the true point of beginning. Containing 11.43 Acres more or less.

PARCEL "C":

All of that portion of the alluvium lands of the Colorado River lying West of and adjoining fractional Section 21, T18N, R22W, G. &S. R. B.&M., Mohave County, Arizona, bounded on the Northwest by the meander lines of the left descending bank of said River immediately prior to the re-channelization, bounded on the Northeast by the 1905 GLO Meander line, and bounded on the South by a line that is the South riparian section line and follows an existing line of occupation. Said boundaries being approximately described as follows:

Beginning at the South quarter corner of said Section 21;
thence South 89°50'52" West, a distance of 540.84 feet more or less to the point of beginning, said point being the BLM Brass Cap Monument marking the Meander Corner on the South line of said Section 21;
thence S 82° 18' 43" W 1512.93 feet to a 1 inch iron pipe tagged RLS 5576, said 1 inch iron pipe being on the Easterly prolongation of an existing fence;
thence along said fence S 80° 24' 40" W 421.67 feet to a 1 inch iron pipe tagged RLS 5576, and the Westerly termination of said fence;
thence continuing S 80° 24' 40" W 16 feet more or less to a point on the meander line of the left descending bank of the Colorado River immediately prior to the re-channelization, said point also being the most Southerly Corner of Parcel 2 of that certain Judgment filed January 30, 1976, at Pages 47-49 of Book 391 of Official Records of said Mohave County, Arizona;
thence along said meander line N 16° 00' E 418 feet;
thence N 44° 59' E 579 feet to a point on the Easterly dredging right of way line of the present channel, said point also being the most Southerly Corner of Parcel 1 of the before mentioned Judgment;
thence N 45° 43' E 390 feet to a point on the 1905 GLO Meander line shown on the Plat as N 53° 00' W 21.40 chains;
thence along said GLO Meander line S 53° 00' E 1387 feet, more or less, to the point of Beginning. Containing 23.5 acres more or less.

Willow Valley Club Association
P.O.Box 5088
Mohave Valley, Az. 86446-5088
928 768-6555

EXHIBIT
WVCA-1
ADMITTED

September 13, 2013

Chairman Stump and Commissioners
1200 W. Washington St.
Phoenix, Arizona 85007

Re: Willow Valley System Improvement Benefits Mechanism
Docket No. W-01732A-12-0315 (consolidated with W-01212A-12-0309, SW-20445A-12-0310, W-03720A-12-0311, W-02450A-12-0312, W-02451A-13-0313 and W-02446A-12-0314)

Dear Chairman Stump and Commissioners,

I am the President of the Willow Valley Club Association (the "Association"). The Association has approximately 1,600 members most of whom receive water service from the Willow Valley Water Company ("Willow"), a division of Global Water Resources, LLC ("Global"). We have intervened in the above referenced rate case. Unfortunately, our limited finances, as well as an annual expenditure limitation imposed by our Articles and By-laws, left us with a modest budget of $5,000 for this matter. Obviously, such limited funding made it impossible for the Association to actively participate in this matter involving multiple Global utilities owned by Global. We did have legal counsel review the Company's Application, as well as Staff's and RUCO's direct testimony as it related to the Willow Valley System. Counsel also attended settlement discussions on our behalf and has discussed Willow's request for a System Improvement Benefits ("SIB") Mechanism with us and Willow.

We lack funding and expertise to actively participate in the hearing scheduled for September 19, 2013 on Willow's proposed SIB Mechanism. In lieu of pre-filed testimony, I have prepared and file this letter to relate the Association's general opposition to Willow's request for a SIB in this case.

I do not plan to be physically present during the September 19, 2013 hearing, but, if requested, can be available by phone to answer questions regarding this letter.

The Association Supports System Improvements

The Association agrees that there is a need for system improvements and that the improvements Willow has identified should be made by Willow. The Association is unable to evaluate whether the proposed projects are in the appropriate priority or whether the cost estimates are appropriate.

The fundamental question before the Commission is whether Willow has demonstrated, on this record, that the SIB mechanism it is now proposing is both warranted and appropriate. The Association does not believe such a showing has been made and that Willow and its parent should make the improvements and seek to recover a return thereon under the traditional ratemaking process.

Willow Has Not Demonstrated A SIB Mechanism Is Appropriate

We understand a SIB Mechanism is intended to encourage the utility to invest in water infrastructure where the normal ratemaking process has proved to be inadequate and to help to alleviate rate shock. The Association agrees with both objectives, but asks where is the evidence in this record that demonstrates a SIB Mechanism is needed for the Willow system.

No Extraordinary Need For A SIB Has Been Shown

According to Mr. Fleming, Willow was in a poor and dilapidated state when acquired by Global in 2006 requiring significant improvements to the water treatment system and the replacement of nearly the entire distribution system. Thus, this is not a new issue and should have been considered when Global acquired the system. The condition of the Willow system alone, therefore, does not justify the special ratemaking treatment of a SIB Mechanism, especially where the company has already received and is currently requesting significant increases in its rates (a 90.4% increase in 2010 and another 57.53% increase under the Settlement Agreement).

Mr. Fleming testifies that Global has significantly invested in the Willow system without a SIB Mechanism, primarily on treatment related improvements. He does not indicate that Global is financially unable to make further capital improvements, or threaten to stop doing so, if no SIB Mechanism is approved. This testimony does not justify approving the SIB Mechanism for the Willow system. And why is the Willow system being singled out for this extraordinary mechanism? Global has testified that some of its other systems also are in need of significant overhaul.

We understand the Settlement is designed to provide Willow $170,922 of return (Settlement A-1), plus $285,596 in depreciation expense (Settlement C-2). The Association recognizes that due to the phase-in, rates are now not designed to generate these dollars until 2016. However, even after deducting the negative test year return of ($71,868), Willow continues to have $213,828 in deprecation dollars during the test year and on an ongoing basis until the rates start to generate positive return dollars. These depreciation dollars alone will generate more than $1,069,140 over the next 5 years for Willow. According to Mr. Lin, the projects Willow has identified for the SIB Mechanism are estimated to cost a total of $876,233 and will be spread out over the next 5 years. In four out of the five years the annual expenditure on SIB projects will be less than the depreciation dollars available. In the one year where the improvement will cost more than the amount of depreciation dollars being generated, the cost will require Willow to invest just another $1,000. Willow has identified no other capital projects where these depreciation dollars will be expended over the next five years.

Willow should be required to expend the funds included in rates for depreciation expense on capital projects before it is entitled to recover a return outside of a full rate case through a SIB Mechanism. Yet, Willow requests a surcharge, in between rate cases, to recover a pre-tax return (i.e., the return plus the tax impact) and additional depreciation expense on improvements it could readily make with the depreciation dollars generated by existing rates. Neither Willow nor Staff have justified such extraordinary ratemaking treatment in this case.

What Rate Shock Is Avoided?

Decision No. 71878 dated September 14, 2012 granted Willow a 90.40% increase in revenues based upon a 7.6% return on a Fair Value Rate Base of $2,278,955 without any special downward adjustment for the condition of the distribution system. The Settlement Agreement proposes another 57.53% increase in revenues based upon a 7.5% rate of return on a Fair Value Rate Base of $2,251,164. The Association agrees that these two rate cases have resulted in rate shock to Willow's customers. Thankfully, the shock will be softened by phasing in this latest increase. The benefit of the phasing will be adversely impacted if SIB surcharges are added to the rates while they are being phased-in.

Neither Willow nor Staff has discussed the level of estimated surcharge that will be requested after the completion of each phase of SIP improvements. Nor have they discussed the specifics of how those surcharges will impact Willow's customers or how inclusion of these specific projects in a SIB Mechanism will help to avoid rate shock for Willow customers. The Association believes it is impossible for the Commission to evaluate the need and appropriateness of the SIB Mechanism for Willow without this specific information before it.

Lack of a Tariff and a Plan of Administration

Willow has done little to describe the SIB mechanism itself, relying instead on the description of the SIB mechanism approved for Arizona Water Company by Decision No. 73938. Willow has neither submitted a form of SIB Tariff or a plan of administration to support its proposed SIB Mechanism. How will Willow customers understand the purpose and mechanics of the SIB Mechanism without such documentation readily available for their review? Willow customers should not be required to read an entire rate decision involving several different water systems and/or the Arizona Water Company decision to understand how the SIB mechanism for the Willow system works.

Some Options

The Association believes Willow has failed to justified implementing a SIB Mechanism at this time. If the Commission disagrees and still intends to approve one, we ask that the following conditions be imposed beyond those suggested by Willow:

1. The SIB Mechanism be set forth in a separate tariff, together with a Plan of Administration;
2. No SIB surcharge be imposed until 2016 – after the current rates are fully phased-in;
3. The estimated cost submitted for a project be the maximum Willow can request for SIB treatment;

4. Willow be required to demonstrate that the dollars received as depreciation expense are being placed back into plant, or held in reserve for that purpose as part of the SIB evaluation; and
5. Willow not seek another rate increase, other than the SIB mechanism until 2017 based upon a test year no later than December 31, 2016.

The Association and I appreciate the opportunity to submit this letter setting forth our position on the SIB Mechanism being proposed by Willow. I ask that the letter be entered into evidence on behalf of the Association during the hearing scheduled for September 19, 2013.

Sincerely,

Gary McDonald, President
Willow Valley Club Association

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GLOBAL UTILITIES

DOCKET NO. W-01212A-12-0309 ET AL.

DIRECT TESTIMONY

OF

ROBERT B. MEASE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 8, 2013

TABLE OF CONTENTS

EXECUTIVE SUMMARY

On July 9, 2012, Global Water, LLC ("Global Water" or "Company") filed general rate applications for Valencia Water Company – Town Division ("VWCT"), Global Water – Palo Verde Utilities Company ("Palo Verde"), Water Utility of Northern Scottsdale ("WUNS"), Water Utility of Greater Tonopah ("WUGT"), Valencia Water Company – Greater Buckeye Division ("VWCGB"), Global Water – Santa Cruz Water Company, ("Santa Cruz"), and Willow Valley Water Company ("Willow Valley") for the establishment of just and reasonable rates using a test year ending December 31, 2011. WUGT and VWCGB are classified as Class C utilities; WUNS is classified as a Class D utility while the remaining four locations are classified as Class A utilities.

On July 12, 2012 a Motion to Consolidate was filed by the Company and on November 20, 2012, the motion was granted under Docket No. W-1212A-12-0309 ET AL.

The Company's water utilities included in the application(s) serve approximately 23,900 customers while the wastewater utility ("Palo Verde") serves approximately 15,800 customers. In addition to requesting an adjustment in rates the Company is also requesting new and revised tariffs, license fee adjustment mechanisms for CAGRD and the City of Maricopa, approving a Distribution System Improvement Charge (DSIC) for it water systems and a Collection System Improvement Charge (CSIC) for its wastewater system. Finally the Company is requesting consolidation of the rates for ("WUGT"), ("VWCT"), and ("VWCGB").

Global Water's Application requests and RUCO's proposed gross revenue increases are as follows:

	Company Requested		RUCO Proposed	
System	Increase	Percent	Increase	Percent
Palo Verde	$3,662,560	27.9%	$1,337,539	10.20%
Santa Cruz	$2,726,367	26.1%	$1,454,179	13.90%
VWCT	$823,424	16.7%	$176,472	3.58%
WUGT	$677,458	326.6%	$32,753	7.31%
Willow Valley	$507,537	72.2%	$396,281	56.40%
VWCG	$36,422	7.7%	($12,406)	-0.03%
WUNS	$2,844	1.9%	($17,196)	-11.66%

Global Water's Application requests and RUCO's proposed rate base and rate of return on the fair value rate base (FVRB) are as follows:

	OCRB / FVRB		RATE OF RETURN	
System	Company	RUCO	Company	RUCO
Palo Verde	$60,166,756	$52,813,708	8.81%	7.39%
Santa Cruz	$38,014,243	$33,994,203	8.79%	7.46%
VWCT	$2,323,476	$1,650,906	10.27%	7.91%
WUGT	$2,206,816	($1,437,481)	10.72%	8.19%
Willow Valley	$2,359,391	$2,278,955	10.60%	8.03%
VWCGB	$634,978	$634,979	11.18%	8.39%
WUNS	($181,978)	($181,978)	14.44%	8.50%

RUCO's Chief of Accounting and Rates, Mr. William A. Rigsby, will provide testimony on RUCO's recommended cost of capital and on the Company's request for a DSIC and CISC. Mr. Robert B. Mease, RUCO's Associate Chief of Accounting and Rates, will present testimony on each systems revenue requirements.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Robert B. Mease. I am Associate Chief of Accounting and Rates employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix 1, which is attached to this testimony, describes my educational background, work experience and regulatory matters in which I have participated. In summary, I joined RUCO in October of 2011. I graduated from Morris Harvey College in Charleston, WV and attended Kanawha Valley School of Graduate Studies. I am a Certified Public Accountant and currently licensed in the State of West Virginia. My years of work experience include serving as Vice President and Controller of a public utility and energy company in Great Falls, Montana and have participated in several rate case filings on behalf of the utility. I have also provided testimony on behalf of RUCO on several rate cases before the Arizona Corporation Commission.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding Global Water's Application's for a determination of the current fair value of its utility plant and property and will also present testimony on RUCO's proposed rate design for each utility. The test year utilized by the Company in connection with the preparation of this Application is the 12-month period that ended December 31, 2011 ("Test Year").

BACKGROUND

Q. Please describe your work effort on this project.

A. I reviewed financial data provided by the Company for each application filed and performed analytical procedures necessary to understand the Company's filing as it relates to each utility's rate base and operating income. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of this data, the review and analysis of the Company's responses to data requests, and review of prior ACC dockets related to Global Water. RUCO's participation in this proceeding is the cumulative effort of two RUCO witnesses; myself and Mr. William A. Rigsby. I was responsible for the rate base and revenue determination analysis and RUCO's Chief of Accounting and Rates, Mr. Rigsby, will present separate testimony on certain policy related issues and RUCO's cost of capital recommendation.

Q. Please identify the exhibits you are sponsoring.

A. I am sponsoring schedules numbered RBM-1 through and including RBM-19 for each of the Global Water's rate applications in this filing including

Valencia Water Company – Town Division ("VWCT"), Global Water – Palo Verde Utilities Company ("Palo Verde"), Water Utility of Northern Scottsdale ("WUNS"), Water Utility of Greater Tonopah ("WUGT"), Valencia Water Company – Greater Buckeye Division ("VWCGB"), Global Water – Santa Cruz Water Company, ("Santa Cruz"), and Willow Valley Water Company ("Willow Valley").

Q. Can you please provide a summary of the Company's filing for each of the utility systems included in this rate filing?

A. For ratemaking purposes the Company has elected not to perform a reconstruction cost new less depreciation study and is using its Original Cost Rate Base ("OCRB") as its Fair Value Rate Base ("FVRB"). The FVRB for each of the systems as filed by the Company:

	OCRB / FVRB		RATE OF RETURN	
System	Company	RUCO	Company	RUCO
Palo Verde	$60,166,756	$52,813,708	8.81%	7.39%
Santa Cruz	$38,014,243	$33,994,203	8.79%	7.46%
VWCT	$2,323,476	$1,650,906	10.27%	7.91%
WUGT	$2,206,816	($380,932)	10.72%	8.19%
Willow Valley	$2,359,391	$2,278,955	10.60%	8.06%
VWCGB	$634,978	$634,978	11.18%	8.39%
WUNS	($181,978)	($181,978)	14.44%	8.50%

The Company is also proposing an adjustment in rates that will increase operating revenues for each utility system as follows:

	Company Requested		RUCO Proposed	
System	Increase	Percent	Increase	Percent
Palo Verde	$3,662,560	27.9%	$1,337,539	10.20%
Santa Cruz	$2,726,367	26.1%	$1,454,179	13.90%
VWCT	$823,424	16.7%	$176,472	3.58%
WUGT	$677,458	326.6%	$32,753	7.31%
Willow Valley	$507,537	72.2%	$396,281	56.40%
VWCG	$36,422	7.7%	($12,406)	-0.03%
WUNS	$2,844	1.9%	($17,196)	-11.66%

RATE BASE ADJUSTMENTS - SUMMARY

Q. Is RUCO recommending any adjustments to the Company's rate base as filed in its rate application?

A. Yes. RUCO is recommending several rate base adjustments as follows:

Rate Base Adjustment No. 1 – Post Test Year Plant

RUCO is recommending excluding post-test year plant not placed in service within the first six months following the close of the Test Year. RUCO does not believe that plant placed in service after the close of the test year should be allowed except in very unusual circumstances.

RUCO is not proposing the exclusion of post-test year plant that was placed in service within the first six months after the close of the test year.

Rate Base Adjustment No. 2 – Accumulated Depreciation

RUCO is recommending adjustments to the Company's Accumulated Depreciation for several of the utilities included in this filing. The adjustments are related to RUCO's recommended exclusion of post-test year plant. In addition, RUCO has proposed several adjustments to the Company's depreciation expense calculation for several of the systems in this case, that also has a direct effect on the Accumulated Depreciation balance. Finally, RUCO is proposing adjustments to the CIAC amortization related to Infrastructure Coordination and Financing Agreements ("ICFA's") included in the rate base calculation for the Santa Cruz, Palo Verde and WUGT locations.

Rate Base Adjustment No. 3 – Infrastructure Coordination and Financing Agreements ("ICFA's")

RUCO is recommending several changes in the accounting for the Company ICFA's. RUCO is recommending adjusting the amount of ICFA funds allocated to excess capacity in the Santa Cruz and Palo Verde utility systems and the HUD reduction related to WUGT as a result of updated information obtained during our review of this rate filing.

OPERATING EXPENSE ADJUSTMENTS -- SUMMARY

Q. Can you please explain the adjustments that RUCO is recommending related to the Company's operating revenues and expenses?

A. Yes. RUCO is recommending several adjustments to the Company's test year operating expenses as follows:

Operating Income Adjustment No. 1 - Rate Case Expense

The Company is proposing rate case expense recovery of $787,174 in this rate filing while RUCO is proposing recovery of $419,000.

Operating Income Adjustment No. 2 - Purchased Power Expense

RUCO is recommending reducing the Company's post-test year increase in purchased power costs. RUCO believes that the Company is proposing increases too far removed from the current test year.

Operating Income Adjustment No. 3 - Depreciation Expense

RUCO is proposing a reduction in depreciation expense related directly to post-test year plant. RUCO also identified excessive depreciation calculations in the Santa Cruz water system. Finally, adjustments are made to the Santa Cruz, Palo Verde and WUGT systems amortization expense reflecting the accounting treatment of ICFA fees as CIAC.

Operating Income Adjustment No. 4 – Bad Debt Expense

RUCO is recommending that bad debt expense be adjusted using the same methodology as approved in Decision No. 71878. In that decision the Commission ordered that actual bad debt write-offs are recognized rather than bad debt expense.

Operating Income Adjustment No. 5 – Personnel Expense

RUCO is recommending reducing personnel expense by $381,916. The majority of the reduction relates to deferred stock compensation expense for Company officials.

Operating Income Adjustment No. 6 – Other Miscellaneous Expenses

Several categories' of expenses have been included in the Company's test year's operating expenses that should be the responsibility of shareholders and not ratepayers. Other expense items were noted that should be shared equally between both shareholders and ratepayers.

Operating Income Adjustment No. 7 – Property Taxes

RUCO is proposing adjusting property tax expense based on each location's proposed test year revenues as well as each locations required revenues in going forward to future years. Adjustments are also being made to each location's assessment valuation based on revisions identified in State of Arizona House Bill No. 2001.

Operating Income Adjustment No. 8 – Federal and State Income Tax Expense

Income Tax expenses have been adjusted based on additions to, or deletions from, each utilities taxable income. In addition, a change in State Income Tax calculation has been made based on new tax rates effective for taxable years beginning from and after December 31, 2013 through December 31, 2014.

Operating Income Adjustments Other - Fathom™

RUCO notes that the Company has sold Fathom™ in June, 2013. Although the Company asserts that the sale has no impact on Fathom™ related expenses, RUCO reserves the right to supplement testimony based on the Company's responses to further discovery.

RATE BASE ADJUSTMENT DETAILS

Q. Can you please explain those adjustments to rate base as are being proposed by RUCO?

A. See below for the following adjustments being recommended by RUCO.

Rate Base Adjustment No. 1 – Post-Test Year Plant

Q. Can you please explain the Company's proposed adjustment to rate base and their request to include post-test year plant?

A. Yes. Following is the Company's proposal for inclusion of post-test year plant and RUCO's recommendations for exclusion identified by each utility system:

POST TEST YEAR PLANT

System	Company's Proposal	RUCO'S Recommended Exclusion
Palo Verde	$818,395	$698,584
Santa Cruz	$306,892	$291,762
VWCT	$672,571	$672,570
WUGT	$106,782	$106,783
Willow Valley	$80,436	$80,436
TOTAL	$1,985,076	$1,850,135

Q. Can you please explain the adjustments and the rational for exclusion from rate base?

A. RUCO does not believe that these ordinary routine types of investments in plant assets require extraordinary post-test year treatment. RUCO also opposes these types of post-test year inclusions on the basis that it would violate the basic principles of ratemaking and would result in a mismatch with test year revenues, expenses and rate base.

Q. Has the Commission excluded post-test year plant investments in past rate cases?

A. Yes. In UNS Electric, Inc. ("UNSE") Decision No. 71914 the Commission stated:

> "Pro forma adjustments are defined in Arizona Administrative Code ("A.A.C.") R14-2-103(A)(3)(i) as adjustments to actual test year results and balances to obtain a normal or more realistic relationship between revenues, expenses and rate base."
>
> "We find that UNSE has not demonstrated that these plant investments are anything other than ordinary, routine investments in plant required to be made by a utility to maintain its service and reliability. To allow these post-test year investments into rate base would distort the level of investment needed to provide adequate and reliable service to UNSE's customers during the test year and would not reflect a "normal or more realistic relationship between revenues, expenses and rate base."

Q. Can you briefly discuss those post-test year plant additions that RUCO is proposing to be included in rate base?

A. RUCO generally will accept post-test year additions if the applicable plant assets are placed in service within a six month period following the close of the test year. The majority of the plant additions being requested by Global for inclusion as post-test year plant were completed well beyond the six month period.

Rate Base Adjustment No. 2 – Accumulated Depreciation

Q. Did the Company make adjustments to the accumulated depreciation account related to the inclusion of post-test year plant?

A. No. Depreciation expense adjustments were made to those locations requesting post-test year additions but adjustments were not made for the corresponding accumulated depreciation accounts.

Q. Can you explain the adjustments that are being proposed?

A. Adjustments are being proposed to those three location's that RUCO included ICFA funds as part of CIAC. The accumulated depreciation adjustments by location related to the ICFA funds are Santa Cruz $1,317,459, Palo Verde $1,719,662, and WUGT $1,055,498.

Q. Did you note any differences between the beginning balance of ICFA funds included as CIAC and the Commission approved amounts approved?

A. Yes. In reviewing the beginning balance as approved by the Commission in Decision No. 71878 a difference was noted. The balance as approved for the WUGT in the previous decision was $7,085,645 to be included as CIAC and the Company worksheets provided to us had an initial balance of $4,691,475. RUCO calculated its annual accumulated carryforward balance beginning with the approved balance from the last rate filing.

Q. Can you explain how the amortization expense and related accumulated depreciation was calculated?

A. First, the accumulated amortization related to ICFA funds included as CIAC and approved in Decision No. 71878 was my beginning balance as of December 31, 2008. I then reviewed the Company's updated calculation through the end of the test year, as provided during our on-site review. When making the calculations based on information provided during our review, I then adjusted the accumulated depreciation account for Santa Cruz, Palo Verde and WUGT.

Q. You have referred to both accumulated depreciation and accumulated amortization. What is the correct description in this case?

A. In general, amortization of CIAC is referred to as amortization expense. The Company, in its operating expense accounts, refers to the account as Depreciation Expense – CIAC Amortization.

Q. Have additional adjustments been made to Accumulated Depreciation?

A. Yes. When analyzing each locations calculation of depreciation expense for the test year, several adjustments were made to the Company's calculated depreciation and the depreciation expense as calculated by RUCO.

Rate Base Adjustment No. 3 – Accounting for Infrastructure Coordination and Financing Agreements ("ICFA's) and Discussion of Acquisition Adjustments

Q. Mr. Mease, can you describe ICFA's and how they are used?

A. Yes. I will begin with the description as provided by Company witness Mr. Trevor Hill in his testimony as included in prior Decision No. 71848.

> "An ICFA (Infrastructure Coordination and Financing Agreement), is a voluntary contract between Global Parent and a landowner. These contracts provide for Global Parent to coordinate the planning, financing and construction of off-site water, wastewater and recycled water plant. The Global Utilities will own and operate this plant when construction is complete. Under the ICFA's, Global Parent is responsible for funding both the planning and construction of water, wastewater and recycled water plant. The landowners who enter into the ICFA's agree to cooperate with Global Parent's plant planning and construction process. ICFA's formalize the cooperation between the landowner and Global, but also provide fees which allow Global Parent to impress conservation and consolidation of the carrying costs for the very expensive facilities required to implement effective water conservation and, in some cases, to fund Global Parent's acquisition of existing utilities.

Q. Are there other descriptions of ICFA's that you would like to point out that may have an impact on this rate filing?

A. Yes. I would like to quote Global Water Resources, Inc., Notes to Consolidated Financial Statements, and the description as included in the 2011 Annual Report, page 63.

> "Infrastructure coordination and financing fees – Infrastructure coordination and financing agreements ("ICFA's") are agreements with developers and homebuilders where GWRI provides services to plan, coordinate and finance the water and wastewater infrastructure that would otherwise be required to be performed or subcontracted by the developer or homebuilder."

Q. Based on the description as contained in the annual report, as well as the description provided by Mr. Hill, what is RUCO's position as to the accounting treatment related to ICFA's?

A. Basically, RUCO's believes developer-supplied ICFA funds are third party payments and constitute CIAC. Therefore, ICFA funds should be accounted for the same as all other CIAC payments received by the Company's regulated utility operations.

Q. Can you please describe RUCO's position as well as the other interveners, on the accounting treatment of ICFA's in the last rate application?

A. Yes. As stated in Decision No. 71878, page 13, "Maricopa, RUCO, and Staff contend that for ratemaking purposes, ICFA funds shall be treated as developer-supplied CIAC and imputed to the rate bases of the Utilities affected by ICFA's in these consolidated applications, as recommended by Staff."

Q. Can you please identify the ICFA funds received as of the prior rate case test year filing and how those funds were allocated based in Decision No. 71878?

A. Total ICFA funds received as of the end of the last rate case test year, December 31, 2008 are summarized as follows.

ICFA FUNDS COLLECTED THROUGH DECEMBER 31, 2008

Location	Palo Verde	Santa Cruz	WUGT	TOTAL
ICFA's	$25,441,104	$24,541,418	$9,226,100	$59,208,622
Reclass idle Capacity	(14,449,976)	(17,941,342)	-	(32,391,318)
Reclass to Hassayampa	-	-	(2,140,455)	(2,140,455)
TOTAL INC IN CIAC	$10,991,128	$6,600,076	$7,085,645	$24,676,849
Net of Amortization	$10,323,747	$6,105,227	$6,849,397	$23,278,371

Q. Has the Company received additional ICFA funds since the last rate case?

A. Since the Company's last rate case filing $6,432,558 has been received and identified to the Santa Cruz and Palo Verde utilities and $925,500 has been received and identified to the WUGT utility. In total $66,566,680 has been received by Global Water and classified as ICFA funds.

Q. Can you please explain the reclassifications related to idle capacity in Palo Verde and Santa Cruz and the reclassification to the Hassayampa ("HUD") utility as identified in the WUGT water system?

A. The funds reclassified to idle capacity for Palo Verde and Santa Cruz, relate to plant that is under construction in the southwest area of the service area. It is referred to as the SW Plant by the Company in various data responses in both the prior case, as well as this current rate proceeding. HUD happens to be a wastewater plant under construction in the WMC area and remains as plant not in use. The HUD plant is not part of this rate filing.

Q. Are the details related to the accounting for ICFA's in the last rate case and Commission's Decision No. 71878 related to final accounting for ICFA's important in this case?

A. Yes. The accounting for ICFA's and their inclusion and/or exclusion from CIAC remain as the primary focus in this current rate filing. The same issues remain and the Company has requested the Commission reverse its prior decision imputing ICFA's as CIAC. The Company is not seeking to reverse the Commission's prior decision excluding excess capacity or HUD adjustments. In summary, Global has requested the Commission exclude from rate base all ICFA funds previously imputed as CIAC but is not seeking to reverse the excess capacity and HUD adjustments previously approved in Decision No. 71878.

Q. Has Global Water requested an alternative be considered by the Commission if IFCA's are required to be included as CIAC?

A. Yes. In the event that the Commission will not provide the rate base treatment as the Company has proposed, the Company has requested an "Acquisition Adjustment" be approved which will offset the CIAC. This will be addressed later in my testimony.

Q. Did Decision No. 71878 address additional requirements related to ICFA's?

A. Yes. The decision required the following:

> IT IS FURTHER ORDERED that a generic investigation shall be commenced which looks at how best to achieve the Commission's objectives with regard to encouraging the acquisition of troubled water companies and the development of regional infrastructure where appropriate. As part of this proceeding, the workshop shall address whether ICFA's, or other mechanisms, if properly segregated and accounted for, could be utilized to finance the acquisition of troubled water companies.
>
> IT IS FURTHER ORDERED that Staff shall, within 30 days, provide notice to the parties to the Generic Docket, and to other stakeholders, of new workshops in Docket No W-0000C-06-0149, for stakeholder workshops designed to address the issues set forth in Findings of Fact No. 84 in Decision No. 71878.

Q. Were workshops held to discuss the issue of ICFA's as required in the last order?

A. Yes. Workshops were held in 2010 and 2011 and a report was published by Staff on March 12, 2012.

Q. What was Staff's recommendations and conclusions included in their report published on March 12, 2012 related to monies received pursuant to ICFA's?

A. Staff, in its recommendations stated the following: "That monies received pursuant to Infrastructure Coordination and Financing Agreements ("ICFA's") continue to be treated as Contributions in Aid of Constructions ("CIAC"). This recommendation may be modified as a result of the pending review of Global's ICFA's by an independent Certified Public Accountant firm."[1]

Q. Has the review been completed by the independent Certified Public Accounting Firm ("CPA Firm")?

A. Yes. The review was completed by Ullmann & Company, LLC, a CPA Firm, ("Ullmann") and their report was issued on November 28, 2012.

[1] See Staff report dated March 19, 2012

Q. Based on the report as published, has Staff modified their position on the accounting treatment of ICFA's?

A. No. Staff has not published a modification to their report as originally issued on March 19, 2012.

Q. Do you believe there is some misunderstanding as to the scope of the work that was performed by the CPA firm?

A. Yes. In both Mr. Hill's and Mr. Walker's testimony they refer to the work being performed by the CPA firm as an audit. The actual work performed by the CPA firm was an "Agree Upon Procedures Review."

Q. Is there a significant difference between an audit and a review of procedures?

A. Yes. As stated in the Independent Accountants' report:

> "We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you."

Q. Does RUCO believe that clarification of the work performed by the CPA Firm related to their review is necessary is this case?

A. Yes. RUCO believes that this clarification is necessary. The work performed in an audit is more detailed and the auditors would express an opinion on the reliability of the information contained in the report. The scope of an agreed upon procedures review is less detailed and as stated in the Accountants' Report "an opinion cannot be provided."

Q. Why does RUCO believe this clarification is necessary?

A. RUCO believes this clarification is necessary as several readers of the report believe that an audit was performed as evidenced by their testimony. Those individuals who believe that an audit was performed may be putting more reliance on the contents of the auditors' report than is intended.

Q. Has RUCO reviewed the report issued by CPA Firm?

A. Yes. RUCO has obtained a copy of the report.

Q. Does RUCO believe that the review performed by the CPA Firm supports the position that the Company has taken in its accounting treatment related to ICFA's?

A. While the engagement performed by Ullmann was very informative and complete RUCO does not believe that the report and the Agreed Upon Procedures Review that was performed provides additional support for changing the accounting treatment related to ICFA funds. In other words, RUCO believes that ICFA revenue be imputed as CIAC and recorded as a reduction in rate base as was approved in the last rate case.

Q. What about the ICFA funds that the Commission excluded from rate base (idle capacity and HUD) in Decision No 71878.

A. No change is being proposed to the treatment of ICFA's related to the plant identified as "idle capacity" (Santa Cruz, Palo Verde) or the value of HUD excluded from (WUGT).

Q. Can you please explain the adjustment's that are being proposed by RUCO related to ICFA's and their accounting treatment?

A. Yes. RUCO is making the following recommendations for updating Test Year results as identified in the following table:

RUCO'S Proposed Adjustments

Santa Cruz	Through Dec. 2009	Dec. 2009 Dec. 2011	Thru 2011 TOTAL
Allocated to CIAC	$6,600,076	$787,522	$7,387,598
Accumulated Amortization	494,849	822,610	1,317,459
Unamortized CIAC	$6,105,227	N/A	$6,070,139

Palo Verde	Through Dec. 2009	Dec. 2009 Dec. 2011	TOTAL
Allocated to CIAC	$10,991,125	$1,575,044	$12,566,169
Accumulated Amortization	667,381	1,052,281	1,719,622
Unamortized CIAC	$11,658,506	N/A	$10,846,507

Tonopah	Through Dec. 2009	Dec. 2009 Dec. 2011	TOTAL

Allocated to CIAC	$7,085,645	$437,714	$7,523,359
Accumulated Amortization	236,248	819,250	1,055,498
Unamortized CIAC	$6,776,279	N/A	$6,467,861

RUCO is recommending increasing CIAC, less Accumulated Amortization by $6,070,139 in the Santa Cruz utility, $10,846,507 in the Palo Verde utility and the WUGT utility by $6,467,861.

Acquisition Adjustments

Q. Has the Company asked for an acquisition adjustment in this rate case filing in place of ICFS's?

A. In Mr. Walker's testimony he states "In the 2009 rate case we argued that ICFA funds should be used to cover the carrying costs of regional infrastructure and the acquisition premium associated with the purchase of troubled systems. However, the acquisition premiums alone are sufficient to justify a near complete reversal of the CIAC imputations made in the last rate case."[2]

[2] Mr. Walkers testimony pages 1 and 2

Q. Which option is the Company pursuing in this rate case, allowing the ICFA's as a non-CIAC contribution or computing as acquisition adjustment on system purchases?

A. Mr. Walker in his testimony states that "Global believes the first option, no net change to rate base, is the best option for dealing with use of ICFA funds to buy a utility. But if that option is rejected, Global requests that the Commission authorize an acquisition adjustment to recognize the significant public policy and customer benefits of the acquisition." [3]

Q. Have you done any research of how other State Utility Commissions are treating acquisition premiums?

A. Yes. I have done some review on how other Commissions are looking at this issue. I have attached a summary,[4] as prepared by the National Association of Water Companies, identifying some basic details on the subject, how Commission's in other States see acquisition adjustments and what criteria is considered by the respective Commission's. In summary, some states allow adjustments; some will not allow adjustments in any case, however, most Commission's review acquisition adjustments on a case by case basis.

[3] Mr. Walkers testimony page 7
[4] See Exhibit A

Q. Is there a commonality among the states that you would like to highlight?

A. Yes. In those states that will approve an acquisition adjustment certain conditions must exist. For example: (1) The Commission has identified a water or wastewater system as being "distressed or troubled" and is seeking a buyer to purchase that system, (2) If the acquiring utility can demonstrate that the acquisition will provide clear, tangible benefits to the ratepayers in an amount that is at least equal to the acquisition adjustment, (3) If it can be demonstrated that the ratepayers have not previously paid for the systems assets through previously imposed rates, (4) That the purchase was "Prudent" and the buyer exercised good judgment and common sense, (5) The amount of the acquisition premium is reasonable, (6) The transaction must be an "arm's length" transaction.

Q. Does RUCO believe these condition(s) must exist prior to their recommending an acquisition adjustment?

A. Yes. RUCO believes that one or all of these conditions, depending on the situation, should exist prior to the Commission approving an acquisition adjustment. I believe that the lacking of any of the conditions could negate the approval of an adjustment.

Q. Can you please discuss the details of the company's purchase of the West Maricopa Combine Inc. ("WMC")?

A. WMC was acquired on July 11, 2006, through a stock acquisition for a purchase price of $60,000,000. Through arbitration the price was negotiated downward and the final negotiated price was $54,369,889. The final agreed upon purchase price included a $45,300,326 acquisition price, $8,699,674 imputed interest and $369,889 in stated interest. The WMC consists of VWCT, WUNS, WUGT, VWCGB and Willow Valley.

Q. Does RUCO believe that the acquisition of the WMC warrants an acquisition premium?

A. No, an acquisition premium should not be approved for the purchase of the WMC for the following reasons:

1. There was no indication in documentation provided that any of the five systems included in the WMC were identified as "troubled Systems." During the due diligence phase prior to purchase the Company's Vice President of Operations issued a letter identifying several deficiencies in the operational aspects of each system. However, in his final conclusions he states:

> "The initial due diligence period has identified many issues that are germane to the on-going operations of the WMC utilities. While these are cause for concern going forward, and will certainly require careful consideration by Global management and staff, they do not in and of themselves constitute any fatal flaw for the acquisition. The WMC acquisition

> represents a strategic deployment of the Global methodologies to the west valley – an area where the growth is just beginning. It is recommended that the acquisition continue to be pursued."

2. When reviewing the financial statements of the WMC for the year ending December 31, 2005, the last year-end prior to Global's acquisition, the Company had a positive cash flow, had made significant investments in plant during the year, had positive income and overall appeared to be financially stable. There was no indication from the financial statements that the WMC was in financial difficulties of any kind.
3. Global calculated the purchase price based on expected growth in the West Valley. More specifically, in their due diligence documentation the Company was expecting the WMC to increase in customers from 5,021 at the end of year 2005 to 23,300 by the end of year 2011 and assumed the risk that the growth would occur. The actual number of customers at the end of year 2011 was 5,343. The Company anticipated growth that just didn't materialize and now the Company seeks to pass that risk on to ratepayers. RUCO does not believe it should be the responsibility of the ratepayer to pay for the Company's overly optimistic growth expectations.

4. The total book value of the plant at the date of purchase was $12,771,723 and the book value minus AIAC was ($5,005,082).[5] As identified in the audited financial statements for the year ending December 31, 2006, the net assets acquired were $49,476,000 and included $45,809,111 identified as Goodwill.[6] Based on the financial data as presented you would have to question whether the purchase of the WMC was a prudent investment and was the purchase price reasonable.

Q. Does RUCO believe that the acquisition of the Sonoran system warrants an acquisition premium?

A. Conditions existed at the time of purchasing the Sonoran system that the Company agrues that an acquisition premium could be allowed. For example, according to testimony provided by Mr. Ron Fleming, Global Water's General Manager, Arizona, when asked what happened when Sonoran and the 387 Districts were not able to provide service, he stated,

> "At the time, Global's utilities (Santa Cruz and Palo Verde) were the closest utilities and were in a position to assist, in numerous locations we actually had parallel infrastructure in the same area. The City of Maricopa, ADEQ and ADWR ask Santa Cruz and Palo Verde to take over service on an emergency basis."[7]

[5] Ullman Report dated November 28, 2012.
[6] Audited Financial Statements prepared by Deloitte & Touche LLP, Page No. 13
[7]Mr. Ron Flemings testimony pages 2 and 3

Q. Can you please discuss the details of the company's purchase of the Sonoran and the 387 Districts?

A. The Company completed the purchase of the assets of Sonoran on June 15, 2005 with an effective purchase date of March 31, 2005. The Sonoran system was a private system and not regulated by the Commission. Santa Cruz and Palo Verde filed an application to extend their CC&N application to cover the former 387 areas. The initial application requesting the extension was filed on June 30, 2005, and the CC&N was ultimately granted on September 30, 2008 in Decision No. 70533. The purchase price of the Sonoran system was $18,550,000 and the book value of the plant assets at time of acquisition was $1,085,451. The book value minus AIAC was $213,594.[8]

Q. Does RUCO believe that an acquisition adjustment is warranted in the purchase of the Sonoran system?

A. No. RUCO does not believe an adjustment is warranted. Based on the financial data as presented the purchase price paid for the Sonoran system was excessive and it is not a reasonable request to ask the ratepayers to pay for Company mistakes.

[8] Ullmann Report dated November 28, 2012

Q. Would RUCO be open to consider an acquisition adjustment under certain circumstances?

A. Yes. As RUCO has testified earlier acquisition adjustment should be evaluated on a case by case basis. If the circumstances warrant that the Commission may determine that an acquisition premium is appropriate.

OPERATING INCOME ADJUSTMENTS

Q. Is RUCO recommending changes to the Company's proposed Test Year operating revenues and expenses for the utilities included in this rate filing?

A. Yes. The Company proposed numerous adjustments to its historical test year operating income. RUCO analyzed the Company's adjustments and proposed several changes. In addition, RUCO is recommending additional adjustments based on data requests provided by Global Water. RUCO's adjustments to operating income are explained as follows

<u>Operating Income Adjustment No. 1 – Rate Case Expense</u>

Q. Please explain your adjustment to Rate Case Expense.

A. The Company has proposed recovery of $787,174 for rate case expenses for outside services and requests to amortize this expense over a three year period. RUCO believes the Company's proposed rate case expense is excessive, and should be reduced significantly, when compared with rate case expense in prior rate case submissions that have been approved by the Commission. RUCO proposes a rate case expense recovery of $419,000 and continue to be amortized over a three year period as is consistent with the Company's filing.

Q. Can you please identify the rate case expense being requested by the Company and RUCO's recommendation by utility system?

A. Yes. The following table identifies rate case expense by system. The expense is allocated to each system in proportion to its revenue.

Location	Company Proposed	RUCO Proposed	Proposed Adjustment
Palo Verde	$313,756	$167,068	$146,688
Santa Cruz	$317,403	$156,729	$160,674
VWCT	$105,894	$72,327	$33,567
WUGT	$6,420	$3,144	$3,276
Willow Valley	$29,769	$10,500	$19,269
VWCGB	$12,426	$7,020	$5,406
WUNS	$1,506	$2,212	($706)
TOTAL	$787,174	$419,000	$368,174

Q. How did RUCO determine its recommended level of rate case expense?

A. The Commission approved $400,000 in rate case expense recovery in Decision No. 71878, the Company's last rate case filing. The major issues identified in the current filing are basically the same and the additional recovery is not justified. RUCO's recommended rate case expense recovery was calculated by increasing the last approved amount of $400,000 and applying the accumulated inflation factor of 4.75%, as reported by the Consumer Price Index.

Q. Are there other reasons that rate case expense should be reduced?

A. The Company began accruing expenses related to rate case expense for approximately two years prior to the rate case filing. Approximately 53 percent of the expense that the Company is seeking recovery relate to activities that could be considered outside services unrelated to rate case activities. By excluding these expenses from the total expense the Company is requesting, approximately $419,000 remains as identified direct rate case expense.

Operating Income Adjustment No. 2 – Purchased Power

Q. Can you please identify those systems that RUCO is proposing an adjustment to purchased power expense?

A. RUCO is proposing a reduction in test year purchased power expense as follows:

PURCHASED POWER PROPOSED REDUCTIONS

VWCT	$62,786	VWCGB	$2,881
WUGT	$2,562	Willow Valley	$1,582

Q. What is RUCO's rational for reducing purchased power costs for these locations?

A. The Company is proposing to include the total of three years increases in test year adjustments for each location. While RUCO believes that increase's for known and measurable changes are acceptable projecting forward for a three year period is inappropriate.

<u>Operating Income Adjustment No. 3 – Depreciation/Amortization Expense</u>

Q. Can you please explain the adjustments that RUCO is recommending to the Company's filing as it relates to depreciation and amortization expense?

A. Yes. RUCO is proposing adjustments to depreciation/amortization expense related to changes in the Company's depreciation calculation for several of the utilities as well as amortizat ion expense related to the inclusion of ICFA's fees as CIAC for the Santa Cruz, Palo Verde and WUGT.

Q. How did you calculate the amortization that is being included in test year depreciation expense related to the ICFA fees that you included as CIAC?

A. RUCO reviewed the amortization expense schedules for the Palo Verde and Santa Cruz utilities as provided to us during our on-site review. The carried forward balances were correct from Decision No. 71878 and was our beginning point. The calculations related to test year amortization for these two locations appeared to be correct and we then included the calculated expense for both systems as our test year adjustment.

Operating Income Adjustment No. 4 – Bad Debt Expense

Q. Can you please identify the adjustments that RUCO is proposing for the Company's bad debt expense accounts?

A. RUCO is proposing reductions to the utility systems as follows:

BAD DEBT EXPENSE

Palo Verde	$11,624	Willow Valley	3,821
Santa Cruz	$19,433	VWCGB	6,490
VWCT	$6,426	WUNS	2,281
WUGT	$1,018		

Q. Why is RUCO proposing this adjustment?

A. The Company calculates bad debt expense as a percentage of revenues and is included in test year operating expenses. In Decision No. 71878 the Commission ruled that **actual** bad debt write-offs were to be recognized as bad debt expense as opposed to the estimated expense calculation.[9]

[9] Decision No. 71878 page 34

Operating Income Adjustment No. 5 – Personnel Expense

Q. Has RUCO recommended adjusting operating expense accounts related to personnel expenses?

A. RUCO is recommending adjustments related to the following operating expense accounts.

PERSONNEL EXPENSES TO BE ADJUSTED

Location	Company Proposed	RUCO Adjustment	RUCO Proposed
Overtime Hours	$95,796	$47,898	$47,898
Bonuses Operation	$1,160	$580	$580
Deferred Compensation	$293,306	$293,306	$0
Employee Moving	$80,264	$40,132	$40,132
TOTAL	$470,526	$381,916	$88,610

Q Can you please identify your proposed adjustment by utility?

A. The adjustment of $381,916 by utility system is as follows:

ADJUSTMENT BY SYSTEM

Palo Verde	$152,280	Willow Valley	$9,571
Santa Cruz	$142,858	VWCGB	$6,397
VWCT	$65,926	WUNS	$2,018
WUGT	$2,865		

Q. Can you explain the adjustments proposed for personnel expense?

A. The majority of the reduction relates to deferred stock compensation expense for Company officials. RUCO does not believe that "Bonuses" for Company officials should be paid for by ratepayers. The remaining expenses, overtime hours, bonuses, and moving expense also relate to expenses that are typically excluded from test year since quite often they vary in value from year to year and in many cases are not recurring type expenses. RUCO has allowed fifty percent of these expenses and excluded the remaining fifty percent.

<u>Operating Income Adjustment No. 6 – Miscellaneous Operating Expense</u>

Q. Can you please identify the miscellaneous expenses that RUCO is recommending be adjusted?

A. Yes. RUCO is recommending that the following expenses classified as miscellaneous, totaling $462,793 be deducted from test year expenses.

MISCELLANEOUS EXPENSES TO BE ADJUSTED

Expense Account	Company Proposed	Expense Acount	Company Proposed
Investor Relations	$57,595	Travel & Entertainment	$74,400
Charitable Contributions	$6,268	Meals	$42,101
Dues and Subscriptions	$43,011	Business Development	$26,161
Promotions $ Advertising	$28,763	Sales Tax Late Fee	$1,636
Employee Relations	$32,955	Professional Fees Other	$94,713
Board Compensation	$26,396	Other Compensation	$28,794

Q. Can you please further identify the adjustments by utility system?

A. Yes. The adjustments are as follows:

ADJUSTMENTS BY SYSTEM

Palo Verde	$164,977	Willow Valley	$26,087
Santa Cruz	$194,371	VWCGB	$6,831
VWCT	$64,729	WUNS	$1,858
WUGT	$3,940		

Q. Why does RUCO believe that these miscellaneous expenses should be excluded from the Company's rate filing?

A. RUCO believes that these expenses are more appropriately the types of expenses that should be paid for by the shareholders. More specifically, expenses such as Board Compensation, Investor Relations, Travel and Entertainment, Meals, Business Development, and Sales Tax Late Fees provide no benefit to the ratepayer. Expenses such as Publications and dues are being allocated evenly at 50 percent to the shareholder and ratepayer.

Operating Income Adjustment No. 7 – Property Tax Expense

Q. Did RUCO review the Company's property tax calculations for each of the utilities included in this filing?

A. Yes. RUCO reviewed he calculation and made several adjustment.

Q. Can you please elaborate on your review and identify any adjustments made?

A. Property tax adjustments were made on each of the utilities included in this filing based on adjusted test year revenues and recommended revenues in going forward. We also made an adjustment on each location based on State of Arizona House Bill 2011. As identified in this House Bill section 42-15001

"The assessed valuation of class one property is the following percentage of its full cash value as applicable, No. 9 "NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013 THROUGH DECEMBER 31, 2014."

RUCO is recommending the following adjustments, by utility, based on the revised assessed valuations as identified in this Bill.

Q. Can you please identify the property tax expense adjustments that RUCO is recommending in this filing?

A. Yes. Following are the adjustments as being proposed?

PROPERTY TAX EXPENSE

Location	Company Proposed	RUCO Proposed	RUCO Adjustment
Palo Verde	$1,064,073	$962,732	($101,341)
Santa Cruz	897,129	811,688	(85,441)
VWCT	273,680	246,830	(26,850)
WUGT	11,254	10,183	(1,071)
Willow Valley	33,931	30,700	(3,231)
VWCGB	11,663	10,552	(1,111)
WUNS	3,104	7,301	4,197
TOTAL	$2,294,834	$2,079,986	($214,848)

Operating Income Adjustment No. 8 – Income Tax Expense

Q. Has RUCO made an adjustment to Income Tax Expense as filed by the Company?

A. Yes. RUCO has adjusted income tax expense based upon the methodology that is used in all rate applications reviewed by RUCO.

Q. Can you explain the method utilized in calculating income tax expense both for the test year adjustment as well as the method used in calculating the tax effects of proposed revenue adjustments?

A. When calculating Federal income tax expense for rate making purposes RUCO begins with operating income before taxes and from that amount will deduct Arizona income taxes due and interest synchronization. (Interest synchronization is calculated as follows: Adjusted ACC Jurisdictional Rate Base X Weighted Cost of Debt) The two results, Arizona income taxes and interest synchronization, are multiplied by the statutory Federal Income Tax Rate. In this case RUCO has used 34 percent as the statutory Federal Income Tax Rate.

Q. Has RUCO made any adjustments related to statutory income tax rates?

A. Yes. A change in State Income Tax calculation has been made based on new tax rates effective for taxable years beginning from and after

December 31, 2013 through December 31, 2014. The State Income Tax rate has been reduced from 6.969% to 6.5%.

Q. Can you please identify the income tax expense adjustments that RUCO is recommending in this filing?

A. Yes. Following are the adjustments as being proposed?

INCOME TAX EXPENSE

Location	Company Proposed	RUCO Proposed	RUCO Adjustment
Palo Verde	$682,693	$844,141	$161,448
Santa Cruz	98,898	277,849	178,950
VWCT	(249,144)	(2,468)	246,676
WUGT	(197,785)	(310,193)	66,548
Willow Valley	(106,730)	(36,509)	70,221
VWCGB	5,781	18,333	12,552
WUNS	13,391	7,302	(6,089)
TOTAL	$247,104	$798,455	$730,306

Q. Does this conclude your testimony?

A. Yes.

ROBERT B. MEASE, CPA
Education and Professional Qualifications

EDUCATION

Bachelors Degree Business Administration / Accounting - Morris Harvey College.

Attended West Virginia School of Graduate Studies and studied Accounting and Public Administration

Attended numerous courses and seminars for Continuing Professional Educational purposes.

WORK EXPERIENCE

Controller
Knives of Alaska, Inc., Diamond Blade, LLC., and Alaska Expedition Company.

Financial Manager / CFO
All Saints Camp & Conference Center

Energy West, Inc.
Vice President, Controller

- Led team that succeeded in obtaining a $1.5 million annual utility rate increase
- Coached accountants for proper communication techniques with Public Service Commission, supervised 9 professional accountants
- Developed financial models used to negotiate an $18 million credit line
- Responsible for monthly, quarterly and annual financial statements for internal and external purposes, SEC filings on a quarterly and annual basis, quarterly presentations to Board of Directors and shareholders during annual meetings, coordinated annual audit
- Communication with senior management team, supervised accounting staff and resolved all accounting issues, reviewed expenditures related to capital projects
- Monitored natural gas prices and worked with senior buyers to ensure optimal price obtained

Junkermier, Clark, Campanella, Stevens
Consulting Staff

- Established a consulting practice that generated approximately $160k the first year of existence
- Prepared business plan and projections for inclusion in clients financing documents
- Prepared written reports related to consulting engagements performed
- Developed models used in financing documents and made available for other personnel to use
- Performed Profit Enhancement engagements
- Participated during audit of large manufacturing client for two reporting years

Prior to 1999, held various positions: TMC Sales, Inc. as **Vice President / Controller**, with American Agri-Technology Corporation as **Vice President / CFO** and with Union Carbide Corporation as **Accounting Manager. (Union Carbide was a multi-national Fortune 500 Company that was purchased by Dow Chemical)**

PROFESSIONAL AFFILIATIONS
Member - Institute of Management Accountants
Member - American Institute of CPA's
Past Member –WV Society of CPA's and Montana Society of CPA's

RESUME OF RATE CASE AND REGULATORY PARTICIPATION WITH RUCO

Utility Company	Docket No.
Arizona Water Company (Eastern Group)	W-01445A-11-0310
Pima Utility Company	W-02199A-11-0329 et al.
Tucson Electric Power Company	E-01933A-12-0291
Arizona Water Company	W-01445A-12-0348
UNS Electric	E-04204A-12-0504

EXHIBIT 1

STATE	ACQUISITION ADJUSTMENT
Alabama	The Commission regulates the rates of eight small water companies. There is no specific statutory authority dealing with water company acquisition adjustments. However, in ***Re Mobile Gas Service Corporation,* 2003 WL 23101066 (Ala. P.S.C. Oct. 9, 2003)**, the Commission relied on prior precedent to find that a positive acquisition adjustment would be allowed in rate base where the following principal criteria are satisfied: (1) the purchase price was the result of arm's length negotiations; (2) the acquisition would produce operational efficiencies; and (3) the acquisition would promote the integration of facilities.
Alaska	***In the Matter of Alaska Power Co. Application*, No. U-01-98, Order No. 1 (R.C.A. Feb. 25, 2002)**("The Commissio has interpreted this statute [AS 42.05.441(b)] to permit recovery of an acquisition adjustment if the utility demonstrate that the acquisition will provide clear, tangible benefits to ratepayers in an amount at least equal to the acquisition adjustment. However, the Commission has interpreted this rule narrowly and has refused to permit acquisition adjustments in many cases.").
Arizona	***In the Matter of the Joint Application of Citizens Utilities Company, et. al*, Decision No. 63584 (A.C.C. Apr. 24, 2001)** ("Arizona-American is cautioned that the Commission will require Arizona-American to demonstrate that clear quantifiable and substantial net benefits to ratepayers have resulted from the acquisition of Citizens' systems that would not have been realized had the transaction not occurred before the Commission will consider recovery of any acquisition adjustment in a future rate proceeding.").
Arkansas	**Ark. Code Ann. § 23-4-111 (2008)**(Commission will use net book value unless adjustment warranted after consideration of factors such as the reasonableness of original cost and whether customers will receive known and measurable benefits at least equal to the incremental amount sought to be recovered.).

California	**Cal. Pub. Util. Code § 2720 (2008)**(Commission will use fair market value to establish the rate base value of a distribution system of a public water system acquired by a water corporation. If fair market value exceeds reproduction cost, difference may be included in rate base if commission determines additional amount is fair and reasonable.). ***Application of Citizens Utilities Co. of California (U-87-W), a California Corp., and California-American Water Company, a California Corp.*, Decision 01-09-057 (Cal. P.U.C. Sept. 20, 2001)** (approving alternative sharing program, compliant with § 2720, whereby realized synergies go first to acquiring company to amortize acquisition premium, and second to customers and company in a 90%/10% split).
Colorado	No general policy has been established for dealing with water company acquisition adjustments. Commission staff was unable to recall any requests for acquisition adjustments by water companies. In other sectors, acquisition adjustments are considered on a case-by-case basis.
Connecticut	**Conn. Gen. Stat. § 16-262o, § 16-262s (2008)** (all reasonable costs of the acquisition of troubled or economically nor viable water systems may be recovered in rates).
Delaware	***Re Tidewater Water Supply Co., Inc.*, 2000 WL 33121630 (Del. P.S.C. Nov. 21, 2000)** (Commission has an "established practice of not allowing rate base recognition of premiums over net book value paid by an acquirer of a utility," barring exceptional circumstances).
District of Columbia	***PRIVATE WATER SYSTEMS NOT REGULATED***
Florida	**Fla. Admin. Code 25-30.0371 (2008)** (positive acquisition adjustment not allowed in rate base absent extraordinary circumstances; negative acquisition adjustments recognized under certain circumstances).
Georgia	***PRIVATE WATER SYSTEMS NOT REGULATED***

Hawaii	The Commission has consistently disallowed the recovery of any acquisition adjustments from customers, but evaluates requests on a case-by-case basis. ***In the Matter of the Application of Citizens Communications Company, Kauai Electric Div. and Kauai Island Utility Co-op*, Docket No. 02-0060, Order No. 19658 (Haw. P.U.C. Sept. 17, 2002)** (approving stipulation which included the following condition: "Applicants acknowledge the commission's policy to not allow recovery from utility customers of goodwill or acquisition premium amounts arising from utility merger and acquisition transactions. In accordance with this policy, [acquiring company] will not seek rate recovery of any goodwill amortization, acquisition premium costs or goodwill impairment changes . . . in future rate proceedings.").
Idaho	***Re United Water Idaho Inc.*, 187 P.U.R.4th 312 (1998)** (approving an acquisition adjustment to the rate base "based on its findings that the acquisition benefits customers as well as its conclusion that the purchase price was fair and reasonable and arrived at through arms-length negotiation."). ***Re Resort Water Co., Inc.*, 2005 WL 673648 (Idaho P.U.C. Mar. 15, 2005)** ("It has been a consistent policy of the Commission that rate base not include the purchase price of a water system unless it could be reasonably shown that the customers have not previously paid for the water system assets . . . the amount to be included in rate base as an acquisition adjustment must be determined on a case-by-case basis").
Illinois	***Re Consumers Illinois Water Co.*, 2003 WL 21108549 (Ill. C.C. Mar. 18, 2003)** (traditional practice of Commission is to require that acquisition adjustment be recorded below the line; however, under unique circumstances, ICC will include it in rate base).

Indiana	***City of Ft. Wayne v. Util. Center, Inc., d/b/a/ Aquasource*, 840 N.E.2d 836 (Ind. Ct. App. 2006)** (affirming Commission finding that, based on new owner's efforts to remedy problems at troubled utility and arms-length transaction, a return on the acquisition adjustment should be allowed). ***Re Indiana-American Water Co., Inc.* 238 P.U.R. 4th 428 (2004)** ("[G]ranting a return on an acquisition adjustment but no return of an acquisition adjustment is consistent with past practice of this Commission." The acquisition was found to have "resulted in cost savings in excess of the cost of capital investment needed to make those savings possible. . .".). ***Re Lincoln Util., Inc.*, 2006 WL 452338 (Ind. U.R.C. Jan. 25, 2006)** (order authorizing water company to earn a return on acquisition adjustment). ***Re Indiana-American Water Co., Inc.* 2002 WL 32091039 (Ind. U.R.C. Nov. 6, 2002)** ("It is the established policy of this Commission to allow an acquisition adjustment in rates in only two events, namely: 1. As a result of the acquisition, are there significant and demonstrable benefits flowing to the ratepayers, e.g. better service and/or lower rates? 2. Does the acquisition result in correction or salvage of an entity identified by this Commission as a 'troubled' utility?").
Iowa	***Office of Consumer Advocate v. Iowa Util. Bd.*, 454 N.W.2d 883, 113 P.U.R.4th 479 (Iowa 1990)** ("According to prior board precedent, the acquisition amount may be included in the rate base if actual benefits to customers are established by the utility.").
Kansas	The State Corporation Commission regulates a few very small water companies. There is no specific authority dealin with water company acquisition adjustments. However, in the gas and electric sectors, the Commission limits recover of an acquisition premium to an amount that reflects the realistic level of savings that the Commission believes can be achieved by the merged company. ***See In the Matter of the Application of Kansas City Power & Light Co. for approval of its acquisition of all classes of the capital stock of Kansas Gas and Electric*, Docket Nos. 172, 745-U; 174, 155-D (Kan. S.C.C. Nov. 14, 1991).**
Kentucky	***Re Kentucky-American Water Co.*, 2005 WL 578209 (Ky. P.S.C. Feb. 28, 2005)** ("[T]he net original cost of plant devoted to utility use is the fair value for rate-making purposes, unless the utility can prove, with conclusive evidence, that the overall operations and financial condition of the utility have benefited from acquisitions at prices in excess of net book value. Any utility seeking recovery of an acquisition adjustment must justify its purchase decision based on economic and quality of service criteria.")(internal quotations omitted).

Louisiana	No information available.
Maine	As a general matter, acquisition adjustments are not allowed, but requests will be evaluated on a case-by-case basis. Commission staff was unable to recall any requests for acquisition adjustments by water companies in the past decade ***Re Terms and Conditions of Edmund J. Quirion*, 1995 WL 785875 (Me. P.U.C. Nov. 14, 1995)** ("We note that this Commission's general policy has been to use the original cost minus depreciation as the proper method of determinin the value of utility property. However, there may be circumstances under which acquisition cost might be considered.").
Maryland	As a general matter, if sufficient customer benefits are shown the Commission may allow an acquisition adjustment and amortize it over several years. Commission staff noted requests for acquisition adjustments by water companies are rare. ***Re Greenridge Utilities, Inc.*, 1997 WL 998596 (Md. P.S.C. June 4, 1997)** ("The decision to allow inclusion of the acquisition adjustment in the Company's rate base is predicated upon consideration of whether such inclusion provide a benefit to the ratepayers.").
Massachusetts	***Guidelines and Standards for Acquisitions and Mergers,* D.P.U. 93-167-A at 6-7, 18-19 (1994)** (Companies may us savings that result from mergers and acquisitions to offset acquisition premiums and related transaction costs, based o a balancing of the benefits arising from the merger with the costs associated with the merger). Commission staff noted that a showing of savings must be made at the time of the acquisition, and not be based on generalized statements about potential merger benefits. While the policy has been focused on gas and electric company merger and acquisition activity, the precedents in ***Guidelines and Standards for Acquisitions and Mergers*** could potentially be applied to water companies.
Michigan	***PRIVATE WATER SYSTEMS NOT REGULATED***
Minnesota	***PRIVATE WATER SYSTEMS NOT REGULATED***
Mississippi	***State of Miss. v. Miss. Pub. Serv. Comm'n*, 435 So.2d 608 (Miss. 1983)** ("...public utilities' amortization of acquisition adjustment is a proper component of cost of service and should be included as a proper operating expense

	when proven by the utility to be beneficial.").
Missouri	**Mo. Rev. Stat. § 393.146(11) (2008)** "If the commission orders the acquisition of a small water or sewer corporation, the commission shall authorize the acquiring capable public utility to utilize the commission's small company rate case procedure for establishing the rates to be applicable to the system being acquired. Such rates may be designed to recover the costs of operating the acquired system and to recover one hundred percent of the revenues necessary to provide a net after-tax return on the ratemaking rate base value of the small water or sewer corporation's facilities acquired by the capable public utility, and the ratemaking rate base value of any improvements made to the facilities by the acquiring capable public utility subsequent to the acquisition, at a rate of return equivalent to one hundred basis points above the rate of return authorized for the acquiring capable public utility in its last general rate proceeding. ***Re Alliance Gas Energy Corp.*, 2008 WL 320768 (Mo. P.S.C. Feb. 5, 2008)** (observing that "there are strong precedents against allowing acquisition premiums to be reflected in rates when the assets are purchased at more than book value. For example, the Commission has stated that it will not require a company to write down its rate base when the assets are sold at less than book value."). ***Re UtiliCorp United Inc.*, 2004 WL 431561 (Mo. P.S.C. Feb. 26, 2004)** ("Missouri has traditionally applied the net original cost standard when considering the ratemaking treatment of acquisition adjustments. That means that the purchasing utility has not been allowed to recover an acquisition premium from its ratepayers. But it also means that ratepayers do not receive lower rates through a decreased rate base when the utility receives a negative acquisition adjustment.").

Montana	**Mont. Code Ann. § 69-3-109. Ascertaining property values.** "The commission may, in its discretion, investigate and ascertain the value of the property of each public utility actually used and useful for the convenience of the public. The commission is not bound to accept or use any particula value in determining rates. However, if any value is used, the value may not exceed the original cost of the property, except that the commission may include all or some of an acquisition adjustment for certain property purchased by a public utility in the purchasing utility's rate base if the transfer of the property to the purchasing utility is in the public interest." ***Re NorthWestern Corp.*, 259 P.U.R.4th 493 (2007)** ("It is a long held regulatory principle of this Commission that th value of plant in rate base is determined by original cost less depreciation. Original cost of utility property is determined when the asset is first dedicated to public service. The action of selling a utility, absent any compelling reason, is not sufficient to allow an adjustment in rate base to reflect acquisition costs.").
Nebraska	No general policy has been established for dealing with water company acquisition adjustments. Commission staff was unable to recall any requests for acquisition adjustments by water companies. In other areas, the Commission sometimes allows acquisition adjustments.
Nevada	The Commission includes the original cost of the acquired system in rate base and does not recognize acquisition adjustments.
New Hampshire	***Re Lakes Region Water Co., Inc.*, 2004 WL 3457746 (N.H. P.U.C. Sept. 23, 2004)** (after noting commission's longstanding practice of not allowing recovery in excess of original cost, PUC ordered water company to book purchase price in excess of net book value as an acquisition adjustment so that it was not reflected in future customer rates).
New Jersey	No general policy has been established for dealing with water company acquisition adjustments but the Commission rarely grants acquisition adjustments and will require that a benefit to existing customers be shown by the requesting utility. ***Re Consumers New Jersey Water Company*, 1995 WL 592835 (N.J.B.P.U. Sept. 20, 1995)**(adopting stipulation where given the "special and unique" circumstance of proven benefits of the acquisition to customers, company woulc be allowed an acquisition adjustment in next rate base by amortizing adjustment over a period of years and including the unamortized portion into rate base).

New Mexico	***In the Matter of the Petition By New Mexico-American Water Company, Inc. to Change Its Service Rates,* Case No 2202 (N.M. P.S.C. Dec. 28, 1988)** (order approving stipulation that excluded the acquisition adjustment from the rate base and its amortization from the cost of service - acquired assets would be treated as if transferred at original cost.). Commission staff noted that general policy is to not allow an acquisition adjustment unless net benefit to customers is proven.
New York	***Proceeding on Motion of the Commission to Establish a Policy to Provide Incentives for the Acquisition and Merger of Small Water Utilities*, Case No. 93-W-0962 (N.Y. P.S.C. Aug. 8, 1994)** (established guidelines for acquisition of small water companies whereby, if certain customer benefits are shown, Commission may provide incentives such as inclusion of acquisition adjustment in rate base (if purchase price greater than acquired company rate base) or inclusion of acquired company rate base (if purchased for less than rate base)). ***Joint Petition of United Waterworks Inc. and South County Services Co., Inc. for Permission for United Waterworks to Acquire the Stock of South County Water Corp.*, Case No. 02-W-0949 (N.Y. P.S.C. May 21, 2004)** (citing to policy on acquisition of small water utilities, allowed acquiring company to include book value of stocks in rates instead of lower purchase price). ***Joint Petition of Aqua New York, Inc., f/k/a Kingsvale Water Co., Inc., and New York Water Service Corp.*, Case No. 06-W-0700 (N.Y. P.S.C. Dec. 20, 2006)** (the full amount of purchase premium treated as goodwill (not recoverable in rates) where acquisition was not of a small water utility).
North Carolina	***In the Matter of Petition of Utilities, Inc.*, 147 N.C. App. 182, 555 S.E.2d 333 (2001)** (affirming Commission approach whereby it would refrain from allowing rate base treatment of an acquisition adjustment unless the purchasing utility established by the greater weight of the evidence that the purchase price was prudent and that both the existing customers of the acquiring utility and the customers of the acquired utility would be better off (or at least no worse off) with the proposed transfer, taking into consideration rate base treatment of any acquisition adjustment).
North Dakota	***PRIVATE WATER SYSTEMS NOT REGULATED***
Ohio	The Commission includes the original cost of the acquired system in rate base and does not allow acquisition adjustments. ***Re Dayton Power and Light Co.*, 21 P.U.R.4th 376 (Oh. P.U.C. 1977)** (proposed acquisition adjustment should "clearly" be excluded from rate base given state's use of original cost.).

Oklahoma	Acquisition adjustments are not allowed in rate base absent extraordinary circumstances, although requests are evaluated on a case-by-case basis. Commission staff did not recall any recent requests for acquisition adjustments by water companies.
Oregon	**Or. Admin. R. 860-036-0716 (2008)** (water utility may petition Commission for approval of acquisition adjustment i rates where benefits of acquisition outweigh the increase to customers' rates resulting from acquisition).
Pennsylvania	**66 Pa. C.S.A. § 1327 (2008)** (positive acquisition adjustments allowed under identified circumstances where small, troubled or non-viable water systems are acquired and improved; negative acquisition adjustments must be amortized to utility operating income unless, in the Commission's discretion, the public interest would not be served by doing so).
Rhode Island	Acquisition adjustments are generally not allowed, although they are evaluated on a case-by-case basis. Cost savings or other extraordinary circumstances may justify an acquisition adjustment. Commission staff did not to recall any requests for acquisition adjustments by water companies in the past decade. ***In re: Petition of Valley Gas Co., Bristo and Warren Gas Co. and Southern Union Company for Approval of Mergers*, Docket Nos. D-00-02, D-00-03 (R.I. P.U.C. July 24, 2000)** (order approving a settlement agreement which contained the following term : "The Settling Parties agree that the Companies will not seek direct or indirect recovery of any acquisition premium in rates either through an amortization or rate base adjustment in future rate cases . . .".).
South Carolina	***Re Georgia Water & Well Serv., Inc.*, 233 P.U.R.4th 482 (2004)** ("If a regulatory agency determines that the cost wa reasonable and beneficial to the customers, an above-the-line expense could be allowed as an Amortization of Utility Acquisition Adjustments." However, "[t]he prevailing rule relating to the acquisition of utility plant previously used i a regulated business is that the plant must continue to be recorded at the depreciated original cost to the first owner devoting the property to public service.").
South Dakota	***PRIVATE WATER SYSTEMS NOT REGULATED***
Tennessee	The Authority does not have a general policy on acquisition adjustments. Generally speaking, the purchase of utility plant previously used in providing utility service is recorded on the acquiring company's books at original cost, net of accumulated depreciation. Exceptions would be considered only if the price above the seller's original cost was clearl in the public interest and would be addressed on a case-by-case basis.

Texas	**30 Tex. Admin Code § 291.31(d) (2008)**(positive acquisition adjustment allowed under identified circumstances).
Utah	Commission Staff stated that, in general, when the acquired asset is already a utility asset, the book value goes into rat base. When the acquired asset was not previously a utility asset, the purchase price goes in to the rate base. ***Re Utah Power and Light Co.*, 53 P.U.R.4th 461 (Ut. P.S.C. May 23, 1983)** ("The commission agrees that in the context of acquiring assets already dedicated to the providing of public service the general rule for determining the value of such acquired property for rate-making purposes is depreciated book value . . .The commission also recognizes, however, that there may be exceptions to this general rule should sufficient benefits accrue to the acquiring public utility and its ratepayers to justify deviations from net book value treatment. It should be emphasized that this exception would be ai unusual circumstance and would be evaluated on a case-by-case basis.").
Vermont	Board includes acquisition adjustments below the line; never included in rates. Board staff was unable to recall any recent requests for acquisition adjustments by water companies. ***Joint Petition of Young's Cable TV Corp. and Okemo Vue, Inc.*, 1986 WL 361091 (Vt. P.S.B. May 26, 1986)** ("the Board policy on rate-base acquisition adjustments is that permitted earnings on rate-base investment are limited to the depreciated cost of utility property when first placed into service, and that an upward rate base adjustment will not be permitted when ownership of the assets is directly or indirectly at a price in excess of their depreciated original cost.")
Virginia	***Re Virginia Natural Gas, Inc.*, 250 P.U.R.4th 421 (2006)** ("An acquisition adjustment is allowed only in extraordinary circumstances and may be authorized if the applicant utility satisfies certain criteria ...(i) the purchase price was determined in an arms-length bargaining and (ii) the purchase was an investment made prudently for the benefit of the customers and the utility.").
Washington	***Washington Util. and Transp. Comm'n v. PacifiCorp,* 2006 WL 1517095 (Wash U.T.C. Apr. 17, 2006)** ("When a utility purchases a plant, it may seek an acquisition premium adjustment to reflect that the price paid for the plant may be higher than its book value. However, the cost of the premium is not included in rate base unless the Commission allows such treatment after finding the underlying plant purchase was prudent."). ***In the Matter of the Application of Herman Suess Applicant, For the Sale and Transfer of Assets to Pattison Watei Co.,* 2005 WL 2660173 (Wash. U.T.C. June 15, 2005)** (Staff advised applicant that "absent a showing of commensurate benefits, acquisition adjustments are not included in rate base for inclusion in rates.").

West Virginia	No general policy has been established for dealing with water company acquisition adjustments. Acquisition adjustments are often not allowed. ***Re West Virginia-American Water Co.*, 231 P.U.R.4th 423 (W. Va. P.S.C. Jan. 2, 2004)** (ordered negative acquisition adjustment to rate base). ***West Virginia-American Water Co. and East Bank Water Dep't.*, Case No. 00-1719-W-PC (W. Va. P.S.C. Feb. 6, 2001)** (ordered acquiring company to record the book cost of assets, and "[a]ny amount paid in excess of the net book value of the acquired assets, as adjusted, should be recorded in [the acquisition adjustment account] and be amortized over 20 years. Any amount of asset book value in excess of the amount paid will be considered as a contribution. Lastly, any necessary rate recognition relating to this acquisition will be given the appropriate treatment in the [next rate case].")
Wisconsin	***Joint Application for Approvals Related to Wisconsin Power and Light Company's Sale of its Beloit Area Water Utility Assets to the City of Beloit*, 2003 WL 22220326 (Wis. P.U.C. Sept. 19, 2003)**(after finding sufficient benefits to customers, allowed city to recover in customer rates a straight-line amortization of acquisition adjustment over 25 years and a return on the unamortized balance). ***Preliminary Agreement of the Village of Footville, Rock County, as an Electric Public Utility, to Sell Its Electric Public Utility Plant to Wisconsin Power and Light Company*, Dockets 2040-EA-100, 6680-EB-103 (Wis. P.U.C. Feb. 24, 1989)**(As a general matter, a utility must provide some substantial physical or electrical benefit to the purchaser's system in order to be exempted from the ordinary rule that utility customers pay no more than net book value. Redistribution of costs or spreading costs over more customers is not a system benefit in and of itself.).
Wyoming	No general policy has been established for dealing with water company acquisition adjustments. Commission staff was unable to recall any requests for acquisition adjustments by water companies. Requests would be reviewed on a case-by-case basis.

Global Utilities
Docket No. W-01212A-12-309 et al
Test Year Ended December 31, 2011
12-0310

Palo Verde Utilities Company

TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost	(B) RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	$ 60,166,756	$ 52,813,708
2			
3	Adjusted Operating Income (Loss)	$ 3,066,067	$ 3,098,107
4			
5	Current Rate Of Return (L3 / L1)	5.10%	5.87%
6			
7	Required Operating Income (L9 X L1)	$ 5,300,691	$ 3,904,484
8			
9	Required Rate Of Return On Fair Value Rate Base	8.81%	7.39%
10			
11	Operating Income Deficiency (L7 - L3)	$ 2,234,624	$ 806,378
12			
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)	1.6390	1.6587
14			
15	Increase In Gross Revenue Requirement (L11 X L13)	$ 3,662,560	$ 1,337,539
16			
17	Adjusted Test Year Revenue	$ 13,107,528	$ 13,107,528
18			
19	Proposed Annual Revenue (L15 + L17)	$ 16,770,088	$ 14,445,067
20			
21	Required Percentage Increase In Revenue (L15 / L17)	27.94%	10.20%
22			
23	Rate Of Return On Common Equity	11.44%	8.50%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	39.7118%		
5	Subtotal (L3 - L4)	60.2882%		
6	**Revenue Conversion Factor (L1 / L5)**	1.658700		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	38.2900%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.7100%		
10	Uncollectible Rate	0.00000		
11	Uncollectible Factor (L9 * L10)	0.0000%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.7900%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.2900%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	38.2900%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.7100%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	2.3041%		
22	Effective Property Tax Factor (L20 x L21)		1.4218%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			39.7118%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 3,904,484		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	3,098,107		
26	Required Increase in Operating Income (L24 - L25)		$ 806,378	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 1,344,484		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	844,141		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		500,344	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L19	$ 14,445,067		
31	Uncollectible Rate (L10)	0.00000		
32	Uncolllectible Expense on Recommended Revenue (L30 x L31)	$ -		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L31)	$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		-	
35	Property Tax with Recommended Revenue (Sch. RBM -8, Col. (K), L36)	$ 993,550		
36	Property Tax on Test Year Revenue (Sch. RBM-8, Col. (Q), L32)	962,732		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		30,818	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 1,337,539	

LINE NO.	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 13,107,528	$ 1,337,539	$ 14,445,067
40	Operating Expenses Excluding Income Taxes	$ 9,165,281		$ 9,196,099
41	Synchronized Interest (Col. [C], L57)	$ 1,737,649		$ 1,737,649
42	Arizona Taxable Income (L39 - L40 - L41)	$ 2,204,598		$ 3,511,319
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ 143,299		$ 228,236
45	Federal Taxable Income (L42 - L44)	$ 2,061,299		$ 3,283,084
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 6,250		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 91,650		$ 91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 586,942		$ 1,002,348
51	Total Federal Income Tax	$ 700,842		$ 1,116,248
52	Combined Federal and State Income Tax (L44 + L51)	$ 844,141		$ 1,344,484
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%
54	Synchronized Interest Calculation			
55	Rate Base			$ 52,813,708
56	Weighted Average Cost of Debt			3.29%
57	Synchronized Interest			$ 1,737,649

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description		(A) Company As Filed OCRB/FVRB		(B) RUCO Adjustments		(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$	109,787,648	$	(698,584)	$	109,089,064
			-				
2	Accumulated Depreciation		(19,012,634)		-		(19,012,634)
3	Net Utility Plant In Service (L1 + L2)	$	90,775,014	$	(698,584)	$	90,076,430
4	Advances In Aid Of Const.	$	(27,839,315)	$	-	$	(27,839,315)
			-				
5	Contribution In Aid Of Const.	$	(30,362)	$	(12,566,169)	$	(12,596,531)
6	Accumulated Amortization Of CIAC		-		1,719,622		1,719,622
7	NET CIAC (L5 + L6)	$	(30,362)	$	(10,846,547)	$	(10,876,909)
8	Customer Meter Deposits	$	(669,926)	$	-	$	(669,926)
9	Deferred Income Taxes & Credits	$	(2,068,654)	$	4,192,082	$	2,123,428
10	Unamortized Finance Charges	$	-	$	-	$	-
11	Deferred Regulatory Assets	$	-	$	-	$	-
12	Allowance For Working Capital	$	-	$	-	$	-
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$	60,166,757	$	(7,353,049)	$	52,813,708

References:
Column (A) Company Schedule B-1
Column (B) RBM-3 page 1

References:
Column (A): Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

RUCO POST TEST YEAR PLANT ADJUSTMENTS

		(A)	(B)	(C)	(D)	(E)		(F)
		Company's Initial Filing			Co. Follow Up Response			
		Date Const Began	Date Const est to be Completed	Included in Rate Base Initial Est	Date Const Actually Completed	Final Costs/ as of March 31, 2013		RUCO Adjustment
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	Aug 2012	Aug 2012	$ 300,742	Dec 2012	$ 240,224		$ (300,742)
3	RED WDC Chl Sys Replacement	Jan 2012	Jan 2012	6,149	April 2012	15,129		8,980
4	TOTALS			$ 306,891		$ 255,353		$ (291,762)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	Oct 2012	Oct 2012	$ 80,436	Not Started	-		$ (80,436)
8	TOTALS			$ 80,436		-		$ (80,436)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	Nov 2012	Dec 2012	$ 3,076	Dec 2012	$ 3,501		$ (3,076)
12	West Phoenix 6 Fluoride	Nov 2012	Dec 2012	8,625	Jan 2013	18,693		(8,625)
13	WPE 6 Tank and Well Replacmt	May 2012	June 2012	95,082	Dec 2012	128,934		(95,082)
14	TOTALS			$ 106,783		$ 151,128		$ (106,783)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	July 2012	July 2012	$ 78,750	In Progress	$ 12,027		$ (78,750)
18	Buena Vista Fill Line	July 2012	July 2012	203,702	In Progress	20,004		(203,702)
19	Pima Road Waterline	April 2012	April 2012	182,563	Sept 2012	195,474		(182,563)
20	WVR SCADA Command Sta Imp	July 2012	July 2012	136,029	Jan 2013	21,962		(136,029)
21	SVWDC Optimization	June 2012	June 2012	71,526	Feb 2013	48,565		(71,526)
22	TOTALS			$ 672,570		$ 298,032		$ (672,570)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	Nov 2008	June 2012	$ 119,810	Dec 2011	$ 119,810		$ -
26	PVUC In Pipe Odor Control	Mar 2012	June 2012	52,022	Nov 2012	57,397	Note (1)	(52,022)
27	PVUC Lagoon Clean Closure	April 2012	July 2012	406,949	Dec 2012	543,461	Note (1)	(406,949)
28	PVUC PEOB	April 2012	July 2012	12,564	Dec 2012	48,475	Note (1)	(12,564)
29	SRW MH Rehab and LS Imp Ph I	Dec 2010	Feb 2012	6,408	Dec 2012	3,295	Note (1)	(6,408)
30	PVUC WRF Headworks Rehab	Sept 2012	Sept 2012	69,132	Dec 2012	84,155	Note (1)	(69,132)
31	Sewer Manhole Rehab	Oct 2012	Oct 2012	66,509	Dec 2012	68,199	Note (1)	(66,509)
32	Edison Rd Sewer Ln Ext	Aug 2012	Aug 2012	85,000	Dec 2012	110,734	Note (1)	(85,000)
33				$ 818,394		$ 1,035,526		$ (698,584)
34								

35 References:

36 Columns (A), (B), (C) - Fleming Testimony pages 21 and 22. Company included in rate base.

37 Columns (D), (E) - Company Response to RUCO Data Request No. 2.01

38 NOTE (1): See Column (F) The costs for projects not completed and placed in service by June 30, 2012, were adjusted and excluded

39 from rate base by RUCO

40

41

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Test Year Ended December 31, 2011
12-0312

Palo Verde Utilities Company
Schedule RBM-3

RUCO POST TEST YEAR PLANT DEPRECIATION & A/D ADJUSTMENTS

Line		(A) Company Initial Filing Included in Rate Base Initial Est	(B) Date Const Actually Completed	(C) Company Final Costs/ as of March 31, 2013	(D) RUCO Adjustment PTY Plant	(E) Company Calculated Depreciation	(F) RUCO Calculated Depreciation	(G) RUCO Adjustment Depre & A/D
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	$ 300,742	Dec 2012	$ 240,224	$ (300,742)			
3	RED WDC Chl Sys Replacement	6,149	April 2012	15,129	8,980			
4	TOTALS	$ 306,891		$ 255,353	$ (291,762)	$ 15,345	$ 757	$ (14,588)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	$ 80,436	Not Started	-	$ (80,436)			
8	TOTALS	$ 80,436		-	$ (80,436)	$ 4,022	$ -	$ (4,022)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	$ 3,076	Dec 2012	$ 3,501	$ (3,076)			
12	West Phoenix 6 Fluoride	8,625	Jan 2013	18,693	(8,625)			
13	WPE 6 Tank and Well Replacmt	95,082	Dec 2012	128,934	(95,082)			
14	TOTALS	$ 106,783		$ 151,128	$ (106,783)	$ 5,339	$ -	$ (5,339)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	$ 78,750	In Progress	$ 12,027	$ (78,750)			
18	Buena Vista Fill Line	203,702	In Progress	20,004	(203,702)			
19	Pima Road Waterline	182,563	Sept 2012	195,474	(182,563)			
20	WVR SCADA Command Sta Imp	136,029	Jan 2013	21,962	(136,029)			
21	SVWDC Optimization	71,526	Feb 2013	48,565	(71,526)			
22	TOTALS	$ 672,570		$ 298,032	$ (672,570)	$ 33,629	$ -	$ (33,629)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	$ 119,810	Dec 2011	$ 119,810	$ -			
26	PVUC In Pipe Odor Control	52,022	Nov 2012	57,397	(52,022)			Note (1)
27	PVUC Lagoon Clean Closure	406,949	Dec 2012	543,461	(406,949)			
28	PVUC PEQB	12,564	Dec 2012	48,475	(12,564)			
29	SRW MH Rehab and LS Imp Ph I	6,408	Dec 2012	3,295	(6,408)			
30	PVUC WRF Headworks Rehab	69,132	Dec 2012	84,155	(69,132)			
31	Sewer Manhole Rehab	66,509	Dec 2012	68,199	(66,509)			
32	Edison Rd Sewer Ln Ext	85,000	Dec 2012	110,734	(85,000)			
33		$ 818,394		$ 1,035,526	$ (698,584)	$ 40,920	$ 5,991	$ (34,929)
34								

35 References:
36 Columns (A), (B), (C), (D) - See Sch RBM-2
37 Columns (E) - Company Schedules and testimony of Mr. Brett Higgabotham

38 NOTE (1): RUCO Depreciation and A/D adjustment calculated as follows:

Line				
39	Column (E) / Column (A)	40,920		
40		818,394	5.00%	Depreciation allowance as calculated by Company
41				
42	Column (A) less Column (D)	$ 818,394		
43		$ 698,584		
44			$ 119,810	Test Year Plant as proposed by RUCO
45				
46	Depreciation expense proposed by RUCO		$ 5,991	
47	Depreciation expense proposed by Company		$ 40,920	
48	RUCO proposed depreciation and A/D adjustment			
49	related to Post Test Year Plant		$ (34,929)	

POST TEST YEAR ADJUSTMENT NO. 3
INFRASTRUCTURE COORDINATION AND CONSTRUCTION AGREEMENTS

Line No.		SANTA CRUZ (A) Total Fees Collected	SANTA CRUZ (B) Allocated to Excess Cap.	SANTA CRUZ (C) Allocated to CIAC	PALO VERDE (A) Total Fees Collected	PALO VERDE (B) Allocated to Excess Cap.	PALO VERDE (C) Allocated to CIAC	TONOPAH (A) Total Fees Collected	TONOPAH (B) Allocated to Hassayampa	TONOPAH (C) Allocated to CIAC
1										
2	ICFA Fees Collected									
3										
4	Included in last rate filing	$ 24,541,553	$ 17,941,477	$ 6,600,076	$ 25,440,969	$ 14,449,844	$ 10,991,125	$ 9,226,100	$ 2,140,455	$ 7,085,645
5										
6	Fees Collected Since Last Rate Case	3,158,403	2,370,881	787,522	3,274,155	1,699,111	1,575,044	569,940	132,226	437,714
7										
8	Total ICFA Fees Collected	$ 27,699,956	$ 20,312,358	$ 7,387,598	$ 28,715,124	$ 16,148,955	$ 12,566,169	$ 9,796,040	$ 2,272,681	$ 7,523,359
9										
10	Calculation of ICFA Amortization									
11										
12	Amortization Expense Last Rate Filing	$ -	$ -	$ 494,849	$ -	$ -	$ 667,381	$ -	$ -	$ 236,248
13										
14	Amortization from 2008 thru 2011	-	-	822,610	-	-	$ 1,052,281	$ -	$ -	$ 819,250
15										
16	Total ICFA Accu. Amortization Expense thru Test Year			$ 1,317,459			$ 1,719,622			$ 1,719,622
17										
18										
19	Amortization Expense for Test Year 2011									
20										
21	First Quarter	$ 6,600,076	$ 66,951		First Quarter	$ 10,991,128	$ 88,221	First Quarter	$ 7,523,359	$ 54,921
22	Second Quarter	6,600,076	66,888		Second Quarter	11,057,409	85,406	Second Quarter	7,523,359	148,210
23	Third Quarter	6,633,216	66,607		Third Quarter	11,057,409	91,757	Third Quarter	7,523,359	130,154
24	Fourth Quarter	7,387,598	70,968		Fourth Quarter	12,566,172	94,794	Fourth Quarter	7,523,359	134,668
25										
26	Total Amortization Expense		$ 271,414		Total Amortization Expense		$ 360,178	Total Amortization Expense		$ 467,953

Reference:
Balances from last rate filing - See Decision No. 71878
Details of information obtained since last rate filing - On Site Review
Current Amortization from on site review

SCHEDULE OF AGREEMENTS, INCLUDING ICFS's

Line No.		(A) 2004	(B) 2005	(C) 2006	(D) 2007	(E) 2008	(F) 2009	(G) 2010	(H) 2011	(I) TOTAL
1	**Santa Cruz and Palo Verde Utilities**									
3	Santa Cruz and Palo Verde original CC&N	$ 4,757,941	$ 10,068,311	$ 8,164,494	$ 767,844	$ 87,750	$ 2,722,149	$ 175,515	$ 99,421	$ 26,843,425
5	Santa Cruz and Palo Verde Eastern Exp	165,625	6,127,681	-	2,982,915	1,319,600	-	-	-	10,595,821
7	Santa Cruz and Palo Verde Southwest Exp	-	280,017	4,763,450	-	612,500	-	98,225	150,000	5,904,192
9	Santa Cruz and Palo Verde 387 District	-	3,792,300	3,874,408	-	-	602,300	-	-	8,269,008
11	Santa Cruz and Palo Verde Southeast Exp	-	-	262,800	-	-	-	-	-	262,800
13	Santa Cruz and Palo Verde N/NW2nd SW Exp	-	-	22,925	23,300	26,250	321,803	-	2,263,145	2,657,423
15	Santa Cruz and Palo Verde Future Southeast	-	-	-	882,411	1,000,000	-	-	-	1,882,411
17	TOTAL Santa Cruz / Palo Verde	$ 4,923,566	$ 20,268,309	$ 17,088,077	$ 4,656,470	$ 3,046,100	$ 3,646,252	$ 273,740	$ 2,512,566	$ 56,415,080

Line	ALLOCATION - SANTA CRUZ / PALO VERDE	THRU YR 2008	2009 to 2011	TOTALS	
23	Allocated to Palo Verde	$ 25,440,969	3,274,155	$ 28,715,124	
24	Allocated to Santa Cruz	$ 24,541,553	$ 3,158,403	$ 27,699,956	
25	**Total ICFS's Funds Collected**	$ 49,982,522	$ 6,432,558	$ 56,415,080	See Columns (A) thru (I) L17

Line				
28	**FURTHER ALLCOATION BASED ON CIAC / EXCESS CAPACITY - SANTA CRUZ**			
31	Funds Excluded from CIAC / Excess Capacity	$ 17,941,477	$ -	$ 17,941,477
33	Funds Included in CIAC	$ 6,600,076	$ 3,158,403	$ 9,758,479
35	Total ICFA funds from last rate case	$ 24,541,553	$ 3,158,403	$ 27,699,956
39	**FURTHER ALLCOATION BASED ON CIAC / EXCESS CAPACITY - PALO VERDE**			
42	Funds Excluded from CIAC / Excess Capacity	$ 14,449,844	$ -	$ 14,449,844
44	Funds Included in CIAC	$ 10,991,125	$ 3,274,155	$ 14,265,280
46	Total ICFA funds from last rate case	$ 25,440,969	$ 3,274,155	$ 28,715,124

PLANT SCHEDULES
YEAR ENDED DECEMBER 31, 2011

			(A)	(B)	(C)	(D)	(E)
Line No.	Acct No	Account Description	Plant Balance 12/31/2010	Additions	Other Costs	Disposals	RUCO Balance 12/31/2011
1	353	353 Land and Land Rights	186,342	-	-	-	$ 186,342
2	354	354 Structures and Improvements	22,855,163	61,771	-	-	22,916,934
3	355	355 Power Generation Equipment	356,501	4,595	-	-	361,096
4	360	360 Collection Sewers - Force	3,857,656	7,659	-	-	3,865,315
5	361	361 Collection Sewers - Gravity	47,558,359	226,926	-	-	47,785,285
6	363	363 Services to Customers	5,244,342	-	-	-	5,244,342
7	364	364 Flow Measuring Devices	23,636	-	-	-	23,636
8	370	370 Receiving Wells	1,921,877	-	-	-	1,921,877
9	371	371 Pumping Equipment	3,958,196	80,815	-		4,039,011
10	374	374 Reuse Distribution Reservoirs	11,043	22,978	-	-	34,021
11	375	375 Reuse Transmission and Distribution System	11,074,139	15,318	-	-	11,089,457
12	380	380 Treatment and Disposal Equipment	5,846,144	129,431	-	-	5,975,575
13	381	381 Plant Sewers	78,384	-	-	-	78,384
14	382	382 Outfall Sewer Lines	353,645	-	-		353,645
15	389	389 Other Plant and Miscellaneous Equipment	2,264,309	31,256	-	-	2,295,565
16	390	390 Office Furniture and Equipment	402,021	1,153	-	-	403,174
17	391	391 Transportation Equipment	170,644	2,878	-	-	173,522
18	393	393 Tools, Shop and Garage Equipment	106,797	7,453	-	-	114,250
19	394	394 Laboratory Equipment	24,614	327	-	-	24,941
20	395	395 Power Operated Equipment	10,320	30,828	-	-	41,148
21	396	396 Communication Equipment	39,288	36,950	-	-	76,238
22	397	397 Miscellaneous Equipment	362,822	6,501	-	-	369,323
23	398	398 Other Tangible Plant	1,592,799	3,372	-	-	1,596,171
24							
25		Total Plant in Service	$ 108,299,042	$ 670,211	$ -	$ -	$ 108,969,253
26							

References:
Company Schedules and RUCO Data Request 1.14

Global Utilities
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Test Year Ended December 31, 2011

Palo Verde Utilities Company
Schedule RBM-6
Page 1

SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	108,969,253	$ 818,395	$ -	$ -	$ 109,787,648
2	Accumulated Depreciation	(19,012,634)	-	-	-	(19,012,634)
3	Net Utility Plant In Service (L1 + L2)	$ 89,956,619	$ 818,395	$ -	$ -	$ 90,775,014
4	Advances In Aid Of Const.	$ (27,839,315)	$ -	$ -	$ -	$ (27,839,315)
5	Contribution In Aid Of Const.	$ (27,616,063)	$ -	$ 16,739,152	$ 10,846,549	$ (30,362)
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ (27,616,063)	$ -	$ 16,739,152	$ 10,846,549	$ (30,362)
8	Customer Meter Deposits	$ (669,926)	$ -	$ -	$ -	$ (669,926)
9	Deferred Income Taxes & Credits	$ 8,593,041	$ -	$ (6,469,574)	$ (4,192,121)	$ (2,068,654)
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 42,424,356	$ 818,395	$ 10,269,578	$ 6,654,428	$ 60,166,757

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

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Palo Verde Utilities Company
Schedule RBM-7
Page 1

SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	521	Metered Water Revenues	$ 12,423,785	$ -	$ 12,423,785	$ 1,337,539	$ 13,761,324
2	536	Unmetered Water Revenues	345,001	-	345,001		345,001
3	541	Other Water Revenues	338,742	-	338,742		338,742
4		TOTAL OPERATING REVENUE	$ 13,107,528	$ -	$ 13,107,528	$ 1,337,539	$ 14,445,067
	Operating Expenses:						
5	701	Salaries And Wages - Employees	$ 1,472,381	(152,280)	$ 1,320,101	$ -	$ 1,320,101
6	710	Purchased Water	-	-	-	-	-
7	715	Purchased Power	530,509	-	530,509	-	530,509
8	718	Chemicals	408,431	-	408,431	-	408,431
9	720	Materials And Supplies	114,852	-	114,852	-	114,852
10	721	Office Supplies and Expense	120,122	-	120,122	-	120,122
11	731	Contractural Services - Professional	901,541	-	901,541	-	901,541
12	735	Contractural Services - Testing	40,577	-	40,577	-	40,577
13	736	Contractural Services - Other	197,061	-	197,061	-	197,061
14	740	Rents	119,990	-	119,990	-	119,990
15	742	Rental of Equipment	-	-	-	-	-
16	750	Transportation Expense	76,568	-	76,568	-	76,568
17	755	Insurance Expense	102,147	-	102,147	-	102,147
18	759	Insurance Expense - Other	-	-	-	-	-
19	765	Regulatory Expense	112,973	(48,896)	64,077	-	64,077
20	767	Rate Case Expense	-	-	-	-	-
21	770	Bad Debt Expense	82,936	(11,624)	71,312	-	71,312
22	775	Miscellaneous Expense	485,687	(164,977)	320,710	-	320,710
23	403	Depreciation Expense	3,479,794	(33,629)	3,446,165	-	3,446,165
24	403	Depreciation Exp - CIAC Amort	(1,292)	360,178	358,886	-	358,886
25	408	Taxes Other than Income	9,500	-	9,500	-	9,500
26	408.1	Property Taxes	1,064,073	(101,341)	962,732	30,818	993,550
27	409	Income Taxes	682,693	161,448	844,141	500,344	1,344,484
28			-				
29		TOTAL OPERATING EXPENSES	$ 10,000,543	$ 8,878	$ 10,009,421	$ 531,162	$ 10,540,583
30		OPERATING INCOME (LOSS)	$ 3,106,985		$ 3,098,107		$ 3,904,484

References:
Column (A): Company Schedule C-1
Column (B): RLM-7, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
Column (E): Column (C) + Column (D)

Global Utilities
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Test Year Ended December 31, 2011

Palo Verde Utilities Company
Schedule RBM-8

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Left Blank	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 10 Property Taxes	(I) Adj. No 13 Income Taxes	(J) Total Pro Forma Adjustments	(K) Test Year Adjusted Results
	Revenues:											
1	521 Metered Water Revenues	$ 12,423,785	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,423,785
2	536 Other Water Revenues	345,001	-	-	-	-	-	-	-	-	-	345,001
3	541 Unmetered Water Revenues	338,742	-	-	-	-	-	-	-	-	-	338,742
4	TOTAL OPR'G REV.	$ 13,107,528	$ -	$ -	$ -	$ -	$ -		$ -		$ -	$ 13,107,528
5	Operating Expenses:											
6	701 Salaries And Wages - Employees	$ 1,472,381					$ (152,280)				$ (152,280)	$ 1,320,101
7	710 Purchased Water	-										-
8	715 Purchased Power	530,509									-	530,509
9	718 Chemicals	408,431									-	408,431
10	720 Materials And Supplies	114,852									-	114,852
11	721 Office Supplies and Expense	120,122									-	120,122
12	731 Contractural Services - Professional	901,541									-	901,541
13	735 Contractural Services - Testing	40,577									-	40,577
14	736 Contractural Services - Other	197,061									-	197,061
15	740 Rents	119,990									-	119,990
16	742 Rental of Equipment	-									-	-
17	750 Transportation Expense	76,568									-	76,568
18	755 Insurance Expense	102,147									-	102,147
19	759 Insurance Expense - Other	-									-	-
20	765 Regulatory Expense	112,973	(48,896)								(48,896)	64,077
21	767 Rate Case Expense	-									-	-
22	770 Bad Debt Expense	82,936				(11,624)					(11,624)	71,312
23	775 Miscellaneous Expense	485,687						(164,977)			(164,977)	320,710
24	403 Depreciation Expense	3,479,794			(33,629)						(33,629)	3,446,165
25	403 Depreciation Exp - CIAC Amort	(1,292)			360,178						360,178	358,886
26	408 Taxes Other than Income	9,500									-	9,500
27	408.1 Property Taxes	1,064,073							(101,341)		(101,341)	962,732
28	409 Income Taxes	682,693								161,448	161,448	844,141
29		-									-	-
30		-									-	-
31		-									-	-
32		-									-	-
33		-									-	-
34	Total Operating Expneses	$ 10,000,543	$ (48,896)	$ -	$ 326,549	$ (11,624)	$ (152,280)	$ (164,977)	$ (101,341)	$ 161,448	$ 8,878	$ 10,009,421
35		-										
36	Operating Income (Loss)	$ 3,106,985	$ 48,896	$ -	$ (326,549)	$ 11,624	$ 152,280	$ 164,977	$ 101,341	$ (161,448)	$ (8,878)	$ 3,098,107

References:
Column (A) See Company Schedule C-1; RBM-9
Columns (B) through (K) See RBM-10 through RBM-18

Global Utilities
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Test Year Ended December 31, 2011

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Annualized Revenue	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 BLANK	(H) Adj. No 7 Remove CIAC ICFA Depre	(I) Adj. No 8 BLANK	(J) Adj. No 9 Depre Test Yr Plant	(K) Adj. No 10 Phase In of Rates	(L) Adj. No 11 Bad Debts	(M) Adj. No 12 Property Tax	(N) Adj. No 13 License Fee	(O) Adj No. 14 Income Taxes	(P) Adj. No 20 Self Billing Adj	(O) Company Adjustments Test Year	(P) Company As Adjusted Test Year
	Revenues:																		
1	521 Metered Water Revenues	$ 10,763,095	$ -	$ -	$ -	$ 139,660	$ (564,294)	$ -	$ -	$ -		$ 2,080,277				$ -	$ 5,047	$ 1,660,690	$ 12,423,785
2	536 Other Water Revenues	345,001	-	-	-	-	-	-	-	-								-	345,001
3	541 Unmetered Water Revenues	303,836	-	-	-	33,333	1,573	-	-	-								34,906	338,742
4	TOTAL OPR'G REV.	$ 11,411,932	$ -	$ -	$ -	$ 172,993	$ (562,721)		$ -			$ 2,080,277					$ 5,047	$ 1,660,690	$ 13,107,528
5	Operating Expenses:																		
6	701 Salaries And Wages - Employees	$ 1,472,381	$ -		$ -		$ -		$ -									-	$ 1,472,381
7	710 Purchased Water	-	-		-		-		-									-	-
8	715 Purchased Power	523,952	-		-	6,557	-	-	-									6,557	530,509
9	718 Chemicals	403,612	-		-	4,819	-		-									4,819	408,431
10	720 Materials And Supplies	114,852	-		-		-		-									-	114,852
11	721 Office Supplies and Expense	120,122	-		-		-		-									-	120,122
12	731 Contractural Services - Professional	901,541																-	901,541
13	735 Contractural Services - Testing	40,577																-	40,577
14	736 Contractural Services - Other	197,061	-		-		-		-									-	197,061
15	740 Rents	119,990	-		-		-		-									-	119,990
16	742 Rental of Equipment	-	-		-		-		-									-	-
17	750 Transportation Expense	76,568	-		-		-		-									-	76,568
18	755 Insurance Expense	102,147	-		-		-		-									-	102,147
19	759 Insurance Expense - Other	-	-		-		-		-									-	-
20	765 Regulatory Expense	61,721	(53,333)	104,585														51,252	112,973
21	767 Rate Case Expense	-			-		-		-									-	-
22	770 Bad Debt Expense	72,207	-		-		-		-				10,729					10,729	82,938
23	775 Miscellaneous Expense	459,105	-		(8,407)		-		-						34,989			26,582	485,687
24	403 Depreciation Expense	3,479,794	-		-		-		-		-				-			-	3,479,794
25	403 Depreciation Exp - CIAC Amort	(368,101)	-		-		-		366,809									366,809	(1,292)
26	408 Taxes Other than Income	9,500	-		-		-		-									-	9,500
27	408 Property Taxes	520,532	-		-		-		-					543,541				543,541	1,064,073
28	409 Income Taxes	1,190,746	-		-		-		-							(508,053)		(508,053)	682,693
29		-	-		-		-		-									-	-
30		-	-		-		-		-									-	-
31		-	-		-		-		-									-	-
32		-	-		-		-		-									-	-
33																		-	-
34	Total Operating Expneses	$ 9,498,307	$ (53,333)	$ 104,585	$ (8,407)	$ 11,376	$ -	$ -	$ 366,809	$ -	$ -	$ -	$ 10,729	$ 543,541	$ 34,989	$ (508,053)	$ -	$ 502,236	$ 10,000,543
35																			
36	Operating Income (Loss)	$ 1,913,625	$ 53,333	$ (104,585)	$ 8,407	$ 161,617	$ (562,721)	$ -	$ (366,809)	$ -	$ -	$ 2,080,277	$ (10,729)	$ (543,541)	$ (34,989)	$ 508,053	$ 5,047	$ 1,158,454	$ 3,106,985

References:
Column (A): Company Schedule C-1
Column (B) through (N): Company Schedules C-2 pg. 1 through pg. 16
Column (O): Sum of Columns (B) through (N)
Column (P): Column (A) - Column (O)

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor (L34)			39.87%
4				
5	Palo Verde Utilities Company			$ 167,067
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 55,689
10				
11	Company Amortized Rate Case Expense for Palo Verde as Filed (Sch. C-2.2)			$ 104,585
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (48,896)
14				
15	RUCO Adjustment			$ (48,896)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
29					
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	(1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

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OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Plant Balance 12/31/2010	(B) Additions	(C) Other Costs	(D) Disposals	(E) RUCO Balance 12/31/2011
1	353	353 Land and Land Rights	-	-	-	-	$ -
2	354	354 Structures and Improvements	22,855,163	61,771	-	-	761,180
3	355	355 Power Generation Equipment	356,501	4,595	-	-	8,918
4	360	360 Collection Sewers - Force	3,857,656	7,659	-	-	96,451
5	361	361 Collection Sewers - Gravity	47,558,359	226,926	-	-	1,584,071
6	363	363 Services to Customers	5,244,342	-	-	-	349,798
7	364	364 Flow Measuring Devices	23,636	-	-	-	473
8	370	370 Receiving Wells	1,921,877	-	-	-	96,094
9	371	371 Pumping Equipment	3,958,196	80,815	-		495,280
10	374	374 Reuse Distribution Reservoirs	11,043	22,978	-	-	406
11	375	375 Reuse Transmission and Distribution System	11,074,139	15,318	-	-	245,863
12	380	380 Treatment and Disposal Equipment	5,846,144	129,431	-	-	117,052
13	381	381 Plant Sewers	78,384	-	-	-	2,610
14	382	382 Outfall Sewer Lines	353,645	-	-		29,459
15	389	389 Other Plant and Miscellaneous Equipment	2,264,309	31,256	-	-	45,317
16	390	390 Office Furniture and Equipment	402,021	1,153	-	-	26,819
17	391	391 Transportation Equipment	170,644	2,878	-	-	11,392
18	393	393 Tools, Shop and Garage Equipment	106,797	7,453	-	-	7,148
19	394	394 Laboratory Equipment	24,614	327	-	-	8,209
20	395	395 Power Operated Equipment	10,320	30,828	-	-	2,372
21	396	396 Communication Equipment	39,288	36,950	-	-	1,645
22	397	397 Miscellaneous Equipment	362,822	6,501	-	-	18,157
23	398	398 Other Tangible Plant	1,592,799	3,372	-	-	159,297
24							
		Total Plant in Service	$ 108,112,700	$ 670,211	$ -	$ -	$ 4,068,011

RUCO calculated depreciation on an account by account basis assuming that there are no fully depreciated assets. The Company calculates depreciation expense on each individual asset and when the asset if fully depreciated than depreciation expense is no longer calculates. RUCO ACCEPTS THE COMPANY DEPRECIATION FOR TEST YEAR.

References:
Company Schedules B-1 and RUCO Data Request 1.14

OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	Acct. No.	(A) COMPANY SLECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	-
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (24)			39.873%	
12					
13	Palo Verde Utilities Co.			$ (152,280)	
14					
15	Personnel Expense as Filed			$ 1,320,101	
16					
17	RUCO Pro Forma Expense (B15 + B13)			$ 1,167,820	
18					
19	RUCO Adjustment (B17-B15)			$ (152,280)	
20					

Line No.	Allocation Factor Based on Test Year Revenue	Operating Revenue	Percent of Total	Adjustment by System
21				
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08
Column (C) -- Company Schedules C-2

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

Line	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
2												
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
4												
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
6												
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
8												
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
10												
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
12												
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
14												
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
16												
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
18												
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
20												
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
22												
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
24												
25		**Total**	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831)	# $ (194,371)	# $ (26,087)
26												

Line	Allocation Factor By System Revenue	Operating Revenue	%t of Total Revenue	Allowed Dues
27				
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water L	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B-J) RUCO Data Requests 5.02, 6 & 1.09

OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$ 13,107,528	$ 13,107,528
2	Multiplied by 2	2	2
3	Subtotal (L1 X L2)	$ 26,215,056	$ 26,215,056
4a	Adjusted Test Year Revenues	13,107,528	
4b	Recommended Revenue, Per Schedule		14,445,067
5	Subtotal (L3 + L4a)	$ 39,322,584	$ 40,660,123
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$ 13,107,528	$ 13,553,374
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (L7 X L8)	$ 26,215,056	$ 27,106,749
10	Plus: 10% of CWIP Per Company Schedule E	1,648,165	1,648,165
11	Less: Net Book Value of Licensed Vehicles	7,190	7,190
12	Full Cash Value (Line 9 + L10 - L11)	$ 27,856,031	$ 28,747,724
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (L12 * L13)	$ 5,292,646	$ 5,462,067
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation Analysis W/P)	18.1900%	18.1900%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$ 962,732	
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)	1,064,073	
18	RUCO Test Year Adjustment (L16-L17)	$ (101,341)	
19	Property Tax - RUCO Recommended Revenue (L14 * L15)		$ 993,550
20	RUCO Test Year Adjusted Property Tax Expense (L16)		962,732
21	Increase/(Decrease) to Property Tax Expense		$ 30,818
22	Increase/(Decrease) to Property Tax Expense		$ 30,818
23	Increase in Revenue Requirement		1,337,539
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)		2.30407%

OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No.	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Expense As Filed by Company - RBM-7 Col (A) Ln 27	$	682,693
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO RBM-7 Col (C) Ln 27		844,141
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	161,448
7			

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	Long-term Debt	$ 62,047,253	$ -	$ 62,047,253	51.73%	6.36%	3.29%
3	Common Equity	$ 57,892,796	$ -	$ 57,892,796	48.27%	8.50%	4.10%
4	TOTAL CAPITAL	$ 119,940,049	$ -	$ 119,940,049	100.00%		
5	COST OF CAPITAL						7.39%

References:
Columns (A) Thru (F): Testimony, WAR

Global Utilities
Docket No. W-01212A-12-309 et al
Test Year Ended December 31, 2011

Palo Verde Utilities Company
Schedule RBM-5
Page 1

COMPANY PLANT BALANCES SINCE LAST RATE CASE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Total Plant Value 2008	(B) Additions	(C) Other Costs	(D) Disposals	(E) Balance 2009	(F) Additions 2010	(G) Other Costs 2010	(H) Disposals	(I) Balance 2010	(J) Additions 2011	(K) Other Costs 2011	(L) Disposals	(M) v Balance 2011
1	303	Land and Land Rights	$ 44,856	$ 334	$ -	$ -	$ 45,190	$ 319	$ -	$ -	$ 45,508	$ 17,338	$ -	$ -	$ 62,847
2	304	Structures and Improvements	9,447,338	(10,660)	125,487	-	9,562,165	2,200	-	-	9,564,365	1,739	-	-	9,566,105
3	305	Collecting and impounding Reservoirs	-				-		-		-				-
4	306	Lake, River and Other Intakes	1,855	-	-	-	1,855	-	-	-	1,855	-	-	-	1,855
5	307	Wells and Springs	3,694,926	(3)	-	(8,173)	3,686,749	21,511	-	-	3,708,260	751,217	-	-	4,459,478
6	308	Infiltration Galleries	-				-		-		-				-
7	309	Supply Mains	2,086,246	-	-	-	2,086,246	97,997	-	-	2,184,243	156,531	-	-	2,340,773
7	310	Power Generation Equipment	323,093	1,059	-	-	324,152	-	-	-	324,152	803	-	-	324,955
8	311	Pumping Equipment	6,353,511	259,155	(31,723)	-	6,580,943	65,227	-	-	6,646,169	136,373	-	-	6,782,543
8	320	Water Treatment Equipment	12,554	-	-	-	12,554	-	-	-	12,554	14,541	-	-	27,095
9	330	Distribution Reservoirs and Standpipes	1,367,063	6,528	-	-	1,373,591	-	-	-	1,373,591	4,683	-	-	1,378,274
10	331	Transmission and Distribution Mains	44,478,940	112,186	(25,450)	(289,411)	44,276,266	94,071	-	-	44,370,337	28,246	-	-	44,398,583
11	333	Services	4,598,396	46,741	-	-	4,645,137	-	-	-	4,645,137	303	-	-	4,645,440
12	334	Meters and Meter Installations	3,553,579	143,507	-	(2,546)	3,694,539	64,457	-	(21,310)	3,737,686	60,669	-	(5,500)	3,792,855
13	335	Hydrants	4,305,040	25,725	-	(14,770)	4,315,994	-	-	-	4,315,994	-	-	(11,500)	4,304,494
14	336	Backflow Prevention Devices	26,572	-	-	-	26,572	-	-	(14,910)	11,662	3,482	-	-	15,144
15	339	Other Plant and Miscellaneous Equipment	122,823	-	-	-	122,823	27,512	-	-	150,335	1,488	-	(64)	151,759
16	340	Office Furniture And Equipment	1,033,413	-	-	-	1,033,413	3,954	-	-	1,037,367	-	-	-	1,037,367
17	340.1	Computers and Software	43,296	50,116	-	-	93,412	2,879	-	-	96,292	(3,096)	-	-	93,195
18	341	Transportation Equipment	596,576	-	-	(20,483)	576,093	-	-	-	576,093	9,102	-	-	585,195
19	342	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	343	Tools, Shop And Garage Equip	65,276	5,107	-	-	70,383	-	-	-	70,383	1,742	-	-	72,125
21	344	Laboratory Equipment	107,172	-	-	(4,109)	103,063	-	-	-	103,063	-	-	-	103,063
22	345	Power Operated Equipment	60,372	-	-	-	60,372	-	-	-	60,372	-	-	-	60,372
23	346	Communication Equipment	565,936	42,452	-	-	608,388	7,716	-	-	616,104	13,609	-	-	629,714
24	347	Miscellaneous Equipment	80,859	2,913	-	-	83,772	-	-	(835)	82,937	2,290	-	-	85,226
25	348	Other Tangible Equipment	4,783,710	343,336	-	-	5,127,046	14627.38	-	-	5,141,673	-	-	-	5,141,673
26		Offic((Incorrect Account No)	-			(1,545)	(1,545)				(1,545)				(1,545)
27												11,131			11,131
28															
29															
30		TOTAL PLANT IN SERVICE	$ 87,753,402	$ 1,028,495	$ 68,314	$ (341,038)	$ 88,509,173	$ 402,470	$ -	$ (37,056)	$ 88,874,587	$ 1,212,191	$ -	$ (17,064)	$ 90,069,714

References:
Column (A) agrees with Decision No. 71878
Column (B) through (M) RUCO Data Request 1.14

TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost	(B) RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	$ 38,014,243	$ 33,994,203
2			
3	Adjusted Operating Income (Loss)	$ 1,675,030	$ 1,666,872
4			
5	Current Rate Of Return (L3 / L1)	4.41%	4.90%
6			
7	Required Operating Income (L9 X L1)	$ 3,341,452	$ 2,537,188
8			
9	Required Rate Of Return On Fair Value Rate Base	8.79%	7.46%
10			
11	Operating Income Deficiency (L7 - L3)	$ 1,666,422	$ 870,315
12			
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)	1.6371	1.6709
14			
15	Increase In Gross Revenue Requirement (L11 X L13)	$ 2,728,053	$ 1,454,179
16			
17	Adjusted Test Year Revenue	$ 10,463,460	$ 10,463,460
18			
19	Proposed Annual Revenue (L15 + L17)	$ 13,191,513	$ 11,917,639
20			
21	Required Percentage Increase In Revenue (L15 / L17)	26.07%	13.90%
22			
23	Rate Of Return On Common Equity	11.44%	8.50%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.4326%		
3	Revenues (L1 - L2)	99.5674%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	39.7181%		
5	Subtotal (L3 - L4)	59.8493%		
6	**Revenue Conversion Factor (L1 / L5)**	1.670864		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	38.2900%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.7100%		
10	Uncollectible Rate	0.00701		
11	Uncollectible Factor (L9 * L10)	0.4326%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.7900%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.2900%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	38.2900%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.7100%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	2.3142%		
22	Effective Property Tax Factor (L20 x L21)		1.4281%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			39.7181%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 2,537,188		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	1,666,872		
26	Required Increase in Operating Income (L24 - L25)		$ 870,315	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 817,864		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	277,848		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		540,016	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L30	$ 11,917,639		
31	Uncollectible Rate (L10)	0.00701		
32	Uncolliectible Expense on Recommended Revenue (L30 x L31)	$ 83,553		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L19)	$ 73,358		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		10,195	
35	Property Tax with Recommended Revenue (Sch. RBM -8, Col. (K), L24)	$ 845,341		
36	Property Tax on Test Year Revenue (Sch. RBM-16)	811,688		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		33,653	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 1,454,179	

LINE NO.	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 10,463,460	$ 1,454,179	$ 11,917,639
40	Operating Expenses Excluding Income Taxes	$ 8,518,740		$ 8,562,587
41	Synchronized Interest (Col. [C], L57)	$ 1,219,079		$ 1,219,079
42	Arizona Taxable Income (L39 - L40 - L41)	$ 725,642		$ 2,135,973
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ 47,167		$ 138,838
45	Federal Taxable Income (L42 - L44)	$ 678,475		$ 1,997,135
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 6,250		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ 8,500		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ 91,650		$ 91,650
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ 116,781		$ 565,126
51	Total Federal Income Tax	$ 230,681		$ 679,026
52	Combined Federal and State Income Tax (L44 + L51)	$ 277,848		$ 817,864
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%
54	Synchronized Interest Calculation			
55	Rate Base			$ 33,994,203
56	Weighted Average Cost of Debt			3.59%
57	Synchronized Interest			$ 1,219,079

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SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FVRB	(B) Adj No. 1 Post Test Year Plant	(C) Adj No. 2 CIAC Related to ICFA's	(D) Adj No. 3 Non CIAC Related to ICFA's	(E) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$ 90,376,391	$ (291,762)			$ 90,084,629
2		-				
3	Accumulated Depreciation	(19,047,719)	-			(19,047,719)
4	Net Utility Plant In Service (L1 + L3)	$ 71,328,672	$ (291,762)			$ 71,036,910
5						
6	Advances In Aid Of Const.	$ (33,414,961)				$ (33,414,961)
7		-				
8	Contribution In Aid Of Const.	$ (77,293)		$ (7,387,598)		$ (7,464,891)
9	Accumulated Amortization Of CIAC	-		1,317,459		$ 1,317,459
10	NET CIAC (L8 + L9)	$ (77,293)	$ -	$ (6,070,139)		$ (6,147,432)
11						
12	Customer Meter Deposits	$ (1,193,499)	$ -			$ (1,193,499)
13						
14	Deferred Income Taxes & Credits	$ 1,371,325	$ -	$ 2,341,860		$ 3,713,185
15						
16	Unamortized Finance Charges	$ -	$ -			$ -
17						
18	Deferred Regulatory Assets	$ -	$ -			$ -
19						
20	Allowance For Working Capital	$ -	$ -			$ -
21						
22						
23	TOTAL RATE BASE (Sum L's 4,6,10-20)	$ 38,014,244	$ (291,762)	$ (3,728,279)		$ 33,994,203

References:
Column (A) Company Schedule B-1
Column (B) RBM-3 page 1

RATE BASE ADJUSTMENT NO. 1
RUCO POST TEST YEAR PLANT ADJUSTMENTS

	(A)	(B)	(C)	(D)	(E)		(F)
	Company's Initial Filing			**Co. Follow Up Response**			**RUCO Adjustment**
	Date Const Began	Date Const est to be Completed	Included in Rate Base Initial Est	Date Const Actually Completed	Final Costs/ as of March 31, 2013		
Global Water - Santa Cruz							
Edison Rd Waterline Ext	Aug 2012	Aug 2012	$ 300,742	Dec 2012	$ 240,224		$ (300,742)
RED WDC Chl Sys Replacement	Jan 2012	Jan 2012	6,149	April 2012	15,129		8,980
TOTALS			$ 306,891		$ 255,353		$ (291,762)
Willow Valley Water Company							
WVR SCADA - WVWC	Oct 2012	Oct 2012	$ 80,436	Not Started	-		$ (80,436)
TOTALS			$ 80,436		-		$ (80,436)
Water Utility of Greater Tonopah							
West Phoenix 6 Elec Upgrades	Nov 2012	Dec 2012	$ 3,076	Dec 2012	$ 3,501		$ (3,076)
West Phoenix 6 Fluoride	Nov 2012	Dec 2012	8,625	Jan 2013	18,693		(8,625)
WPE 6 Tank and Well Replacmt	May 2012	June 2012	95,082	Dec 2012	128,934		(95,082)
TOTALS			$ 106,783		$ 151,128		$ (106,783)
Valencia Water Company							
Bales Fill Line	July 2012	July 2012	$ 78,750	In Progress	$ 12,027		$ (78,750)
Buena Vista Fill Line	July 2012	July 2012	203,702	In Progress	20,004		(203,702)
Pima Road Waterline	April 2012	April 2012	182,563	Sept 2012	195,474		(182,563)
WVR SCADA Command Sta Imp	July 2012	July 2012	136,029	Jan 2013	21,962		(136,029)
SVWDC Optimization	June 2012	June 2012	71,526	Feb 2013	48,565		(71,526)
TOTALS			$ 672,570		$ 298,032		$ (672,570)
Global Water - Palo Verde Utilities							
Campus I WRF Ph 3 Exp	Nov 2008	June 2012	$ 119,810	Dec 2011	$ 119,810		$ -
PVUC In Pipe Odor Control	Mar 2012	June 2012	52,022	Nov 2012	57,397	Note (1)	(52,022)
PVUC Lagoon Clean Closure	April 2012	July 2012	406,949	Dec 2012	543,461	Note (1)	(406,949)
PVUC PEQB	April 2012	July 2012	12,564	Dec 2012	48,475	Note (1)	(12,564)
SRW MH Rehab and LS Imp Ph I	Dec 2010	Feb 2012	6,408	Dec 2012	3,295	Note (1)	(6,408)
PVUC WRF Headworks Rehab	Sept 2012	Sept 2012	69,132	Dec 2012	84,155	Note (1)	(69,132)
Sewer Manhole Rehab	Oct 2012	Oct 2012	66,509	Dec 2012	68,199	Note (1)	(66,509)
Edison Rd Sewer Ln Ext	Aug 2012	Aug 2012	85,000	Dec 2012	110,734	Note (1)	(85,000)
			$ 818,394		$ 1,035,526		$ (698,584)

References:
Columns (A), (B), (C) - Fleming Testimony pages 21 and 22. Company included in rate base.
Columns (D), (E) - Company Response to RUCO Data Request No. 2.01
NOTE (1): See Column (F) The costs for projects not completed and placed in service by June 30, 2012, were adjusted and excluded from rate base by RUCO

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RATE BASE ADJUSTMENT NO. 2
RUCO POST TEST YEAR PLANT DEPRECIATION & A/D ADJUSTMENTS

	(A) Company Initial Filing Included in Rate Base Initial Est	(B) Date Const Actually Completed	(C) Company Final Costs/ as of March 31, 2013	(D) RUCO Adjustment PTY Plant	(E) Company Calculated Depreciation	(F) RUCO Calculated Depreciation	(G) RUCO Adjustment Depre & A/D
Global Water - Santa Cruz							
Edison Rd Waterline Ext	$ 300,742	Dec 2012	$ 240,224	$ (300,742)			
RED WDC Chl Sys Replacement	6,149	April 2012	15,129	8,980			
TOTALS	$ 306,891		$ 255,353	$ (291,762)	$ 15,345	$ 757	$ (14,588)
Willow Valley Water Company							
WVR SCADA - WVWC	$ 80,436	Not Started	-	$ (80,436)			
TOTALS	$ 80,436		-	$ (80,436)	$ 4,022	$ -	$ (4,022)
Water Utility of Greater Tonopah							
West Phoenix 6 Elec Upgrades	$ 3,076	Dec 2012	$ 3,501	$ (3,076)			
West Phoenix 6 Fluoride	8,625	Jan 2013	18,693	(8,625)			
WPE 6 Tank and Well Replacmt	95,082	Dec 2012	128,934	(95,082)			
TOTALS	$ 106,783		$ 151,128	$ (106,783)	$ 5,339	$ -	$ (5,339)
Valencia Water Company							
Bales Fill Line	$ 78,750	In Progress	$ 12,027	$ (78,750)			
Buena Vista Fill Line	203,702	In Progress	20,004	(203,702)			
Pima Road Waterline	182,563	Sept 2012	195,474	(182,563)			
WVR SCADA Command Sta Imp	136,029	Jan 2013	21,962	(136,029)			
SVWDC Optimization	71,526	Feb 2013	48,565	(71,526)			
TOTALS	$ 672,570		$ 298,032	$ (672,570)	$ 33,629	$ -	$ (33,629)
Global Water - Palo Verde Utilities							
Campus I WRF Ph 3 Exp	$ 119,810	Dec 2011	$ 119,810	$ -			
PVUC In Pipe Odor Control	52,022	Nov 2012	57,397	(52,022)			Note (1)
PVUC Lagoon Clean Closure	406,949	Dec 2012	543,461	(406,949)			
PVUC PEQB	12,564	Dec 2012	48,475	(12,564)			
SRW MH Rehab and LS Imp Ph I	6,408	Dec 2012	3,295	(6,408)			
PVUC WRF Headworks Rehab	69,132	Dec 2012	84,155	(69,132)			
Sewer Manhole Rehab	66,509	Dec 2012	68,199	(66,509)			
Edison Rd Sewer Ln Ext	85,000	Dec 2012	110,734	(85,000)			
	$ 818,394		$ 1,035,526	$ (698,584)	$ 40,920	$ 5,991	$ (34,929)

References:
Columns (A), (B), (C), (D) - See Sch RBM-2
Columns (E) - Company Schedules and testimony of Mr. Brett Higgabotham

NOTE (1): RUCO Depreciation and A/D adjustment calculated as follows:

Column (E) / Column (A)	15,345		
	306,891	5.00%	Depreciation allowance as calculated by Company
Column (A) less Column (D)	$ 306,891		
	$ 291,762		
		$ 15,129	Test Year Plant as proposed by RUCO
Depreciation expense proposed by RUCO		$ 757	
Depreciation expense proposed by Company		$ 15,345	
RUCO proposed depreciation and A/D adjustment related to Post Test Year Plant		$ (14,588)	

POST TEST YEAR ADJUSTMENT NO. 3
INFRASTRUCTURE COORDINATION AND CONSTRUCTION AGREEMENTS

		SANTA CRUZ			PALO VERDE			TONOPAH		
Line No.		(A) Total Fees Collected	(B) Allocated to Excess Cap.	(C) Allocated to CIAC	(A) Total Fees Collected	(B) Allocated to Excess Cap.	(C) Allocated to CIAC	(A) Total Fees Collected	(B) Allocated to Hassayampa	(C) Allocated to CIAC
1										
2	ICFA Fees Collected									
3										
4	Included in last rate filing	$ 24,541,553	$ 17,941,477	$ 6,600,076	$ 25,440,969	$ 14,449,844	$ 10,991,125	$ 9,226,100	$ 2,140,455	$ 7,085,645
5										
6	Fees Collected Since Last Rate Case	3,158,403	2,370,881	787,522	3,274,155	1,699,111	1,575,044	569,940	132,226	437,714
7										
8	Total ICFA Fees Collected	$ 27,699,956	$ 20,312,358	$ 7,387,598	$ 28,715,124	$ 16,148,955	$ 12,566,169	$ 9,796,040	$ 2,272,681	$ 7,523,359
9										
10	Calculation of ICFA Amortization									
11										
12	Amortization Expense Last Rate Filing	$ -	$ -	$ 494,849	$ -	$ -	$ 667,381	$ -	$ -	$ 236,248
13										
14	Amortization from 2008 thru 2011	-	-	822,610	-	-	$ 1,052,281	$ -	$ -	$ 819,250
15										
16	Total ICFA Accu. Amortization Expense thru Test Year			$ 1,317,459			$ 1,719,622			$ 1,719,622
17										
18										
19	Amortization Expense for Test Year 2011									
20										
21	First Quarter	$ 6,600,076	$ 66,951		First Quarter	$ 10,991,128	$ 88,221	First Quarter	$ 7,523,359	$ 54,921
22	Second Quarter	6,600,076	66,888		Second Quarter	11,057,409	85,406	Second Quarter	7,523,359	148,210
23	Third Quarter	6,633,216	66,607		Third Quarter	11,057,409	91,757	Third Quarter	7,523,359	130,154
24	Fourth Quarter	7,387,598	70,968		Fourth Quarter	12,566,172	94,794	Fourth Quarter	7,523,359	134,668
25										
26	Total Amortization Expense		$ 271,414		Total Amortization Expense		$ 360,178	Total Amortization Expense		$ 467,953

Reference:
Balances from last rate filing - See Decision No. 71878
Details of information obtained since last rate filing - On Site Review
Current Amortization from on site review

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SCHEDULE OF AGREEMENTS, INCLUDING ICFS's

Line No.		(A) 2004	(B) 2005	(C) 2006	(D) 2007	(E) 2008	(F) 2009	(G) 2010	(H) 2011	(I) TOTAL
1	**Santa Cruz and Palo Verde Utilities**									
2										
3	Santa Cruz and Palo Verde original CC&N	$ 4,757,941	$ 10,068,311	$ 8,164,494	$ 767,844	$ 87,750	$ 2,722,149	$ 175,515	$ 99,421	$ 26,843,425
4										
5	Santa Cruz and Palo Verde Eastern Exp	165,625	6,127,681	-	2,982,915	1,319,600	-	-	-	10,595,821
6										
7	Santa Cruz and Palo Verde Southwest Exp	-	280,017	4,763,450	-	612,500	-	98,225	150,000	5,904,192
8										
9	Santa Cruz and Palo Verde 387 District	-	3,792,300	3,874,408	-	-	602,300	-	-	8,269,008
10										
11	Santa Cruz and Palo Verde Southeast Exp	-	-	262,800	-	-	-	-	-	262,800
12										
13	Santa Cruz and Palo Verde N/NW2nd SW Exp	-	-	22,925	23,300	26,250	321,803	-	2,263,145	2,657,423
14										
15	Santa Cruz and Palo Verde Future Southeast	-	-	-	882,411	1,000,000	-	-	-	1,882,411
16										
17	TOTAL Santa Cruz / Palo Verde	$ 4,923,566	$ 20,268,309	$ 17,088,077	$ 4,656,470	$ 3,046,100	$ 3,646,252	$ 273,740	$ 2,512,566	$ 56,415,080

Line No.		THRU YR 2008	2009 to 2011	TOTALS	
18					
19					
20					
21	**ALLOCATION - SANTA CRUZ / PALO VERDE**	**THRU YR 2008**	**2009 to 2011**	**TOTALS**	
22					
23	Allocated to Palo Verde	$ 25,440,969	3,274,155	$ 28,715,124	
24	Allocated to Santa Cruz	$ 24,541,553	$ 3,158,403	$ 27,699,956	
25	**Total ICFS's Funds Collected**	$ 49,982,522	$ 6,432,558	$ 56,415,080	See Columns (A) thru (I) L17
26					
27					
28	**FURTHER ALLCOATION BASED ON CIAC / EXCESS CAPACITY - SANTA CRUZ**				
29					
30					
31	Funds Excluded from CIAC / Excess Capacity	$ 17,941,477	$ -	$ 17,941,477	
32					
33	Funds Included in CIAC	$ 6,600,076	$ 3,158,403	$ 9,758,479	
34					
35	Total ICFA funds from last rate case	$ 24,541,553	$ 3,158,403	$ 27,699,956	
36					
37					
38					
39	**FURTHER ALLCOATION BASED ON CIAC / EXCESS CAPACITY - PALO VERDE**				
40					
41					
42	Funds Excluded from CIAC / Excess Capacity	$ 14,449,844	$ -	$ 14,449,844	
43					
44	Funds Included in CIAC	$ 10,991,125	$ 3,274,155	$ 14,265,280	
45					
46	Total ICFA funds from last rate case	$ 25,440,969	$ 3,274,155	$ 28,715,124	

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COMPANY PLANT BALANCES SINCE LAST RATE CASE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Total Plant Value 2008	(B) Additions	(C) Other Costs	(D) Disposals	(E) Balance 2009	(F) Additions 2010	(G) Other Costs 2010	(H) Disposals	(I) Balance 2010	(J) Additions 2011	(K) Other Costs 2011	(L) Disposals	(M) Balance 2011
1	303	Land and Land Rights	$ 44,856	$ 334	$ -	$ -	$ 45,190	$ 319	$ -	$ -	$ 45,508	$ 17,338	$ -	$ -	$ 62,847
2	304	Structures and Improvements	9,447,338	(10,660)	125,487	-	9,562,165	2,200	-	-	9,564,365	1,739	-	-	9,566,105
3	305	Collecting and impounding Reservoirs	-				-		-		-				-
4	306	Lake, River and Other Intakes	1,855	-	-	-	1,855	-	-	-	1,855	-	-	-	1,855
5	307	Wells and Springs	3,694,926	(3)	-	(8,173)	3,686,749	21,511	-	-	3,708,260	751,217	-	-	4,459,478
6	308	Infiltration Galleries	-				-		-		-				-
7	309	Supply Mains	2,086,246	-	-	-	2,086,246	97,997	-	-	2,184,243	156,531	-	-	2,340,773
7	310	Power Generation Equipment	323,093	1,059	-	-	324,152	-	-	-	324,152	803	-	-	324,955
8	311	Pumping Equipment	6,353,511	259,155	(31,723)	-	6,580,943	65,227	-	-	6,646,169	136,373	-	-	6,782,543
8	320	Water Treatment Equipment	12,554	-	-	-	12,554	-	-	-	12,554	14,541	-	-	27,095
9	330	Distribution Reservoirs and Standpipes	1,367,063	6,528	-	-	1,373,591	-	-	-	1,373,591	4,683	-	-	1,378,274
10	331	Transmission and Distribution Mains	44,478,940	112,186	(25,450)	(289,411)	44,276,266	94,071	-	-	44,370,337	28,246	-	-	44,398,583
11	333	Services	4,598,396	46,741	-	-	4,645,137	-	-	-	4,645,137	303	-	-	4,645,440
12	334	Meters and Meter Installations	3,553,579	143,507	-	(2,546)	3,694,539	64,457	-	(21,310)	3,737,686	60,669	-	(5,500)	3,792,855
13	335	Hydrants	4,305,040	25,725	-	(14,770)	4,315,994	-	-	-	4,315,994	-	-	(11,500)	4,304,494
14	336	Backflow Prevention Devices	26,572	-	-	-	26,572	-	-	(14,910)	11,662	3,482	-	-	15,144
15	339	Other Plant and Miscellaneous Equipment	122,823	-	-	-	122,823	27,512	-	-	150,335	1,488	-	(64)	151,759
16	340	Office Furniture And Equipment	1,033,413	-	-	-	1,033,413	3,954	-	-	1,037,367	-	-	-	1,037,367
17	340.1	Computers and Software	43,296	50,116	-	-	93,412	2,879	-	-	96,292	(3,096)	-	-	93,195
18	341	Transportation Equipment	596,576	-	-	(20,483)	576,093	-	-	-	576,093	9,102	-	-	585,195
19	342	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	343	Tools, Shop And Garage Equip	65,276	5,107	-	-	70,383	-	-	-	70,383	1,742	-	-	72,125
21	344	Laboratory Equipment	107,172	-	-	(4,109)	103,063	-	-	-	103,063	-	-	-	103,063
22	345	Power Operated Equipment	60,372	-	-	-	60,372	-	-	-	60,372	-	-	-	60,372
23	346	Communication Equipment	565,936	42,452	-	-	608,388	7,716	-	-	616,104	13,609	-	-	629,714
24	347	Miscellaneous Equipment	80,859	2,913	-	-	83,772	-	-	(835)	82,937	2,290	-	-	85,226
25	348	Other Tangible Equipment	4,783,710	343,336	-	-	5,127,046	14627.38	-	-	5,141,673	-	-	-	5,141,673
26		Offic((Incorrect Account No)	-			(1,545)	(1,545)				(1,545)				(1,545)
27												11,131			11,131
28															
29															
30		Total Plant in Service	$ 87,753,402	$ 1,028,495	$ 68,314	$ (341,038)	$ 88,509,173	$ 402,470	$ -	$(37,056)	$ 88,874,587	$ 1,212,191	$ -	$ (17,064)	$ 90,069,714

References:
Column (A) agrees with Decision No. 71878
Column (B) through (M) RUCO Data Request 1.14

SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	90,069,499	$ 306,892	$ -	$ -	$ 90,376,391
2	Accumulated Depreciation	(19,047,719)	-	-	-	(19,047,719)
3	Net Utility Plant In Service (L1 + L2)	$ 71,021,780	$ 306,892	$ -	$ -	$ 71,328,672
4	Advances In Aid Of Const.	$ (33,414,961)	$ -	$ -	$ -	$ (33,414,961)
5	Contribution In Aid Of Const.	$ (26,299,864)	$ -	$ 20,152,432	$ 6,070,139	$ (77,293)
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ (26,299,864)	$ -	$ 20,152,432	$ 6,070,139	$ (77,293)
8	Customer Meter Deposits	$ (1,193,499)	$ -	$ -	$ -	$ (1,193,499)
9	Deferred Income Taxes & Credits	$ 11,487,555	$ -	$ (7,774,472)	$ (2,341,758)	$ 1,371,325
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 21,601,011	$ 306,892	$ 12,377,960	$ 3,728,381	$ 38,014,244

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

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SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 10,083,750	$ -	$ 10,083,750	$ 1,454,179	$ 11,537,929
2	460	Unmetered Water Revenues	-	-	-	-	-
3	474	Other Water Revenues	379,710	-	379,710	-	379,710
4		TOTAL OPERATING REVENUE	$ 10,463,460	$ -	$ 10,463,460	$ 1,454,179	$ 11,917,639
	Operating Expenses:						
5	601	Salaries And Wages - Employees	$ 1,268,835	(142,858)	$ 1,125,977	$ -	$ 1,125,977
6	610	Purchased Water	-	-	-	-	-
7	615	Purchased Power	768,901	-	768,901	-	768,901
8	618	Chemicals	53,341	-	53,341	-	53,341
9	620	Materials And Supplies	47,783	-	47,783	-	47,783
10	621	Office Supplies and Expense	90,035	-	90,035	-	90,035
11	630	Outside Services	1,053,640	-	1,053,640	-	1,053,640
12	635	Contractural Services - Testing	32,871	-	32,871	-	32,871
	636	Contractural Services - Other	-	-	-	-	-
13	641	Rental of Building / Real Property	121,973	-	121,973	-	121,973
14	650	Transportation Expenses	67,733	-	67,733	-	67,733
15	657	Insurance - General Liability	74,487	-	74,487	-	74,487
16	659	Insurance - Other	26,232	-	26,232	-	26,232
17	666	Regulatory Comm. Exp. - Rate Case	105,801	(53,558)	52,243	-	52,243
18	670	Bad Debt Expense	53,925	19,433	73,358	10,195	83,553
19	675	Miscellaneous Expense	373,190	(194,371)	178,819	-	178,819
20	403	Depreciation Expense	3,617,417	14,588	3,632,005	-	3,632,005
21	403	Depreciation Expense - CIAC Amort.	(3,770)	271,414	267,644	-	267,644
22	408	Taxes Other than Income	40,010	-	40,010	-	40,010
23	408.1	Taxes Other that Income - Property	897,129	(85,441)	811,688	33,653	845,341
24	409	Income Taxes	98,898	178,950	277,848	540,016	817,864
25			-	-	-	-	-
26			-				
27			-				
28			-				
29		Total Operating Expenses	$ 8,788,431	$ 8,157	$ 8,796,588	$ 583,864	$ 9,380,451
30		Operating Income (Loss)	$ 1,675,029		$ 1,666,872		$ 2,537,188

References:
Column (A): Company Schedule C-1
Column (B): RBM-8, Columns (B) Thru (J)
Column (C): Column (A) + Column (B)
Column (D): Sch. RBM-1, Column (B), L8: Sch RBM-1 page 2 L52
Column (E): Column (C) + Column (D)

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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	Acct No.	Description	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Left Blank	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 7 Property Taxes	(I) Adj. No 8 Income Taxes	(J) Total Pro Forma Adjustments	(K) Company As Adjusted Test Year
		Revenues:											
1	461	Metered Water Revenues	$ 10,083,750	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 10,083,750
2	460	Other Water Revenues	-	-	-	-	-	-	-	-	-		$ -
3	474	Unmetered Water Revenues	379,710	-	-	-	-	-	-	-	-		$ 379,710
4		TOTAL OPR'G REV.	$ 10,463,460	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,463,460
		Operating Expenses:											
5	601	Salaries And Wages - Employees	$ 1,268,835					$ (142,858)				$ (142,858)	1,125,977
6	610	Purchased Water	-									-	-
7	615	Purchased Power	768,901									-	768,901
8	618	Chemicals	53,341									-	53,341
9	620	Materials And Supplies	47,783									-	47,783
10	621	Office Supplies and Expense	90,035									-	90,035
11	630	Outside Services	1,053,640									-	1,053,640
12	635	Contractural Services - Testing	32,871									-	32,871
13	636	Contractural Services - Other	-									-	-
14	641	Rental of Building / Real Property	121,973									-	121,973
15	650	Transportation Expenses	67,733									-	67,733
16	657	Insurance - General Liability	74,487									-	74,487
17	659	Insurance - Other	26,232									-	26,232
18	666	Regulatory Comm. Exp. - Rate Case	105,801	(53,558)								(53,558)	52,243
19	670	Bad Debt Expense	53,925				19,433					19,433	73,358
20	675	Miscellaneous Expense	373,190						(194,371)			(194,371)	178,819
21	403	Depreciation Expense	3,617,417			14,588						14,588	3,632,005
22	403	Depreciation Expense - CIAC Amort.	(3,770)			271,414						271,414	267,644
23	408	Taxes Other than Income	40,010									-	40,010
24	408.1	Taxes Other that Income - Property	897,129							(85,441)		(85,441)	811,688
25	409	Income Taxes	98,898								178,950	178,950	277,848
26			-										-
27			-										-
28			-										-
29		Total Operating Expenses	$ 8,788,431	$ (53,558)	$ -	$ 286,002	$ 19,433	$ (142,858)	$ (194,371)	$ (85,441)	$ 178,950	$ 8,157	$ 8,796,588
			-										
30		Operating Income (Loss)	$ 1,675,029	$ 53,558	$ -	$ (286,002)	$ (19,433)	$ 142,858	$ 194,371	$ 85,441	$ (178,950)	$ (8,157)	$ 1,666,872

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	Acct No.	Description	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Customer Count	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 ICAC / CIAC Depre Adj	(H) Adj. No 7 Reclass of Revenues	(I) Adj. No 8 Post Test Yr Depre	(J) Adj. No 9 Bad Debt Expense	(K) Adj. No 10 Property Taxes	(L) Adj. No 11 License Fees	(M) Adj. No 12 Income Taxes	(N) Adj. No 13 Self Billed Revenuea	(O) Adj. No 14 Billing Credits	(P) Company Adjustments Test Year	(Q) Company As Adjusted Test Year
		Revenues:																	
1	461	Metered Water Revenues	$ 8,606,347	$ -	$ -	$ -	$ (83,647)	$ (312,254)	$ -	$ 1,719,769	$ -					$ 8,974	$ 144,561	$ 1,477,403	$ 10,083,750
2	460	Other Water Revenues	1,719,769	-	-	-	-	-	-	(1,719,769)	-							(1,719,769)	-
3	474	Unmetered Water Revenues	379,710	-	-	-	-	-	-	-	-							-	379,710
4		TOTAL REVENUES	$ 10,705,826	$ -	$ -	$ -	$ (83,647)	$ (312,254)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,974	$ 144,561	$ (242,366)	$ 10,463,460
		Operating Expenses:																	
5	601	Salaries And Wages - Employees	$ 1,268,835	$ -		$ -		$ -		$ -								$ -	1,268,835
6	610	Purchased Water	-	-		-		-		-								-	-
7	615	Purchased Power	765,602	-		-	3,299	-	-	-								3,299	768,901
8	618	Chemicals	53,087	-		-	254	-		-								254	53,341
9	620	Materials And Supplies	47,783	-		-		-		-								-	47,783
10	621	Office Supplies and Expense	90,035	-		-		-		-								-	90,035
11	630	Outside Services	1,053,640	-		-		-		-								-	1,053,640
12	635	Contractural Services - Testing	32,871	-		-		-		-								-	32,871
13	636	Contractural Services - Other	-	-		-		-		-								-	-
14	641	Rental of Building / Real Property	121,973	-		-		-		-								-	121,973
15	650	Transportation Expenses	67,733	-		-		-		-								-	67,733
16	657	Insurance - General Liability	74,487	-		-		-		-								-	74,487
17	659	Insurance - Other	26,232	-	-	-		-		-								-	26,232
18	666	Regulatory Comm. Exp. - Rate Case	53,333	(53,333)	105,801	-		-		-								52,468	105,801
19	670	Bad Debt Expense	55,174	-		-		-		-		(1,249)						(1,249)	53,925
20	675	Miscellaneous Expense	386,465	-		(8,295)		-		-				(4,980)				(13,275)	373,190
21	403	Depreciation Expense	3,602,072	-		-		-		-	15,345							15,345	3,617,417
22	403	Depreciation Expense - CIAC Amort.	(278,000)	-		-		-	274,230	-								274,230	(3,770)
23	408	Taxes Other than Income	40,010	-		-		-		-								-	40,010
24	408	Taxes Other that Income - Property	724,598	-		-		-		-			172,531					172,531	897,129
25	409	Income Taxes	935,304	-		-		-		-					(836,406)			(836,406)	98,898
26			-	-		-		-		-								-	-
27			-	-		-		-		-								-	-
28			-	-		-		-		-								-	-
29		TOTAL OPERATING EXPENSES	$ 9,121,234	$ (53,333)	$ 105,801	$ (8,295)	$ 3,553	$ -	$ 274,230	$ -	$ 15,345	$ (1,249)	$ 172,531	$ (4,980)	$ (836,406)	$ -		$ (332,803)	$ 8,788,431
30		OPERATING INCOME (LOSS)	$ 1,584,592	$ 53,333	$ (105,801)	$ 8,295	$ (87,200)	$ (312,254)	$ (274,230)	$ -	$ (15,345)	$ 1,249	$ (172,531)	$ 4,980	$ 836,406	$ 8,974	$ -	$ 90,437	$ 1,675,029

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor (L31)			37.41%
4				
5	Santa Cruz Water Company			$ 156,730
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 52,243.23
10				
11	Company Amortized Rate Case Expense for Santa Cruz as Filed (Sch. C-2.2)			$ 105,801
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (53,558)
14				
15	RUCO Adjustment			$ (53,558)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	(1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

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OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Prior Dec Dep Rate	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) RUCO Depreciation Expense	(G) Company Reported Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 45,508	17,338	-	-	-	
2	304	Structures and Improvements	3.33%	$ 9,564,365	1,739	-	-	318,522	319,091
3		Collecting and impounding Reservoirs	2.50%	-				-	
4	306	Lake, River and Other Intakes	2.50%	1,855	-	-	-	46	
5	307	Wells and Springs	3.33%	$ 3,708,260	751,217	-	-	135,993	136,019
6	308	Infiltration Galleries	6.67%					-	
7	309	Supply Mains	2.00%	$ 2,184,243	156,531	-	-	45,250	45,299
8	310	Power Generation Equipment	5.00%	$ 324,152	803	-	-	16,228	21,311
9	311	Pumping Equipment	12.50%	$ 6,646,169	136,373	-	-	839,295	770,239
10	320	Water Treatment Equipment	3.33%	$ 12,554	14,541	-	-	660	1,850
11	330.1	Distribution Reservoirs and Standpipes	2.22%	$ 1,373,591	4,683	-	-	30,546	45,791
12	331	Transmission and Distribution Mains	2.00%	$ 44,370,337	28,246	-	-	887,689	883,922
13	333	Services	3.33%	$ 4,645,137	303	-	-	154,688	154,710
14	334	Meters and Meter Installations	8.33%	$ 3,737,686	60,669	-	(5,500)	313,647	325,467
15	335	Hydrants	2.00%	$ 4,315,994	-	-	(11,500)	86,205	86,300
16	336	Backflow Prevention Devices	6.67%	$ 11,662	3,482	-	-	894	954
17	339	Other Plant and Miscellaneous Equipment	6.67%	$ 722,621	1,488	-	(64)	48,246	16,524
18	340	Office Furniture And Equipment	6.67%	$ 508,378	-	-	-	33,909	23,957
19	340.1	Computers and Software	33.33%	$ 52,996	(3,096)	-	-	17,147	98,655
20	341	Transportation Equipment	20.00%	$ 576,093	9,102	-	-	116,129	54,349
21	342	Stores Equipment	4.00%	-	-	-	-	-	
22	343	Tools, Shop And Garage Equipment	5.00%	$ 70,383	1,742	-	-	3,563	3,569
23	344	Laboratory Equipment	10.00%	$ 103,063	-	-	-	10,306	10,396
24	345	Power Operated Equipment	5.00%	$ 60,372	-	-	-	3,019	3,018
25	346	Communication Equipment	10.00%	$ 616,104	13,609	-	-	62,291	76,005
26	347	Miscellaneous Equipment	10.00%	$ 82,937	2,290	-	-	8,408	9,145
27	348	Other Tangible Equipment	10.00%	$ 5,141,673	-	-	-	514,167	512,957
28	390.1	Computer Hardware	33.33%					-	-
29	396	SCADA	33.33%		11,131	-	-	1,855	2,545
		Calculated Depreciation Expense						$ 3,648,703	$ 3,602,073
		Company Reported Depreciation Expense							$ 3,602,073
		Adjustment for Post Test Yr. Plant Depreciation							14,588
		RUCO Adjusted Test Year Depreciation Expense							3,616,661

References:
- Column A : Order 71878
- Column B : RUCO Schedule RBM-5.4
- Column C, D, E : RUCO DR 1.14
- Column F : (A x B)+((C:E) *A*.5))
- Column (G) Depreciation Expense as Reported by Company
- Line 34: Company Schedule B2.1 and RUCO Schedule RBM 3.2

NOTE: (1) Company calculated depreciation expense on an asset by asset basis and when an item is fully depreciated no additional depreciation expense is calculated. Therefore, RUCO accepted Company's calculation.

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OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

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OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	Acct No.	(A) COMPANY SELECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	-
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (L23)			37.406%	
12					
13	Santa Cruz Water Company Allocation			$ (142,858)	
14					
15	Personnel Expense as Filed			$ 1,268,835	
16					
17	RUCO Pro Forma Expense (L15 + L13)			$ 1,125,977	
18					
19	RUCO Adjustment (L17-L15)			$ (142,858)	
20					

Line No.	Allocation Factor Based on Test Year Revenue	Operating Revenue	Percent of Total	Adjustment by System
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08
Column (C) -- Company Schedules C-2

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OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

Line No	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
2												
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
4												
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
6												
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
8												
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
10												
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
12												
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
14												
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
16												
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
18												
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
20												
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
22												
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
24												
25		**Total**	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831)	$ (194,371)	$ (26,087)
26												

Line	Allocation Factor By System Revenue	Operating Revenue	%t of Total Revenue	Allowed Dues
27				
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water U	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (D) thru (J) RUCO Data Requests 5.02, 6 & 1.09

Global Utilities
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Test Year Ended December 31, 2011
12-0314

Santa Cruz
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OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$ 10,463,460	$ 10,463,460
2	Multiplied by 2	2	2
3	Subtotal (L1 X L2)	$ 20,926,920	$ 20,926,920
4a	Adjusted Test Year Revenues	10,463,460	
4b	Recommended Revenue, Per Schedule		11,917,639
5	Subtotal (L3 + L4a)	$ 31,390,380	$ 32,844,559
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$ 10,463,460	$ 10,948,186
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (L7 X L8)	$ 20,926,920	$ 21,896,373
10	Plus: 10% of CWIP Per Company Schedule E	2,492,608	2,492,608
11	Less: Net Book Value of Licensed Vehicles	36,699	36,699
12	Full Cash Value (Line 9 + L10 - L11)	$ 23,382,828	$ 24,352,281
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (L12 * L13)	$ 4,442,737	$ 4,626,933
15	Composite Property Tax Rate	18.2700%	18.2700%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$ 811,688	
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)	897,129	
18	RUCO Test Year Adjustment (L16-L17)	$ (85,441)	
19	Property Tax - RUCO Recommended Revenue (L14 * L15)		$ 845,341
20	*RUCO Test Year Adjusted Property Tax Expense (L16)*		811,688
21	Increase/(Decrease) to Property Tax Expense		$ 33,653
22	Increase/(Decrease) to Property Tax Expense		$ 33,653
23	Increase in Revenue Requirement		1,454,179
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)		0.023142

Global Utilities
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Test Year Ended December 31, 2011

Santa Cruz Water Company
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OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Exp. As Filed by Company (RBM-8 Col (A) Ln 25)	$	98,898
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO (RBM-1(2), Col (A) Ln 52		277,848
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	178,950

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Santa Cruz Water Company
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COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	Long-term Debt	$ 50,745,824	$ -	$ 50,745,824	54.50%	6.58%	3.59%
3	Common Equity	$ 42,364,815	$ -	$ 42,364,815	45.50%	8.50%	3.87%
4	TOTAL CAPITAL	$ 93,110,639	$ -	$ 93,110,639	100.00%		
5	COST OF CAPITAL						7.46%

References:
Columns (A) Thru (F): Testimony, WAR

TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost		(B) RUCO OCRB/FVRB Cost	
1	Fair Value Rate Base	$	2,323,476	$	1,650,906
2					
3	Adjusted Operating Income (Loss)	$	(263,809)	$	14,305
4					
5	Current Rate Of Return (L2 / L1)		-11.35%		0.87%
6					
7	Required Operating Income (L5 X L1)	$	238,621	$	130,642
8					
9	Required Rate Of Return On Fair Value Rate Base		10.27%		7.91%
10					
11	Operating Income Deficiency (L4 - L2)	$	502,430	$	116,337
12					
13	Gross Revenue Conversion Factor (RLM-1, Pg 2)		1.6389		1.5169
14					
15	Increase In Gross Revenue Requirement (L7 X L6)	$	823,425	$	176,472
16					
17	Adjusted Test Year Revenue	$	4,940,316	$	4,924,303
18					
19	Proposed Annual Revenue (L8 + L9)	$	5,763,741	$	5,100,775
20					
21	Required Percentage Increase In Revenue (L8 / L9)		16.67%		3.58%
22					
23	Rate Of Return On Common Equity		11.44%		8.50%

References:

Column (A): Company Schedules A-1 and C-1

Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.3348%		
3	Revenues (L1 - L2)	99.6652%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	33.7413%		
5	Subtotal (L3 - L4)	65.9239%		
6	**Revenue Conversion Factor (L1 / L5)**	1.516900		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	32.6407%		
9	One Minus Combined Income Tax Rate (L7 - L8)	67.3593%		
10	Uncollectible Rate	0.00497		
11	Uncollectible Factor (L9 * L10)	0.33475%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	27.9580%		
16	Effective Federal Income Tax Rate (L14 x L15)	26.1407%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		32.6407%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	32.6407%		
20	One Minus Combined Income Tax Rate (L18-L19)	67.3593%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	1.6340%		
22	Effective Property Tax Factor (L20 x L21)		1.1007%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			33.7413%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 130,642		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	14,305		
26	Required Increase in Operating Income (L24 - L25)		$ 116,337	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 53,906		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	(2,468)		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		56,374	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L30	$ 5,100,775		
31	Uncollectible Rate (L10)	0.00497		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	$ 25,349		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L31)	$ 24,472		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		877	
35	Property Tax with Recommended Revenue (Sch. RBM -8, Col. (K), L36)	$ 249,714		
36	Property Tax on Test Year Revenue (Sch. RBM-8, Col. (Q), L32)	246,830		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		2,884	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 176,472	

LINE NO.	*Calculation of Income Tax:*	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 4,924,303	$ 176,472	$ 5,100,775
40	Operating Expenses Excluding Income Taxes	$ 4,912,466		$ 4,916,227
41	Synchronized Interest (Col. [C], L57)	$ 20,097		$ 20,097
42	Arizona Taxable Income (L39 - L40 - L41)	$ (8,260)		$ 164,451
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ (537)		$ 10,689
45	Federal Taxable Income (L42 - L44)	$ (7,723)		$ 153,762
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (1,931)		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ 20,967
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
51	Total Federal Income Tax	$ (1,931)		$ 43,217
52	Combined Federal and State Income Tax (L44 + L51)	$ (2,468)		$ 53,906
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			27.9580%
54	Synchronized Interest Calculation			
55	Rate Base			$ 1,650,906
56	Weighted Average Cost of Debt			1.22%
57	Synchronized Interest			$ 20,097

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FVRB	(B) Adj No. 1 Post Test Year Plant	(C) Adj No. 2 Accumulated Depreciation	(D) Adj No. 3 BLANK	(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$ 53,624,734	$ (672,570)	$ -		$ 52,952,164
		-				
2	Accumulated Depreciation	(9,419,952)	-	-		(9,419,952)
3	Net Utility Plant In Service (L1 + L2)	$ 44,204,782	$ (672,570)	$ -		$ 43,532,212
4	Advances In Aid Of Const.	$ (39,299,151)				$ (39,299,151)
		-				
5	Contribution In Aid Of Const.	$ (1,587,941)				$ (1,587,941)
6	Accumulated Amortization Of CIAC	-				-
7	NET CIAC (L5 + L6)	$ (1,587,941)				$ (1,587,941)
8	Customer Meter Deposits	$ (395,015)				$ (395,015)
9	Deferred Income Taxes & Credits	$ (599,199)				$ (599,199)
10	Unamortized Finance Charges	$ -				$ -
11	Deferred Regulatory Assets	$ -				$ -
12	Allowance For Working Capital	$ -				$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 2,323,476	$ (672,570)	$ -	$ -	$ 1,650,906

References:
Column (A) Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

RUCO POST TEST YEAR PLANT ADJUSTMENTS

		(A)	(B)	(C)	(D)	(E)		(F)
		Company's Initial Filing			Co. Follow Up Response			RUCO Adjustment
		Date Const Began	Date Const est to be Completed	Included in Rate Base Initial Est	Date Const Actually Completed	Final Costs/ as of March 31, 2013		
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	Aug 2012	Aug 2012	$ 300,742	Dec 2012	$ 240,224		$ (300,742)
3	RED WDC Chl Sys Replacement	Jan 2012	Jan 2012	6,149	April 2012	15,129		8,980
4	TOTALS			$ 306,891		$ 255,353		$ (291,762)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	Oct 2012	Oct 2012	$ 80,436	Not Started	-		$ (80,436)
8	TOTALS			$ 80,436		-		$ (80,436)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	Nov 2012	Dec 2012	$ 3,076	Dec 2012	$ 3,501		$ (3,076)
12	West Phoenix 6 Fluoride	Nov 2012	Dec 2012	8,625	Jan 2013	18,693		(8,625)
13	WPE 6 Tank and Well Replacmt	May 2012	June 2012	95,082	Dec 2012	128,934		(95,082)
14	TOTALS			$ 106,783		$ 151,128		$ (106,783)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	July 2012	July 2012	$ 78,750	In Progress	$ 12,027	Note (1)	$ (78,750)
18	Buena Vista Fill Line	July 2012	July 2012	203,702	In Progress	20,004	Note (1)	(203,702)
19	Pima Road Waterline	April 2012	April 2012	182,563	Sept 2012	195,474	Note (1)	(182,563)
20	WVR SCADA Command Sta Imp	July 2012	July 2012	136,029	Jan 2013	21,962	Note (1)	(136,029)
21	SVWDC Optimization	June 2012	June 2012	71,526	Feb 2013	48,565	Note (1)	(71,526)
22	TOTALS			$ 672,570		$ 298,032		$ (672,570)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	Nov 2008	June 2012	$ 119,810	Dec 2011	$ 119,810		$ -
26	PVUC In Pipe Odor Control	Mar 2012	June 2012	52,022	Nov 2012	57,397		(52,022)
27	PVUC Lagoon Clean Closure	April 2012	July 2012	406,949	Dec 2012	543,461		(406,949)
28	PVUC PEQB	April 2012	July 2012	12,564	Dec 2012	48,475		(12,564)
29	SRW MH Rehab and LS Imp Ph I	Dec 2010	Feb 2012	6,408	Dec 2012	3,295		(6,408)
30	PVUC WRF Headworks Rehab	Sept 2012	Sept 2012	69,132	Dec 2012	84,155		(69,132)
31	Sewer Manhole Rehab	Oct 2012	Oct 2012	66,509	Dec 2012	68,199		(66,509)
32	Edison Rd Sewer Ln Ext	Aug 2012	Aug 2012	85,000	Dec 2012	110,734		(85,000)
33				$ 818,394		$ 1,035,526		$ (698,584)

References:
Columns (A), (B), (C) - Mr. Fleming's Testimony pages 21 and 22. Company included in rate base.
Columns (D), (E) - Company Response to RUCO Data Request No. 2.01
NOTE (1): See Column (F) The costs for projects not completed and placed in service by June 30, 2012, were adjusted and excluded from rate base by RUCO

RUCO POST TEST YEAR PLANT DEPRECIATION & A/D ADJUSTMENTS

Line		(A) Company Initial Filing Included in Rate Base Initial Est	(B) Date Const Actually Completed	(C) Company Final Costs/ as of March 31, 2013	(D) RUCO Adjustment PTY Plant	(E) Company Calculated Depreciation	(F) RUCO Calculated Depreciation	(G) RUCO Adjustment Depre & A/D
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	$ 300,742	Dec 2012	$ 240,224	$ (300,742)			
3	RED WDC Chl Sys Replacement	6,149	April 2012	15,129	8,980			
4	TOTALS	$ 306,891		$ 255,353	$ (291,762)	$ 15,345	$ 757	$ (14,588)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	$ 80,436	Not Started	-	$ (80,436)			
8	TOTALS	$ 80,436		-	$ (80,436)	$ 4,022	$ -	$ (4,022)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	$ 3,076	Dec 2012	$ 3,501	$ (3,076)			
12	West Phoenix 6 Fluoride	8,625	Jan 2013	18,693	(8,625)			
13	WPE 6 Tank and Well Replacmt	95,082	Dec 2012	128,934	(95,082)			
14	TOTALS	$ 106,783		$ 151,128	$ (106,783)	$ 5,339	$ -	$ (5,339)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	$ 78,750	In Progress	$ 12,027	$ (78,750)			
18	Buena Vista Fill Line	203,702	In Progress	20,004	(203,702)			
19	Pima Road Waterline	182,563	Sept 2012	195,474	(182,563)			NOTE (1)
20	WVR SCADA Command Sta Imp	136,029	Jan 2013	21,962	(136,029)			
21	SVWDC Optimization	71,526	Feb 2013	48,565	(71,526)			
22	TOTALS	$ 672,570		$ 298,032	$ (672,570)	$ 33,629	$ -	$ (33,629)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	$ 119,810	Dec 2011	$ 119,810	$ -			
26	PVUC In Pipe Odor Control	52,022	Nov 2012	57,397	(52,022)			
27	PVUC Lagoon Clean Closure	406,949	Dec 2012	543,461	(406,949)			
28	PVUC PEQB	12,564	Dec 2012	48,475	(12,564)			
29	SRW MH Rehab and LS Imp Ph I	6,408	Dec 2012	3,295	(6,408)			
30	PVUC WRF Headworks Rehab	69,132	Dec 2012	84,155	(69,132)			
31	Sewer Manhole Rehab	66,509	Dec 2012	68,199	(66,509)			
32	Edison Rd Sewer Ln Ext	85,000	Dec 2012	110,734	(85,000)			
33		$ 818,394		$ 1,035,526	$ (698,584)	$ 40,920	$ 5,991	$ (34,929)
34								

35 References:
36 Columns (A), (B), (C), (D) - See Sch RBM-3 page 1
37 Columns (E) - Company Schedules and testimony of Mr. Brett Higgabotham

38 NOTE (1): RUCO Depreciation and A/D adjustment calculated as follows:

Line				
39	Column (E) / Column (A)	33,629		
40		672,570	5.00%	Depreciation allowance as calculated by Company
41				
42	Column (A) less Column (D)	$ 672,570		
43		$ 672,570		
44		$ -	$ -	Test Year Plant as proposed by RUCO
45				
46	Depreciation expense proposed by RUCO		$ -	
47	Depreciation expense proposed by Company		$ 33,629	
48				
49	RUCO proposed depreciation adjustment		$ (33,629)	A/D adjustment not required. See Note 1

NOTE 1
An adjustment would have been made reducing Accumulated Depreciation by $33,629. When reviewing the post test year accounting entries, and adjustment was made recognizing Depreciation Expense, however, no correcponding entry was made for A/D. No adjustment is required to A/D.

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Global Utilities
Docket No. W-20445A-12-0309 et al
Test Year Ended December 31, 2011

Valencia Water Company, Inc. - Town Divisic'i
Schedule RBM-5
Page 1

COMPANY PLANT BALANCES SINCE LAST RATE CASE

LINE NO.	ACCT. NO.	ACCOUNT NAME	Gross Pant From Year 2008	(B) Additions	(C) Other Costs	(D) Disposals	(E) Balance 2009	(F) Additions 2010	(G) Other Costs 2010	(H) Disposals	(I) Balance 2010	(J) Additions 2011	(K) Other Costs 2011	(L) Disposals	(M) Balance 2011
1	303	Land and Land Rights	$ 148,446	$ 1,986	$ -	-	$ 150,432	-	$ -	-	$ 150,432	-	-	-	$ 150,432
2	304	Structures and Improvements	945,383	25,994	-	-	971,377	3,850	-	-	975,227	62,387	-	-	1,037,614
3	305	Collecting and Impounding Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
4	306	Lake, River and Other Intakes	-	-	-		-	-	-	-	-	-	-	-	-
5	307	Wells and Springs	775,544	1,057,014	-	-	1,832,558	7,797	-	-	1,840,355	19,260	-	-	1,859,615
6	308	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
7	309	Supply Mains	-	-	-	-	-	-	-	-	-	46,790	-	-	46,790
7	310	Power Generation Equipment	20,612	-	-	-	20,612	-	-	-	20,612	41,643	-	-	62,255
8	311	Pumping Equipment	7,803,214	176,718	-	-	7,979,932	119,034	-	(6,226)	8,092,740	131,326	-	(6,500)	8,217,566
8	320	Water Treatment Equipment	3,892,532	179,703	-	-	4,072,235	13,134	-	-	4,085,369	6,474	-	-	4,091,843
9	330	Distribution Reservoirs and Standpipes	3,439,680	1,321,972	-	-	4,761,652	23,115	-	-	4,784,766	15,643	-	-	4,800,409
10	331	Transmission and Distribution Mains	19,407,008	1,652,082	-	-	21,059,090	(26,013)	-	(236)	21,032,841	421,152	-	-	21,453,993
11	333	Services	2,795,075	483,859	-	-	3,278,934	-	-	-	3,278,934	-	-	-	3,278,934
12	334	Meters and Meter Installations	1,562,332	65,281	-	(258,258)	1,369,354	59,130	-	(1,356)	1,427,129	44,707	-	(433)	1,471,403
13	335	Hydrants	1,900,270	80,362	-	-	1,980,632	-	-	-	1,980,632	-	-	-	1,980,632
14	336	Backflow Prevention Devices	12,674	-	-	-	12,674	-	-	-	12,674	1,242	-	-	13,916
15	339	Other Plant and Miscellaneous Equipment	114,439	10,160	-	-	124,599	41,516	-	-	166,115	3,404	-	-	169,519
16	340	Office Furniture And Equipment	46,206	2,750.00	-	-	48,956	12,688	-	-	61,644	-	-	-	61,644
17	340.1	Computers and Software	-	-	-	-	-	-	-	-	-	-	-	-	-
18	341	Transportation Equipment	275,038	-	-	-	275,038	-	-	-	275,038	44,312	-	-	319,350
19	342	Stores Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
20	343	Tools, Shop And Garage Equip	90,582	1,798.87	-	-	92,381	1,205	-	-	93,586	697	-	-	94,283
21	344	Laboratory Equipment	42,171	-		-	42,171	427	-	-	42,598	-	-	-	42,598
22	345	Power Operated Equipment	55,588	-	-	-	55,588	-	-	-	55,588	5,919.18	-	-	61,507
23	346	Communication Equipment	20,584	-	-	-	20,584	3,016	-	(900)	22,700	108,050	-	(1,017)	129,733
24	347	Miscellaneous Equipment	15,371	-		-	15,371	1,939	-	-	17,310	-	-	-	17,310
25	348	Other Tangible Equipment	2,514,672	355,012		-	2,869,684	54,513		-	2,924,197	590	-	-	2,924,787
26							-				-	480	-		480
27							-				-	660,299	-		660,299
28											-				
29		TOTAL PLANT IN SERVICE	$ 45,877,421	$ 5,414,691	$ -	$ (258,258)	$ 51,033,853	315,354	$ -	$ (8,718)	##########	$ 1,614,375	$ -	$ (7,950)	$ 52,946,913
30															
31		Company As Filed													$ 52,952,163
32		Difference													$ (5,250)

References:
Column (A) agrees with Decision No. 71878
Column (B) through (M) RUCO Data Request 1.14

Global Utilities
Docket No. W-20445A-12-0309 et al
Test Year Ended December 31, 2011

Valencia Water Company, Inc. - Town Division
Schedule RBM-6

SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	52,952,163	$ 672,571	$ -	$ -	$ 53,624,734
2	Accumulated Depreciation	(9,419,952)	-	-	-	(9,419,952)
3	Net Utility Plant In Service (L1 + L2)	$ 43,532,211	$ 672,571	$ -	$ -	$ 44,204,782
4	Advances In Aid Of Const.	$ (39,299,151)	$ -	$ -	$ -	$ (39,299,151)
5	Contribution In Aid Of Const.	$ (1,587,941)	$ -	$ -	$ -	$ (1,587,941)
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ (1,587,941)	$ -	$ -	$ -	$ (1,587,941)
8	Customer Meter Deposits	$ (395,015)	$ -	$ -	$ -	$ (395,015)
9	Deferred Income Taxes & Credits	$ (599,199)	$ -	$ -	$ -	$ (599,199)
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 1,650,905	$ 672,571	$ -	$ -	$ 2,323,476

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

Global Utilities
Docket No. W-20445A-12-0309 et al
Test Year Ended December 31, 2011

Valencia Water Company, Inc. - Town Division
Schedule RBM-7

SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 4,787,361	$ -	$ 4,787,361	$ 176,472	$ 4,963,833
2	460	Unmetered Water Revenues	-	-	-	-	-
3	474	Other Water Revenues	136,942	-	136,942	-	136,942
4		TOTAL OPERATING REVENUE	$ 4,924,303	$ -	$ 4,924,303	$ 176,472	$ 5,100,775
	Operating Expenses:						
5	601	Salaries And Wages - Employees	$ 893,501	(65,926)	$ 827,575	$ -	$ 827,575
6	610	Purchased Water	269	-	269	-	269
7	615	Purchased Power	464,075	(87,064)	377,011	-	377,011
8	618	Chemicals	33,613	-	33,613	-	33,613
9	620	Materials And Supplies	79,398	-	79,398	-	79,398
10	621	Office Supplies and Expense	62,865	-	62,865	-	62,865
11	630	Outside Services	531,316	-	531,316	-	531,316
12	635	Contractural Services - Testing	14,571	-	14,571	-	14,571
13	641	Rental of Building / Real Property	43,412	-	43,412	-	43,412
14	650	Transportation Expenses	88,775	-	88,775	-	88,775
15	657	Insurance - General Liability	33,142	-	33,142	-	33,142
16	659	Insurance - Other	5,460	-	5,460	-	5,460
17	666	Regulatory Comm. Exp. - Rate Case	35,298	(11,189)	24,109	-	24,109
18	670	Bad Debt Expense	30,898	(6,426)	24,472	877	25,349
19	675	Miscellaneous Expense	79,463	(64,729)	14,734	-	14,734
20	403	Depreciation Expense	2,832,046	(278,619)	2,553,427	-	2,553,427
21	403	Depreciation Expense - CIAC Amort.	(63,825)	-	(63,825)	-	(63,825)
22	408	Taxes Other than Income	15,312	-	15,312	-	15,312
23	408.1	Taxes Other that Income - Property	273,680	(26,850)	246,830	2,884	249,714
24	409	Income Taxes	(249,144)	246,676	(2,468)	56,374	53,906
25			-				
26			-				
27			-				
28			-				
29		Total Operating Expenses	$ 5,204,125	$ (294,127)	$ 4,909,998	$ 60,135	$ 4,970,133
30		Operating Income (Loss)	$ (279,822)		$ 14,305		$ 130,642

References:
Column (A): Company Schedule C-1
Column (B): RLM-8, Columns (B) Thru (I)
Column (C): Column (A) + Column (B)
Column (D): Revenue From RLM-1, Column (B), Line 8 And Income Tax From RLM-1, Column (B), Line 8 - Line 6
Column (E): Column (C) + Column (D)

Global Utilities
Docket No. W-20445A-12-0309 et al
Test Year Ended December 31, 2011

Valencia Water Company, Inc. - Town Division
Schedule RBM-8
Page 1

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Pur. Power Expense	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 7 Property Taxes	(I) Adj. No 8 Income Taxes	(J) Total Pro Forma Adjustments	(K) Test Year Adjusted Results
	Revenues:											
1	461 Metered Water Revenues	$ 4,787,361	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ 4,787,361
2	460 Other Water Revenues	-	-	-	-	-	-	-			-	-
3	474 Unmetered Water Revenues	136,942	-	-	-	-	-	-			-	136,942
4	TOTAL OPR'G REV.	$ 4,924,303	$ -	$ -	$ -	$ -	$ -					$ 4,924,303
	Operating Expenses:											
5	601 Salaries And Wages - Employees	$ 893,501					$ (65,926)				$ (65,926)	$ 827,575
6	610 Purchased Water	269									-	269
7	615 Purchased Power	464,075		(87,064)							(87,064)	377,011
8	618 Chemicals	33,613									-	33,613
9	620 Materials And Supplies	79,398									-	79,398
10	621 Office Supplies and Expense	62,865									-	62,865
11	630 Outside Services	531,316									-	531,316
12	635 Contractural Services - Testing	14,571									-	14,571
13	641 *Rental of Building / Real Property*	43,412									-	43,412
14	650 Transportation Expenses	88,775									-	88,775
15	657 Insurance - General Liability	33,142									-	33,142
16	659 Insurance - Other	5,460									-	5,460
17	666 Regulatory Comm. Exp. - Rate Case	35,298	(11,189)								(11,189)	24,109
18	670 Bad Debt Expense	30,898				(6,426)					(6,426)	24,472
19	675 Miscellaneous Expense	79,463						(64,729)			(64,729)	14,734
20	403 Depreciation Expense	2,832,046			(278,619)						(278,619)	2,553,427
21	403 Depreciation Expense - CIAC Amort.	(63,825)									-	(63,825)
22	408 Taxes Other than Income	15,312									-	15,312
23	408.1 Taxes Other that Income - Property	273,680							(26,850)		(26,850)	246,830
24	409 Income Taxes	(249,144)								246,676	246,676	(2,468)
25		-									-	-
26		-									-	-
27		-									-	-
28		-									-	-
29	Total Operating Expense	$ 5,204,125	$ (11,189)	$ (87,064)	$ (278,619)	$ (6,426)	$ (65,926)	$ (64,729)	$ (26,850)	$ 246,676	$ (540,803)	$ 4,909,998
30	Operating Income (Loss)	$ (279,822)	$ 11,189	$ 87,064	$ 278,619	$ 6,426	$ 65,926	$ 64,729	$ 26,850	$ -	$ 540,803	$ 14,305

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Customer Count	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 Adjust Pur. Pwr.	(H) Adj. No 7 Reclass of Revenues	(I) Adj. No 8 Post Test Yr Depre	(J) Adj. No 9 Bad Debt Expense	(K) Adj. No 10 Property Taxes	(L) Adj. No 11 Income Taxes	(M) Adj. No 12 Income Taxes	(N) Adj. No 13 Income Taxes	(O) Company Adjustments Test Year	(P) Company As Adjusted Test Year
	Revenues:																
1	461 Metered Water Revenues	$ 3,452,481	$ -	$ -	$ -	$ 97,384	$ (113,611)	$ -	$ 1,351,107	$ -						$ 1,334,880	$ 4,787,361
2	460 Other Water Revenues	1,351,107	-	-	-	-	-	-	(1,351,107)	-						(1,351,107)	-
3	474 Unmetered Water Revenues	136,942	-	-	-	-	-	-	-	-						-	136,942
4	TOTAL OPR'G REV.	$ 4,940,530	$ -	$ -	$ -	$ 97,384	$ (113,611)		$ -								$ 4,924,303
	Operating Expenses:																
5	601 Salaries And Wages - Employees	$ 893,501	$ -		$ -		$ -		$ -							$ -	$ 893,501
6	610 Purchased Water	269	-		-		-		-							-	269
7	615 Purchased Power	364,411	-		-	12,600	-	87,064	-							99,664	464,075
8	618 Chemicals	33,220	-		-	393	-		-							393	33,613
9	620 Materials And Supplies	79,398	-		-		-		-							-	79,398
10	621 Office Supplies and Expense	62,865	-		-		-		-							-	62,865
11	630 Outside Services	531,316	-		-		-		-							-	531,316
12	635 Contractural Services - Testing	14,571	-		-		-		-							-	14,571
13	641 Rental of Building / Real Property	43,412	-		-		-		-							-	43,412
14	650 Transportation Expenses	88,775	-		-		-		-							-	88,775
15	657 Insurance - General Liability	33,142	-		-		-		-							-	33,142
16	659 Insurance - Other	5,460	-		-		-		-							-	5,460
17	666 Regulatory Comm. Exp. - Rate Case	18,667	(18,667)	35,298	-		-		-							16,631	35,298
18	670 Bad Debt Expense	30,899	-		-		-		-		(1)					(1)	30,898
19	675 Miscellaneous Expense	82,224	-		(2,761)		-		-							(2,761)	79,463
20	403 Depreciation Expense	2,798,417	-		-		-		-	33,629						33,629	2,832,046
21	403 Depreciation Expense - CIAC Amort.	(63,825)	-		-		-		-							-	(63,825)
22	408 Taxes Other than Income	15,312	-		-		-		-							-	15,312
	408 Taxes Other that Income - Property	164,216	-		-		-		-			109,464				109,464	273,680
24	409 Income Taxes	(184,029)	-		-		-		-				(65,115)			(65,115)	(249,144)
25		-	-		-		-		-							-	-
26		-	-		-		-		-							-	-
27		-	-		-		-		-							-	-
28		-	-		-		-		-							-	-
29	TOTAL OPR'G EXP.	$ 5,012,221	$ (18,667)	$ 35,298	$ (2,761)	$ 12,993	$ -	$ 87,064	$ -	$ 33,629	$ (1)	$ 109,464	$ (65,115)	$ -	$ -	$ 191,904	$ 5,204,125
30	OPR'G INC. (LOSS)	$ (71,691)	$ 18,667	$ (35,298)	$ 2,761	$ 84,391	$ (113,611)	$ (87,064)	$ -	$ (33,629)	$ 1	$ (109,464)	$ 65,115	$ -	$ -	$ (191,904)	$ (279,822)

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor (L34)			17.26%
4				
5	Valencia Town Water Company			$ 72,328
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 24,109
10				
11	Company Amortized Rate Case Expense for Valencia Town as Filed (Sch. C-2.2)			$ 35,298
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (11,189)
14				
15	RUCO Adjustment			$ (11,189)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
29					
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	(1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

OPERATING INCOME ADJUSTMENT NO. 2
PURCHASED POWER

Line No.	System	Service Provider	(A) COMPANY AS FILED		(B) RUCO ADJUSTMENT		(C) RUCO AS ADJUSTED
1	Valencia Town	Arizona Public Service	$ 464,075		$ (87,064)		$ 377,011
2							
3	Valencia Greater Buckeye	Arizona Public Service	27,670		(4,063)		23,607
4							
5	Greater Tonopah	Arizona Public Service	22,407		(4,062)		18,345
6							
7	Willow Valley	Mohave Electric Cooperative	43,747		(3,308)		40,439
8							
9		Total	557,899	-	(98,497)	-	459,402

References
Column (A): Company Schedules C-2
Column (B): Company Schedules C-2.6

OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

			(A)	(B)	(C)	(D)	(E)	(F)	(G)
Line No.	Acct No	Account Description	Prior Dec Dep Rate	Plant Balance 12/31/2010	Additions	Other Costs	Disposals	Plant Balance 12/31/2011	RUCO Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 150,432	-	-	-	150,432	-
2	304	Structures and Improvements	3.33%	975,227	62,387	-	-	1,037,614	33,514
3		Collecting and impounding Reservoirs	2.50%	-	-	-	-	-	-
4	306	Lake, River and Other Intakes	2.50%	-	-	-	-	-	-
5	307	Wells and Springs	3.33%	1,840,355	19,260	-	-	1,859,615	61,604
6	308	Infiltration Galleries	6.67%	-	-	-	-	-	-
7	309	Supply Mains	2.00%	-	46,790	-	-	46,790	468
8	310	Power Generation Equipment	5.00%	20,612	41,643	-	-	62,255	2,072
9	311	Pumping Equipment	12.50%	8,092,740	131,326	-	(6,500)	8,217,566	1,019,394
10	320	Water Treatment Equipment	3.33%	4,085,369	6,474	-	-	4,091,843	136,151
11	330.1	Distribution Reservoirs and Standpipes	2.22%	4,784,766	15,643	-	-	4,800,409	106,395
12	331	Transmission and Distribution Mains	2.00%	21,032,841	421,152	-	-	21,453,993	424,868
13	333	Services	3.33%	3,278,934	-	-	-	3,278,934	109,189
14	334	Meters and Meter Installations	8.33%	1,427,129	44,707	-	(433)	1,471,403	120,724
15	335	Hydrants	2.00%	1,980,632	-	-	-	1,980,632	39,613
16	336	Backflow Prevention Devices	6.67%	12,674	1,242	-	-	13,916	887
17	339	Other Plant and Miscellaneous Equipment	6.67%	166,115	3,404	-	-	169,519	11,193
18	340	Office Furniture And Equipment	6.67%	61,644	-	-	-	61,644	4,112
19	340.1	Computers and Software	33.33%	-	-	-	-	-	-
20	341	Transportation Equipment	20.00%	275,038	44,312	-	-	319,350	59,439
21	342	Stores Equipment	4.00%	-	-	-	-	-	-
22	343	Tools, Shop And Garage Equipment	5.00%	93,586	697	-	-	94,283	4,697
23	344	Laboratory Equipment	10.00%	42,598	-	-	-	42,598	4,260
24	345	Power Operated Equipment	5.00%	55,588	5,919.18	-	-	61,507	2,927
25	346	Communication Equipment	10.00%	22,700	108,050	-	(1,017)	129,733	7,622
26	347	Miscellaneous Equipment	10.00%	17,310	-	-	-	17,310	1,731
27	348	Other Tangible Equipment	10.00%	2,924,197	590	-	-	2,924,787	292,449
28	390.1	Computer Hardware	33.33%		480	-		480	80
29	396	SCADA	33.33%		660,299	-		660,299	110,039
30									
31		Depreciation Expense as Calculated							$ 2,553,427
32		Depreciation Expense per Company Schedule C-2							2,798,417
33		RUCO's Initial Adjustment							(244,990)
34		Depreciation - Post Test Year Plant							(33,629)
35									
36		RUCO's Depreciation Expense Adjustment							(278,619)

References:
Column A : Order 71878
Column B : RUCO Schedule RBM-5
Column C, D, E : RUCO DR 1.14
Column F : (A x B)+((C:E) *A*.5))
Line 34: Company Schedule B2.1 and RUCO Schedule RBM 3.2

OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	Acct. No.	(A) COMPANY SLECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	-
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (B24)			17.262%	
12					
13	Valencia Town Water Company Allocation			$ (65,926)	
14					
15	Personnel Expense as Filed			$ 893,501	
16					
17	RUCO Pro Forma Expense (B15 + B13)			$ 827,575	
18					
19	RUCO Adjustment (B17-B15)			$ (65,926)	
20					

Line No.	Allocation Factor Based on Test Year Revenue	Operating Revenue	Percent of Total	Adjustment by System
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08
Column (C) -- Company Schedules C-2

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Valencia Water Company, Inc. - Town Division
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OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
2												
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
4												
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
6												
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
8												
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
10												
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
12												
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
14												
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
16												
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
18												
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
20												
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
22												
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
24												
25		**Total**	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831) #	$ (194,371) #	$ (26,087)
26												

	Allocation Factor By System Revenue	Operating Revenue	%t of Total Revenue	Allowed Dues
27				
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water L	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B-J) RUCO Data Requests 5.02, 6 & 1.09

OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation		[A] RUCO AS ADJUSTED		[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$	4,924,303	$	4,924,303
2	Multiplied by 2		2		2
3	Subtotal (L1 X L2)	$	9,848,606	$	9,848,606
4a	Adjusted Test Year Revenues		4,924,303		
4b	Recommended Revenue, Per Schedule				5,100,775
5	Subtotal (L3 + L4a)	$	14,772,909	$	14,949,381
6	Number of Years		3		3
7	Three Year Average (L5 / L6)	$	4,924,303	$	4,983,127
8	Department of Revenue Mutilplier		2		2
9	Revenue Base Value (L7 X L8)	$	9,848,606	$	9,966,254
10	Plus: 10% of CWIP Per Company Schedule E		265,232		265,232
11	Less: Net Book Value of Licensed Vehicles		43,247		43,247
12	Full Cash Value (Line 9 + L10 - L11)	$	10,070,591	$	10,188,239
13	Assessment Ratio		19.0%		19.0%
14	Assessed Value (L12 * L13)	$	1,913,412	$	1,935,765
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation Analysis W/P)		12.9000%		12.9000%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$	246,830		
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)		273,680		
18	RUCO Test Year Adjustment (L16-L17)	$	(26,850)		
19	Property Tax - RUCO Recommended Revenue (L14 * L15)			$	249,714
20	RUCO Test Year Adjusted Property Tax Expense (L16)				246,830
21	Increase/(Decrease) to Property Tax Expense			$	2,884
22	Increase/(Decrease) to Property Tax Expense			$	2,884
23	Increase in Revenue Requirement				176,472
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)				1.63400%

OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No.	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Expense As Filed by Company - RBM-7 Col (A) Ln 27	$	(249,144)
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO RBM-7 Col (C) Ln 27		(2,468)
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	246,676
7			

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ 188,558	$ -	$ 188,558	1.17%	5.95%	0.07%
2	Long-term Debt	$ 3,248,406	$ -	$ 3,248,406	20.17%	5.69%	1.15%
3	Common Equity	$ 12,667,946	$ -	$ 12,667,946	78.66%	8.50%	6.69%
4	TOTAL CAPITAL	$ 16,104,910	$ -	$ 16,104,910	100.00%		
5	COST OF CAPITAL						7.91%

References:
Columns (A) Thru (F): Testimony, WAR

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TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost	(B) RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	$ 2,206,816	$ (1,437,481)
2			
3	Adjusted Operating Income (Loss)	$ (175,170)	$ (499,923)
4			
5	Current Rate Of Return (L3 / L1)	-7.94%	NA
6			
7	Required Operating Income (L9 X L1)	$ 236,571	$ 19,549
8			
9	Required Rate Of Return On Fair Value Rate Base	10.72%	8.19%
10			
11	Operating Income Deficiency (L7 - L3)	$ 411,741	NA
12			
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)	1.6451	1.9400
14			
15	Increase In Gross Revenue Requirement (L11 X L13)	$ 677,349	$ 32,753
16			
17	Adjusted Test Year Revenue	$ 207,705	$ 207,705
18			
19	Proposed Annual Revenue (L15 + L17)	$ 885,054	$ 240,458
20			
21	Required Percentage Increase In Revenue (L15 / L17)	326.11%	15.77%
22			
23	Rate Of Return On Common Equity	8.50%	7.31%

References:
Column (A) Company Schedule A-1

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

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SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description		(A) Company As Filed OCRB/FVRB		(B) RUCO Adjustments		(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$	5,766,393	$	(106,783)	$	5,659,610
			-				
2	Accumulated Depreciation		(1,863,416)		-		(1,863,416)
3	Net Utility Plant In Service (L1 + L2)	$	3,902,977	$	(106,783)	$	3,796,194
4	Advances In Aid Of Const.	$	(1,619,985)	$	-	$	(1,619,985)
			-				
5	Contribution In Aid Of Const.	$	(59,465)	$	(7,523,359)	$	(7,582,824)
6	Accumulated Amortization Of CIAC		-		1,055,498		1,055,498
7	NET CIAC (L5 + L6)	$	(59,465)	$	(6,467,861)	$	(6,527,326)
8	Customer Meter Deposits	$	(22,030)	$	-	$	(22,030)
9	Deferred Income Taxes - Credits	$	5,318	$	2,930,348	$	2,935,666
10	Unamortized Finance Charges	$	-	$	-	$	-
11	Deferred Regulatory Assets	$	-	$	-	$	-
12	Allowance For Working Capital	$	-	$	-	$	-
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$	2,206,815	$	(3,644,296)	$	(1,437,481)

References:
Column (A): Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

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RUCO POST TEST YEAR PLANT ADJUSTMENTS

	(A)	(B)	(C)	(D)	(E)	(F)
	Company's Initial Filing			Co. Follow Up Response		RUCO Adjustment
	Date Const Began	Date Const est to be Completed	Included in Rate Base Initial Est	Date Const Actually Completed	Final Costs/ as of March 31, 2013	
Global Water - Santa Cruz						
Edison Rd Waterline Ext	Aug 2012	Aug 2012	$ 300,742	Dec 2012	$ 240,224	$ (300,742)
RED WDC Chl Sys Replacement	Jan 2012	Jan 2012	6,149	April 2012	15,129	8,980
TOTALS			$ 306,891		$ 255,353	$ (291,762)
Willow Valley Water Company						
WVR SCADA - WVWC	Oct 2012	Oct 2012	$ 80,436	Not Started	-	$ (80,436)
TOTALS			$ 80,436		-	$ (80,436)
[redacted]						
Valencia Water Company						
Bales Fill Line	July 2012	July 2012	$ 78,750	In Progress	$ 12,027	$ (78,750)
Buena Vista Fill Line	July 2012	July 2012	203,702	In Progress	20,004	(203,702)
Pima Road Waterline	April 2012	April 2012	182,563	Sept 2012	195,474	(182,563)
WVR SCADA Command Sta Imp	July 2012	July 2012	136,029	Jan 2013	21,962	(136,029)
SVWDC Optimization	June 2012	June 2012	71,526	Feb 2013	48,565	(71,526)
TOTALS			$ 672,570		$ 298,032	$ (672,570)
Global Water - Palo Verde Utilities						
Campus I WRF Ph 3 Exp	Nov 2008	June 2012	$ 119,810	Dec 2011	$ 119,810	$ -
PVUC In Pipe Odor Control	Mar 2012	June 2012	52,022	Nov 2012	57,397	(52,022)
PVUC Lagoon Clean Closure	April 2012	July 2012	406,949	Dec 2012	543,461	(406,949)
PVUC PEQB	April 2012	July 2012	12,564	Dec 2012	48,475	(12,564)
SRW MH Rehab and LS Imp Ph I	Dec 2010	Feb 2012	6,408	Dec 2012	3,295	(6,408)
PVUC WRF Headworks Rehab	Sept 2012	Sept 2012	69,132	Dec 2012	84,155	(69,132)
Sewer Manhole Rehab	Oct 2012	Oct 2012	66,509	Dec 2012	68,199	(66,509)
Edison Rd Sewer Ln Ext	Aug 2012	Aug 2012	85,000	Dec 2012	110,734	(85,000)
			$ 818,394		$ 1,035,526	$ (698,584)

References:
Columns (A), (B), (C) - Fleming Testimony pages 21 and 22. Company included in rate base.
Columns (D), (E) - Company Response to RUCO Data Request No. 2.01
NOTE (1): See Column (F) The costs for projects not completed and placed in service by June 30, 2012, were adjusted and excluded from rate base by RUCO

RUCO POST TEST YEAR PLANT DEPRECIATION & A/D ADJUSTMENTS

Line		(A) Company Initial Filing Included in Rate Base Initial Est	(B) Date Const Actually Completed	(C) Company Final Costs/ as of March 31, 2013	(D) RUCO Adjustment PTY Plant	(E) Company Calculated Depreciation	(F) RUCO Calculated Depreciation	(G) RUCO Adjustment Depre & A/D
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	$ 300,742	Dec 2012	$ 240,224	$ (300,742)			
3	RED WDC Chl Sys Replacement	6,149	April 2012	15,129	8,980			
4	TOTALS	$ 306,891		$ 255,353	$ (291,762)	$ 15,345	$ 757	$ (14,588)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	$ 80,436	Not Started	-	$ (80,436)			
8	TOTALS	$ 80,436		-	$ (80,436)	$ 4,022	$ -	$ (4,022)
9								
10	[redacted]							
11								
12								
13								
14								
15								
16	**Valencia Water Company**							
17	Bales Fill Line	$ 78,750	In Progress	$ 12,027	$ (78,750)			
18	Buena Vista Fill Line	203,702	In Progress	20,004	(203,702)			
19	Pima Road Waterline	182,563	Sept 2012	195,474	(182,563)			
20	WVR SCADA Command Sta Imp	136,029	Jan 2013	21,962	(136,029)			
21	SVWDC Optimization	71,526	Feb 2013	48,565	(71,526)			
22	TOTALS	$ 672,570		$ 298,032	$ (672,570)	$ 33,629	$ -	$ (33,629)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	$ 119,810	Dec 2011	$ 119,810	$ -			
26	PVUC In Pipe Odor Control	52,022	Nov 2012	57,397	(52,022)			
27	PVUC Lagoon Clean Closure	406,949	Dec 2012	543,461	(406,949)			
28	PVUC PEQB	12,564	Dec 2012	48,475	(12,564)			
29	SRW MH Rehab and LS Imp Ph I	6,408	Dec 2012	3,295	(6,408)			
30	PVUC WRF Headworks Rehab	69,132	Dec 2012	84,155	(69,132)			
31	Sewer Manhole Rehab	66,509	Dec 2012	68,199	(66,509)			
32	Edison Rd Sewer Ln Ext	85,000	Dec 2012	110,734	(85,000)			
33		$ 818,394		$ 1,035,526	$ (698,584)	$ 40,920	$ 5,991	$ (34,929)
34								

35 References:
36 Columns (A), (B), (C), (D) - See Sch RBM-2
37 Columns (E) - Company Schedules and testimony of Mr. Brett Higgabotham

38 NOTE (1): RUCO Depreciation and A/D adjustment calculated as follows:

Line				
39	Column (E) / Column (A)	5,339		
40		106,783	5.00%	Depreciation allowance as calculated by Company
41				
42	Column (A) less Column (D)	$ 106,783		
43		$ 106,783		
44		$ -	$ -	Test Year Plant as proposed by RUCO
45				
46	Depreciation expense proposed by RUCO		$ -	
47	Depreciation expense proposed by Company		$ 5,339	
48	RUCO proposed depreciation and A/D adjustment			
49	related to Post Test Year Plant		$ (5,339)	

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POST TEST YEAR ADJUSTMENT NO. 3
INFRASTRUCTURE COORDINATION AND CONSTRUCTION AGREEMENTS

Line No.		SANTA CRUZ (A) Total Fees Collected	SANTA CRUZ (B) Allocated to Excess Cap.	SANTA CRUZ (C) Allocated to CIAC	PALO VERDE (A) Total Fees Collected	PALO VERDE (B) Allocated to Excess Cap.	PALO VERDE (C) Allocated to CIAC	TONOPAH (A) Total Fees Collected	TONOPAH (B) Allocated to Hassayampa	TONOPAH (C) Allocated to CIAC
1										
2	ICFA Fees Collected									
3	Included in last rate filing	$ 24,541,553	$ 17,941,477	$ 6,600,076	$ 25,440,969	$ 14,449,844	$ 10,991,125	$ 9,226,100	$ 2,140,455	$ 7,085,645
4										
5	Fees Collected Since Last Rate Case	3,158,403	2,370,881	787,522	3,274,155	1,699,111	1,575,044	569,940	132,226	437,714
6										
7	Total ICFA Fees Collected	$ 27,699,956	$ 20,312,358	$ 7,387,598	$ 28,715,124	$ 16,148,955	$ 12,566,169	$ 9,796,040	$ 2,272,681	$ 7,523,359
8										
9										
10	Calculation of ICFA Amortization									
11	Amortization Expense Last Rate Filing	$ -	$ -	$ 494,849	$ -	$ -	$ 667,381	$ -	$ -	$ 236,248
12										
13	Amortization from 2008 thru 2011	-	-	822,610	-	-	$ 1,052,281	$ -	$ -	$ 819,250
14										
15	Total ICFA Accu. Amortization Expense thru Test Year			$ 1,317,459			$ 1,719,622			$ 1,055,498
16										
17										
18	Amortization Expense for Test Year 2011									
19										
20	First Quarter	$ 6,600,076	$ 66,951		First Quarter	$ 10,991,128	$ 88,221	First Quarter	$ 7,523,359	$ 54,921
21	Second Quarter	6,600,076	66,888		Second Quarter	11,057,409	85,406	Second Quarter	7,523,359	148,210
22	Third Quarter	6,633,216	66,607		Third Quarter	11,057,409	91,757	Third Quarter	7,523,359	130,154
23	Fourth Quarter	7,387,598	70,968		Fourth Quarter	12,566,172	94,794	Fourth Quarter	7,523,359	134,668
24										
25	Total Amortization Expense		$ 271,414		Total Amortization Expense		$ 360,178	Total Amortization Expense		$ 467,953
26										

Reference:
Balances from last rate filing - See Decision No. 71878
Details of information obtained since last rate filing - On Site Review
Current Amortization from on site review

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PLANT SCHEDULES
YEAR ENDED DECEMBER 31, 2011

LINE NO.	ACCT. NO.	ACCOUNT NAME	Gross Pant From Year 2010	(A) Additions	(B) Plant Retirements	(D) Gross Plant Value 2011
1	303	Land and Land Rights	$ 66,651	$ 110,779	$ -	$ 177,430
2	304	Structures and Improvements	46,704	973	-	47,677
3	305	Collecting and impounding Reservoirs	-	-	-	
4	306	Lake, River and Other Intakes	-	-	-	
5	307	Wells and Springs	299,601	-	-	299,601
6	308	Infiltration Galleries	-	-	-	
7	309	Supply Mains	-	-	-	
7	310	Power Generation Equipment	-	-	-	
8	311	Pumping Equipment	1,758,896	29,195	(454)	1,787,637
8	320	Water Treatment Equipment	1,621,120	5,400	-	1,626,520
9	330	Distribution Reservoirs and Standpipes	185,007	45,380	(1,732)	228,655
10	331	Transmission and Distribution Mains	889,254	1,689	-	890,943
11	333	Services	43,069	-	-	43,069
12	334	Meters and Meter Installations	145,261	1,917	-	147,178
13	335	Hydrants	38,386	-	-	38,386
14	336	Backflow Prevention Devices	5,894	-	-	5,894
15	339	Other Plant and Miscellaneous Equipment	5,424	-	-	5,424
16	340	Office Furniture And Equipment	-	-	-	
17	340.1	Computers and Software	-	-	-	
18	341	Transportation Equipment	32,617	-	(32,617)	
19	342	Stores Equipment	-	-	-	
20	343	Tools, Shop And Garage Equip	1,688	289	-	1,977
21	344	Laboratory Equipment	663	-		663
22	345	Power Operated Equipment	845	-	-	845
23	346	Communication Equipment	12,408	-	-	12,408
24	347	Miscellaneous Equipment	5,210	-		5,210
25	348	Other Tangible Equipment	340,097			340,097
		TOTAL PLANT IN SERVICE	$ 5,498,795	$ 195,622	$ (34,803)	$ 5,659,614
		Company As Filed				
		Difference				

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SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	5,659,611	$ 106,782	$ -	$ -	$ 5,766,393
2	Accumulated Depreciation	(1,863,416)	-	-	-	(1,863,416)
3	Net Utility Plant In Service (L1 + L2)	$ 3,796,195	$ 106,782	$ -	$ -	$ 3,902,977
4	Advances In Aid Of Const.	$ (1,619,985)	$ -	$ -	$ -	$ (1,619,985)
5	Contribution In Aid Of Const.	$ (6,215,057)	$ -	$ 2,109,071	$ 4,046,521	$ (59,465)
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ (6,215,057)	$ -	$ 2,109,071	$ 4,046,521	$ (59,465)
8	Customer Meter Deposits	$ (22,030)	$ -	$ -	$ -	$ (22,030)
9	Deferred Income Taxes & Credits	$ 2,386,853	$ -	$ (815,978)	$ (1,565,557)	$ 5,318
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ (1,674,024)	$ 106,782	$ 1,293,093	$ 2,480,964	$ 2,206,815

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

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SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 202,202	$ -	$ 202,202	32753	$ 234,955
2	460	Unmetered Water Revenues	-	-	-		-
3	474	Other Water Revenues	5,503	-	5,503		5,503
4		TOTAL OPERATING REVENUE	$ 207,705	$ -	$ 207,705	$ 32,753	$ 240,458
5							
6	Operating Expenses:						
7	601	Salaries And Wages - Employees	$ 75,753	(2,865)	$ 72,888	$ -	$ 72,888
8	610	Purchased Water	960	-	960	-	960
9	615	Purchased Power	22,407	(4,062)	18,345	-	18,345
10	618	Chemicals	10,522	-	10,522	-	10,522
11	620	Materials And Supplies	20,175	-	20,175	-	20,175
12	621	Office Supplies and Expense	3,591	-	3,591	-	3,591
13	630	Outside Services	26,415	-	26,415	-	26,415
14	635	Contractural Services - Testing	5,109	-	5,109	-	5,109
15	636	Contractural Services - Other	-	-	-	-	-
16	641	Rental of Building / Real Property	2,597	-	2,597	-	2,597
17	650	Transportation Expenses	5,733	-	5,733	-	5,733
18	657	Insurance - General Liability	1,557	-	1,557	-	1,557
19	659	Insurance - Other	269	-	269	-	269
20	666	Regulatory Comm. Exp. - Rate Case	2,140	(1,093)	1,047	-	1,047
21	670	Bad Debt Expense	4,769	(1,018)	3,751	-	3,751
22	675	Miscellaneous Expense	7,221	(3,940)	3,281	-	3,281
23	403	Depreciation Expense	380,785	(16,741)	364,044	-	364,044
24	403	Depreciation Expense - CIAC Amort.	(2,151)	467,953	465,802	-	465,802
25	408	Taxes Other than Income	1,553	-	1,553	-	1,553
26	408.1	Taxes Other that Income - Property	11,254	(1,071)	10,183	507	10,689
27	409	Income Taxes	(197,785)	(112,408)	(310,193)	(487,225)	(797,418)
28							
29							
30							
31							
32							
33		TOTAL OPERATING EXPENSES	$ 382,874	$ 324,754	$ 707,628	$ (486,718)	$ 220,909
34							
35		OPERATING INCOME (LOSS)	$ (175,169)		$ (499,923)		$ 19,549

References:
Column (A): Company Schedule C-1
Column (B): RBM-8, Columns (B) Thru (J)
Column (C): Column (A) + Column (B)
Column (D): Sch. RBM-1, Column (B), L8: Sch RBM-1 page 2 L52
Column (E): Column (C) + Column (D)

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Water Utility of Greater Tonopah, Inc.
Schedule RBM-8

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Pur. Power Expense	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 7 Property Taxes	(I) Adj. No 8 Income Taxes	(O) Total Pro Forma Adjustments	(P) Test Year Adjusted Results
	Revenues:											
1	461 Metered Water Revenues	$ 202,202	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 202,202
2	460 Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-
3	474 Unmetered Water Revenues	5,503	-	-	-	-	-	-	-	-	-	5,503
4	Total Operating Expenses	$ 207,705	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 207,705
5	Operating Expenses:											
6	601 Salaries And Wages - Employees	$ 75,753					$ (2,865)				$ (2,865)	$ 72,888
7	610 Purchased Water	960									-	960
8	615 Purchased Power	22,407		(4,062)							(4,062)	18,345
9	618 Chemicals	10,522									-	10,522
10	620 Materials And Supplies	20,175									-	20,175
11	621 Office Supplies and Expense	3,591									-	3,591
12	630 Outside Services	26,415									-	26,415
13	635 Contractural Services - Testing	5,109									-	5,109
14	636 Contractural Services - Other	-									-	-
15	641 Rental of Building / Real Property	2,597									-	2,597
16	650 Transportation Expenses	5,733									-	5,733
17	657 Insurance - General Liability	1,557									-	1,557
18	659 Insurance - Other	269									-	269
19	666 Regulatory Comm. Exp. - Rate Case	2,140	(1,093)								(1,093)	1,047
20	670 Bad Debt Expense	4,769				(1,018)					(1,018)	3,751
21	675 Miscellaneous Expense	7,221						(3,940)			(3,940)	3,281
22	403 Depreciation Expense	380,785			(16,741)						(16,741)	364,044
23	403 Depreciation Expense - CIAC Amort.	(2,151)			467,953						467,953	465,802
24	408 Taxes Other than Income	1,553									-	1,553
25	408.1 Taxes Other that Income - Property	11,254							(1,071)		(1,071)	10,183
26	409 Income Taxes	(197,785)								(112,408)	(112,408)	(310,193)
27		-									-	-
28		-									-	-
29		-									-	-
30		-									-	-
31												
32	Total Operating Expenses	$ 382,874	$ (1,093)	$ (4,062)	$ 451,212	$ (1,018)	$ (2,865)	$ (3,940)	$ (1,071)	$ (112,408)	$ 324,754	$ 707,628
33												
34												
35	Operating Income (Loss)	$ (175,169)	$ 1,093	$ 4,062	$ (451,212)	$ 1,018	$ 2,865	$ 3,940	$ 1,071	$ 112,408		$ (499,923)

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Customer Count	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 Adjust Pur. Pwr.	(H) Adj. No 7 IFCA / CIAC Depre	(I) Adj. No 8 Reclass of Revenues	(J) Adj. No 9 Post Test Yr Depre	(K) Adj. No 10 Bad Debt	(L) Adj. No 11 Property Taxes	(M) Adj. No 12 Income Taxes	(N) Adj. No 13 BLANK	(O) Company Adjustments Test Year	(P) Company As Adjusted Test Year
	Revenues:																
1	461 Metered Water Revenues	$ 177,314	$ -	$ -	$ -	$ (1,319)	$ (5,712)	$ -	$ -	$ 31,919	$ -	$ -	$ -	$ -	$ -	$ 24,888	$ 202,202
2	460 Other Water Revenues	31,919	-	-	-	-	-	-	-	(31,919)	-	-	-	-	-	(31,919)	-
3	474 Unmetered Water Revenues	5,503	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,503
4	Total Operating Expenses	$ 214,736	$ -	$ -	$ -	$ (1,319)	$ (5,712)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,031)	$ 207,705
	Operating Expenses:																
5	601 Salaries And Wages - Employees	$ 75,753	$ -		$ -		$ -		$ -							$ -	$ 75,753
6	610 Purchased Water	960	-		-		-		-							-	960
7	615 Purchased Power	18,395	-		-	(50)	-	4,062	-							4,012	22,407
8	618 Chemicals	10,551	-		-	(29)	-		-							(29)	10,522
9	620 Materials And Supplies	20,175	-		-		-		-							-	20,175
10	621 Office Supplies and Expense	3,591	-		-		-		-							-	3,591
11	630 Outside Services	26,415	-		-		-		-							-	26,415
12	635 Contractural Services - Testing	5,109	-		-		-		-							-	5,109
13	636 Contractural Services - Other	-	-		-		-		-							-	-
14	641 Rental of Building / Real Property	2,597	-		-		-		-							-	2,597
15	650 Transportation Expenses	5,733	-		-		-		-							-	5,733
16	657 Insurance - General Liability	1,557	-		-		-		-							-	1,557
17	659 Insurance - Other	269	-		-		-		-							-	269
18	666 Regulatory Comm. Exp. - Rate Case	1,333	(1,333)	2,140	-		-		-							807	2,140
19	670 Bad Debt Expense	4,930	-		-		-		-				(161)			(161)	4,769
20	675 Miscellaneous Expense	7,393	-		(172)		-		-							(172)	7,221
21	403 Depreciation Expense	375,446	-		-		-		-			5,339				5,339	380,785
22	403 Depreciation Expense - CIAC Amort.	(358,046)	-		-		-		355,895							355,895	(2,151)
23	408 Taxes Other than Income	1,553	-		-		-		-							-	1,553
24	408.1 Taxes Other that Income - Property	7,752	-		-		-		-					3,502		3,502	11,254
25	409 Income Taxes	(11,324)	-		-		-		-						(186,461)	(186,461)	(197,785)
26		-	-		-		-		-							-	-
27		-	-		-											-	-
28		-	-														
29																	
30																	
31	Total Operating Expenses	$ 200,142	$ (1,333)	$ 2,140	$ (172)	$ (79)	$ -	$ 4,062	$ 355,895	$ -	$ -	$ 5,339	$ (161)	$ 3,502	$ (186,461)	$ 182,732	$ 382,874
32																	
33																	
34	Operating Income (Loss)	$ 14,594	$ 1,333	$ (2,140)	$ 172	$ (1,240)	$ (5,712)	$ (4,062)	$ (355,895)	$ -	$ -	$ (5,339)	$ 161	$ (3,502)	$ 186,461		$ (175,169)
35																	

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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Water Utility of Greater Tonopah, Inc.
Schedule RBM-10

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor (L34)			0.75%
4				
5	Valencia Town Water Company			$ 3,144
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 1,047.89
10				
11	Company Amortized Rate Case Expense for Valencia Town as Filed (Sch. C-2.2)			$ 2,140
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (1,093)
14				
15	RUCO Adjustment			$ (1,093)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	$ (1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:

Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

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OPERATING INCOME ADJUSTMENT NO. 2
PURCHASED POWER

Line No.	System	Service Provider	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Valencia Town	Arizona Public Service	$ 464,075	$ (87,064)	$ 377,011
2					
3	Valencia Greater Buckeye	Arizona Public Service	27,670	(4,063)	23,607
4					
5	Greater Tonopah	Arizona Public Service	22,407	(4,062)	18,345
6					
7	Willow Valley	Mohave Electric Cooperative	43,747	(3,308)	40,439
8					
9		Total	$ 557,899	$ (98,497)	$ 459,402

References
Column (A): Company Schedules C-2

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OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Prior Dec Dep Rate	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) RUCO Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 66,651	110,779		-	$ -
2	304	Structures and Improvements	3.33%	46,704	973		-	1,571
3		Collecting and impounding Reservoirs	2.50%	-	-		-	-
4	306	Lake, River and Other Intakes	2.50%	-	-		-	-
5	307	Wells and Springs	3.33%	299,601	-		-	9,977
6	308	Infiltration Galleries	6.67%	-	-		-	-
7	309	Supply Mains	2.00%	-	-		-	-
8	310	Power Generation Equipment	5.00%	-	-		-	-
9	311	Pumping Equipment	12.50%	1,758,896	29,195		(454)	221,658
10	320	Water Treatment Equipment	3.33%	1,621,120	5,400		-	54,073
11	330.1	Distribution Reservoirs and Standpipes	2.22%	185,007	45,380		(1,732)	4,592
12	331	Transmission and Distribution Mains	2.00%	889,254	1,689		-	17,802
13	333	Services	3.33%	43,069	-		-	1,434
14	334	Meters and Meter Installations	8.33%	145,261	1,917		-	12,180
15	335	Hydrants	2.00%	38,386	-		-	768
16	336	Backflow Prevention Devices	6.67%	5,894	-		-	393
17	339	Other Plant and Miscellaneous Equipment	6.67%	5,424	-		-	362
18	340	Office Furniture And Equipment	6.67%	-	-		-	-
19	340.1	Computers and Software	33.33%	-	-		-	-
20	341	Transportation Equipment	20.00%	32,617	-		(32,617)	3,262
21	342	Stores Equipment	4.00%	-	-		-	-
22	343	Tools, Shop And Garage Equipment	5.00%	1,688	289		-	92
23	344	Laboratory Equipment	10.00%	663	-		-	66
24	345	Power Operated Equipment	5.00%	845	-		-	42
25	346	Communication Equipment	10.00%	12,408	-		-	1,241
26	347	Miscellaneous Equipment	10.00%	5,210	-		-	521
27	348	Other Tangible Equipment	10.00%	340,097			-	34,010
28	390.1	Computer Hardware	33.33%				-	
29	396	SCADA	33.33%					
30								
31		Calculated Depreciation Expense		$ 5,498,795				$ 364,044
32								
33		Company Reported Depreciation Expense						375,446
34								(11,402)
35		Adjustment for Post Test Yr. Plant Depreciation						(5,339)
36		RUCO Adjusted Test Year Depreciation Expense						(16,741)

References:
Column A : Order 71878
Column B : RUCO Schedule RBM-5.4
Column C, D, E : RUCO DR 1.14
Column F : (A x B)+((C:E) *A*.5))
Column (G) Depreciation Expense as Reported by Company
Line 34: Company Schedule B2.1 and RUCO Schedule RBM 3.2

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OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

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OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	Acct. No.	(A) COMPANY SLECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (L26)			0.750%	
12					
13	Valencia Town Water Company Allocation			$ (2,865)	
14					
15	Personnel Expense as Filed			$ 75,753	
16					
17	RUCO Pro Forma Expense (L15 + L13)			$ 72,888	
18					
19	RUCO Adjustment (L17-L15)			$ (2,865)	
20					

Line No.	Allocation Factor Based on Test Year Revenue	Operating Revenue	Percent of Total	Adjustment by System
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) – RUCO DR 1.08
Column (C) – Company Schedules C-2

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OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

Ln No	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
2												
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
4												
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
6												
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
8												
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
10												
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
12												
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
14												
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
16												
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
18												
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
20												
21	94205	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
22												
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
24		Total	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831)	# $ (194,371)	# $ (26,087)
25												

Ln No		Operating Revenue	%t of Total Revenue	Allowed Dues
26				
27	Allocation Factor By System Revenue			
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water L	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B-J) RUCO Data Requests 5.02, 6 & 1.09

OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$ 207,705	$ 207,705
2	Multiplied by 2	2	2
3	Subtotal (L1 X L2)	$ 415,410	$ 415,410
4a	Adjusted Test Year Revenues	207,705	
4b	Recommended Revenue, Per Schedule		240,458
5	Subtotal (L3 + L4a)	$ 623,115	$ 655,868
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$ 207,705	$ 218,623
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (L7 X L8)	$ 415,410	$ 437,245
10	Plus: 10% of CWIP Per Company Schedule E	23,514	23,514
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + L10 - L11)	$ 438,924	$ 460,759
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (L12 * L13)	$ 83,396	$ 87,544
15	Composite Property Tax Rate	12.2100%	12.2100%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$ 10,183	
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedul	11,254	
18	RUCO Test Year Adjustment (L16-L17)	$ (1,071)	
19	Property Tax - RUCO Recommended Revenue (L14 * L15)		$ 10,689
20	RUCO Test Year Adjusted Property Tax Expense (L16)		10,183
21	Increase/(Decrease) to Property Tax Expense		$ 507
22	Increase/(Decrease) to Property Tax Expense		$ 507
23	Increase in Revenue Requirement		(32,753)
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)		-0.015466

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OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Exp. As Filed by Company (RBM-8 Col (A) Ln 25)	$	(197,785)
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO (RBM-1(2), Col (A) Ln 52		(310,193)
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	(112,408)

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ 25,759	$ -	$ 25,759	0.82%	6.22%	0.05%
2	Long-term Debt	$ 415,230	$ -	$ 415,230	13.18%	6.33%	0.83%
3	Common Equity	$ 2,708,518	$ -	$ 2,708,518	86.00%	8.50%	7.31%
4	TOTAL CAPITAL	$ 3,149,507	$ -	$ 3,149,507	100.00%		
5	COST OF CAPITAL						8.19%

References:
Columns (A) Thru (F): Testimony, WAR

TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost		(B) RUCO OCRB/FVRB Cost	
1	Fair Value Rate Base	$	2,359,391	$	2,278,955
2					
3	Adjusted Operating Income (Loss)	$	(58,493)	$	(73,977)
4					
5	Current Rate Of Return (L3 / L1)		-2.48%		-3.25%
6					
7	Required Operating Income (L9 X L1)	$	250,024	$	182,894
8					
9	Required Rate Of Return On Fair Value Rate Base		10.60%		8.03%
10					
11	Operating Income Deficiency (L7 - L3)	$	308,517	$	256,871
12					
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)		1.6451		1.5427
14					
15	Increase In Gross Revenue Requirement (L11 X L13)	$	507,537	$	396,281
16					
17	Adjusted Test Year Revenue	$	702,652	$	702,653
18					
19	Proposed Annual Revenue (L15 + L17)	$	1,210,189	$	1,098,934
20					
21	Required Percentage Increase In Revenue (L15 / L17)		72.20%		56.40%
22					
23	Rate Of Return On Common Equity		11.44%		8.50%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.4135%		
3	Revenues (L1 - L2)	99.5865%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	34.7661%		
5	Subtotal (L3 - L4)	64.8204%		
6	**Revenue Conversion Factor (L1 / L5)**	1.542724		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	34.4112%		
9	One Minus Combined Income Tax Rate (L7 - L8)	65.5888%		
10	Uncollectible Rate	0.00630		
11	Uncollectible Factor (L9 * L10)	0.4135%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	29.8516%		
16	Effective Federal Income Tax Rate (L14 x L15)	27.9112%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		34.4112%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	34.4112%		
20	One Minus Combined Income Tax Rate (L18-L19)	65.5888%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	0.5410%		
22	Effective Property Tax Factor (L20 x L21)		0.3549%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			34.7661%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 182,894		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	(73,977)		
26	Required Increase in Operating Income (L24 - L25)		$ 256,871	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 98,259		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	(36,509)		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		134,768	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L19	$ 1,098,934		
31	Uncollectible Rate (L10)	0.00630		
32	Uncolllectible Expense on Recommended Revenue (L30 x L31)	$ 6,928		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L31)	4,430		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		2,498	
35	Property Tax with Recommended Revenue (Sch. RBM -8, Col. (Q), L24)	$ 32,844		
36	Property Tax on Test Year Revenue (Sch. RBM-8, Col. (A), L24)	30,700		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		2,144	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ 396,281	

LINE NO.	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 702,653	$ 396,281	$ 1,098,934
40	Operating Expenses Excluding Income Taxes	$ 813,139		$ 817,781
41	Synchronized Interest (Col. [C], L57)	$ 13,472		$ 13,472
42	Arizona Taxable Income (L39 - L40 - L41)	$ (123,958)		$ 267,681
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ (8,057)		$ 17,399
45	Federal Taxable Income (L42 - L44)	$ (115,901)		$ 250,282
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ (7,500)		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ (6,250)		$ 6,250
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ (8,500)		$ 8,500
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ (6,201)		$ 58,610
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
51	Total Federal Income Tax	$ (28,451)		$ 80,860
52	Combined Federal and State Income Tax (L44 + L51)	$ (36,509)		$ 98,259
53	Applicable Federal Income Tax Rate			29.8516%
54	Synchronized Interest Calculation			
55	Rate Base			$ 2,278,955
56	Weighted Average Cost of Debt			0.59%
57	Synchronized Interest			$ 13,472

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description		(A) Company As Filed OCRB/FVRB		(B) Adj No. 1 Post Test Year Plant		(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$	5,113,538	$	(80,436)	$	5,033,102
2							
3	Accumulated Depreciation		(1,742,556)		-		(1,742,556)
4	Net Utility Plant In Service (L1 + L3)		3,370,982		(80,436)		3,290,546
5							
6	Advances In Aid Of Const.		(610,760)		-		(610,760)
7							
8	Contribution In Aid Of Const.		-		-		-
9	Accumulated Amortization Of CIAC		-		-		-
10	NET CIAC (L8 + L9)		-		-		-
11							
12	Customer Meter Deposits		(36,233)		-		(36,233)
13							
14	Deferred Income Taxes & Credits		(364,598)		-		(364,598)
15							
16	Unamortized Finance Charges		-		-		-
17							
18	Deferred Regulatory Assets		-		-		-
19							
20	Allowance For Working Capital		-		-		-
21							
22							
23	TOTAL RATE BASE (Sum L's 4,6,10-20)	$	2,359,391	$	(80,436)	$	2,278,955

References:
Column (A) Company Schedule B-1
Column (B) RBM-3 page 1

References:
Column (A): Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

RATE BASE ADJUSTMENT NO.1
POST TEST YEAR PLANT WITH RUCO ADJUSTMENTS

		(A)	(B)	(C)	(D)	(E)		(F)
		Company's Initial Filing			Co. Follow Up Response			RUCO Adjustment
		Date Const Began	Date Const est to be Completed	Included in Rate Base Initial Est	Date Const Actually Completed	Final Costs/ as of March 31, 2013		
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	Aug 2012	Aug 2012	$ 300,742	Dec 2012	$ 240,224		$ (300,742)
3	RED WDC Chl Sys Replacement	Jan 2012	Jan 2012	6,149	April 2012	15,129		8,980
4	TOTALS			$ 306,891		$ 255,353		$ (291,762)
5								
6	**Willow Valley Water Company**							
7	WVR SCADA - WVWC	Oct 2012	Oct 2012	$ 80,436	Not Started	-	Note (1)	$ (80,436)
8	TOTALS			$ 80,436		-		$ (80,436)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	Nov 2012	Dec 2012	$ 3,076	Dec 2012	$ 3,501		$ (3,076)
12	West Phoenix 6 Fluoride	Nov 2012	Dec 2012	8,625	Jan 2013	18,693		(8,625)
13	WPE 6 Tank and Well Replacmt	May 2012	June 2012	95,082	Dec 2012	128,934		(95,082)
14	TOTALS			$ 106,783		$ 151,128		$ (106,783)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	July 2012	July 2012	$ 78,750	In Progress	$ 12,027		$ (78,750)
18	Buena Vista Fill Line	July 2012	July 2012	203,702	In Progress	20,004		(203,702)
19	Pima Road Waterline	April 2012	April 2012	182,563	Sept 2012	195,474		(182,563)
20	WVR SCADA Command Sta Imp	July 2012	July 2012	136,029	Jan 2013	21,962		(136,029)
21	SVWDC Optimization	June 2012	June 2012	71,526	Feb 2013	48,565		(71,526)
22	TOTALS			$ 672,570		$ 298,032		$ (672,570)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	Nov 2008	June 2012	$ 119,810	Dec 2011	$ 119,810		$ -
26	PVUC In Pipe Odor Control	Mar 2012	June 2012	52,022	Nov 2012	57,397		(52,022)
27	PVUC Lagoon Clean Closure	April 2012	July 2012	406,949	Dec 2012	543,461		(406,949)
28	PVUC PEQB	April 2012	July 2012	12,564	Dec 2012	48,475		(12,564)
29	SRW MH Rehab and LS Imp Ph I	Dec 2010	Feb 2012	6,408	Dec 2012	3,295		(6,408)
30	PVUC WRF Headworks Rehab	Sept 2012	Sept 2012	69,132	Dec 2012	84,155		(69,132)
31	Sewer Manhole Rehab	Oct 2012	Oct 2012	66,509	Dec 2012	68,199		(66,509)
32	Edison Rd Sewer Ln Ext	Aug 2012	Aug 2012	85,000	Dec 2012	110,734		(85,000)
33				$ 818,394		$ 1,035,526		$ (698,584)
34								

References:

Columns (A), (B), (C) - Fleming Testimony pages 21 and 22. Company included in rate base.

Columns (D), (E) - Company Response to RUCO Data Request No. 2.01

NOTE (1): See Column (F) The costs for projects not completed and placed in service by June 30, 2012, were adjusted and excluded from rate base by RUCO

RATE BASE ADJUSTMENT NO. 2
RUCO POST TEST YEAR PLANT DEPRECIATION & A/D ADJUSTMENTS

		(A) Company Initial Filing Included in Rate Base Initial Est	(B) Date Const Actually Completed	(C) Company Final Costs/ as of March 31, 2013	(D) RUCO Adjustment PTY Plant	(E) Company Calculated Depreciation	(F) RUCO Calculated Depreciation	(G) RUCO Adjustment Depre & A/D
1	**Global Water - Santa Cruz**							
2	Edison Rd Waterline Ext	$ 300,742	Dec 2012	$ 240,224	$ (300,742)			
3	RED WDC Chl Sys Replacement	6,149	April 2012	15,129	8,980			
4	TOTALS	$ 306,891		$ 255,353	$ (291,762)	$ 15,345	$ 757	$ (14,588)
5								
6	**Willow Valley Water Company**							NOTE (1)
7	WVR SCADA - WVWC	$ 80,436	Not Started		$ (80,436)			
8	TOTALS	$ 80,436			$ (80,436)	$ 4,022	$ -	$ (4,022)
9								
10	**Water Utility of Greater Tonopah**							
11	West Phoenix 6 Elec Upgrades	$ 3,076	Dec 2012	$ 3,501	$ (3,076)			
12	West Phoenix 6 Fluoride	8,625	Jan 2013	18,693	(8,625)			
13	WPE 6 Tank and Well Replacmt	95,082	Dec 2012	128,934	(95,082)			
14	TOTALS	$ 106,783		$ 151,128	$ (106,783)	$ 5,339	$ -	$ (5,339)
15								
16	**Valencia Water Company**							
17	Bales Fill Line	$ 78,750	In Progress	$ 12,027	$ (78,750)			
18	Buena Vista Fill Line	203,702	In Progress	20,004	(203,702)			
19	Pima Road Waterline	182,563	Sept 2012	195,474	(182,563)			
20	WVR SCADA Command Sta Imp	136,029	Jan 2013	21,962	(136,029)			
21	SVWDC Optimization	71,526	Feb 2013	48,565	(71,526)			
22	TOTALS	$ 672,570		$ 298,032	$ (672,570)	$ 33,629	$ -	$ (33,629)
23								
24	**Global Water - Palo Verde Utilities**							
25	Campus I WRF Ph 3 Exp	$ 119,810	Dec 2011	$ 119,810	$ -			
26	PVUC In Pipe Odor Control	52,022	Nov 2012	57,397	(52,022)			
27	PVUC Lagoon Clean Closure	406,949	Dec 2012	543,461	(406,949)			
28	PVUC PEQB	12,564	Dec 2012	48,475	(12,564)			
29	SRW MH Rehab and LS Imp Ph I	6,408	Dec 2012	3,295	(6,408)			
30	PVUC WRF Headworks Rehab	69,132	Dec 2012	84,155	(69,132)			
31	Sewer Manhole Rehab	66,509	Dec 2012	68,199	(66,509)			
32	Edison Rd Sewer Ln Ext	85,000	Dec 2012	110,734	(85,000)			
33		$ 818,394		$ 1,035,526	$ (698,584)	$ 40,920	$ 5,991	$ (34,929)
34								

35	NOTE (1): RUCO Depreciation and A/D adjustment calculated as follows:			
36	Column (E) / Column (A)	4,022		
37		80,436	5.00%	Depreciation allowance as calculated by Company
38				
39	Column (A) less Column (D)	$ 80,436		
40		$ 80,436		
41		$ -	$ -	Test Year Plant as proposed by RUCO
42				
43	Depreciation expense proposed by RUCO		$ -	
44	Depreciation expense proposed by Company		$ 4,022	
45	RUCO proposed depreciation and A/D adjustment			NOTE 1 Global recorded post test year depreciation (See Company - Sch C-
46	related to Post Test Year Plant		$ (4,022)	2), however,did not record Accumulated Depreciation as an adjustment.

References:
Columns (A), (B), (C), (D) - See Sch RBM-2
Columns (E) - Company Schedules and testimony of Mr. Brett Higgabotham

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Willow Valley Water Companyu
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Willow Valley Water Co., Inc.
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COMPANY PLANT BALANCES SINCE LAST RATE CASE

Line No.	Acct No	Account Description	(A) Total Plant Value 12/31/2008	(B) Additions	(C) Other Costs	(D) Disposals	(E) Balance 12/31/2009	(F) Additions	(G) Other Costs	(H) Disposals	(I) Balance 12/31/2010	(J) Additions	(K) Other Costs	(L) Disposals	(M) Balance 12/31/2011
1	303	Land and Land Rights	$ 18,100				18,100				18,100	193	-	-	18,293
2	304	Structures and Improvements	197,952				197,952				197,952	266,117	-	-	464,069
3		Collecting and Impounding Reservoirs	-				-				-				-
4	306	Lake, River and Other Intakes	-				-				-				-
5	307	Wells and Springs	1,622,446				1,622,446				1,622,446	1,295	-	-	1,623,741
6	308	Infiltration Galleries	-												
7	309	Supply Mains	2,118				2,118				2,118	3,323	-	-	5,441
8	310	Power Generation Equipment	10,751				10,751	311			11,062				11,062
9	311	Pumping Equipment	492,405	9,043			501,448				501,448	11,909	-	-	513,357
10	320	Water Treatment Equipment	263,210	9,421			272,631	14,481			287,111	273,452	-	-	560,564
11	330	Distribution Reservoirs and Standpipes	265,882				265,882	8,960			274,842	232	-	(676)	274,398
12	331	Transmission and Distribution Mains	620,830	3,218			624,048				624,048	20,639	-	-	644,688
13	333	Services	95,359				95,359				95,359				95,359
14	334	Meters and Meter Installations	220,733	693			221,426	309,135			530,561	2,456	-	-	533,017
15	335	Hydrants	37,179				37,179				37,179	9,386	-	-	46,565
16	336	Backflow Prevention Devices	1,024				1,024				1,024				1,024
17	339	Other Plant and Miscellaneous Equipment	19,310				19,310				19,310	1,007	-	-	20,317
18	340	Office Furniture And Equipment	22,526				22,526				22,526	120	-	-	22,646
19	340.1	Computers and Software	-				-				-				-
20	341	Transportation Equipment	20,846	68,433		(5,799)	83,480			(2,367)	81,113	-	-	(3,035)	78,078
21	342	Stores Equipment	-				-				-				-
22	343	Tools, Shop And Garage Equip	42,909				42,909				42,909	479	-	-	43,388
23	344	Laboratory Equipment	9,508				9,508				9,508				9,508
24	345	Power Operated Equipment	38,925				38,925				38,925				38,925
25	346	Communication Equipment	2,654		6,584		9,238	825			10,063				10,063
26	347	Miscellaneous Equipment	8,273				8,273	1,950			10,223				10,223
27	348	Other Tangible Equipment	3,937				3,937				3,937				3,937
28			-												-
29	396		-									4,440	-	-	4,440
30		TOTAL PLANT IN SERVICE	$ 4,016,877	90,808	6,584	(5,799)	4,108,470	335,662	-	(2,367)	4,441,764	595,046	-	(3,711)	5,033,100

References:
Column (A) agrees with Decision No. 71878
Column (B) through (M) RUCO Data Request 1.14

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Willow Valley Water Co., Inc.
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SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	5,033,102	$ 80,436	$ -	$ -	$ 5,113,538
2	Accumulated Depreciation	(1,742,556)	-	-	-	(1,742,556)
3	Net Utility Plant In Service (L1 + L2)	$ 3,290,546	$ 80,436	$ -	$ -	$ 3,370,982
4	Advances In Aid Of Const.	$ (610,760)	$ -	$ -	$ -	$ (610,760)
5	Contribution In Aid Of Const.	$ -	$ -	$ -	$ -	$ -
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ -	$ -	$ -	$ -	$ -
8	Customer Meter Deposits	$ (36,233)	$ -	$ -	$ -	$ (36,233)
9	Deferred Income Taxes & Credits	$ (364,598)	$ -	$ -	$ -	$ (364,598)
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 2,278,955	$ 80,436	$ -	$ -	$ 2,359,391

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

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SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 689,275	$ -	$ 689,275	$ 396,281	$ 1,085,556
2	460	Unmetered Water Revenues	-	-	-		-
3	474	Other Water Revenues	13,378	-	13,378		13,378
4		Total Operating Income	$ 702,653	$ -	$ 702,653	$ 396,281	$ 1,098,934
	Operating Expenses:						
5	601	Salaries And Wages - Employees	$ 263,312	(9,571)	$ 253,741	$ -	$ 253,741
6	610	Purchased Water	-	-	-	-	-
7	615	Purchased Power	43,747	(1,582)	42,165	-	42,165
8	618	Chemicals	55,422	-	55,422	-	55,422
9	620	Materials And Supplies	36,002	-	36,002	-	36,002
10	621	Office Supplies and Expense	27,025	-	27,025	-	27,025
11	630	Outside Services	97,501	-	97,501	-	97,501
12	635	Contractural Services - Testing	20,993	-	20,993	-	20,993
13	641	Rental of Building / Real Property	10,241	-	10,241	-	10,241
14	650	Transportation Expenses	24,173	-	24,173	-	24,173
15	657	Insurance - General Liability	7,125	-	7,125	-	7,125
16	659	Insurance - Other	4,218	-	4,218	-	4,218
17	666	Regulatory Comm. Exp. - Rate Case	9,923	(6,423)	3,500	-	3,500
18	670	Bad Debt Expense	8,251	(3,821)	4,430	2,498	6,928
19	675	Miscellaneous Expense	24,562	(26,087)	(1,525)	-	(1,525)
20	403	Depreciation Expense	200,668	(4,022)	196,646	-	196,646
21	403	Depreciation Expense - CIAC Amort.	-	-	-	-	-
22	408	Taxes Other than Income	782	-	782	-	782
23	408.1	Taxes Other that Income - Property	33,931	(3,231)	30,700	2,144	32,844
24	409	Income Taxes	(106,730)	70,221	(36,509)	134,768	98,259
25							
26							
27							
28							
29		Total Operating Income	$ 761,146	$ 15,484	$ 776,630	$ 139,410	$ 916,040
30		Operating Income (Loss)	$ (58,493)	$ (15,484)	$ (73,977)	$ 256,871	$ 182,894

References:
Column (A): Company Schedule C-1
Column (B): RBM-8, Columns (B) Thru (J)
Column (C): Column (A) + Column (B)
Column (D): Sch. RBM-1, Column (B), L8: Sch RBM-1 page 2 L52
Column (E): Column (C) + Column (D)

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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Pur. Power Expense	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 7 Property Taxes	(I) Adj. No 8 Income Taxes	(J) Total Pro Forma Adjustments	(K) Test Year Adjusted Results
	Revenues:											
1	461 Metered Water Revenues	$ 689,275	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 689,275
2	460 Other Water Revenues	-	-	-							-	-
3	474 Unmetered Water Revenues	13,378	-	-	-	-	-	-	-	-	-	13,378
4	TOTAL OPR'G REV.	$ 702,653	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ 702,653
5	Operating Expenses:											
6	601 Salaries And Wages - Employees	$ 263,312					$ (9,571)				$ (9,571)	$ 253,741
7	610 Purchased Water	-									-	-
8	615 Purchased Power	43,747		(1,582)							(1,582)	42,165
9	618 Chemicals	55,422									-	55,422
10	620 Materials And Supplies	36,002									-	36,002
11	621 Office Supplies and Expense	27,025									-	27,025
12	630 Outside Services	97,501									-	97,501
13	635 Contractural Services - Testing	20,993									-	20,993
14	641 Rental of Building / Real Property	10,241									-	10,241
15	650 Transportation Expenses	24,173									-	24,173
16	657 Insurance - General Liability	7,125									-	7,125
17	659 Insurance - Other	4,218									-	4,218
18	666 Regulatory Comm. Exp. - Rate Case	9,923	(6,423)								(6,423)	3,500
19	670 Bad Debt Expense	8,251				(3,821)					(3,821)	4,430
20	675 Miscellaneous Expense	24,562						(26,087)			(26,087)	(1,525)
21	403 Depreciation Expense	200,668			-4022						(4,022)	196,646
22	403 Depreciation Expense - CIAC Amort.	-									-	-
23	408 Taxes Other than Income	782									-	782
24	408.1 Taxes Other that Income - Property	33,931							(3,231)		(3,231)	30,700
25	409 Income Taxes	(106,730)								70,221	70,221	(36,509)
26		-									-	-
27		-									-	-
28		-									-	-
29		-									-	-
30		-										
31	Total Operating Expenses	$ 761,146	$ (6,423)	$ (1,582)	$ (4,022)	$ (3,821)	$ (9,571)	$ (26,087)	$ (3,231)	$ 70,221	$ 15,484	$ 776,630
32												
33	Operating Income (Loss)	$ (58,493)	$ 6,423	$ 1,582	$ 4,022	$ 3,821	$ 9,571	$ 26,087	$ 3,231	$ (70,221)	$ (15,484)	$ (73,977)

References:
Column (A) See Company Schedule C-1; RBM-9
Columns (B) through (K) See RBM-10 through RBM-18

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DETAIL OF OPERATING INCOME ADJUSTMENTS - WITH COMPANY ADJUSTMENT

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Customer Count	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 Adjust Pur. Pwr.	(H) Adj. No 7 Reclass of Revenues	(I) Adj. No 8 Post Test Yr Depre
	Revenues:									
1	461 Metered Water Revenues	$ 659,351	$ -	$ -	$ -	$ (1,974)	$ (16,480)	$ -	$ 44,501	$ -
2	460 Other Water Revenues	44,501	-	-	-	-	-	-	(44,501)	-
3	474 Unmetered Water Revenues	13,378	-	-	-	-	-	-	-	-
4	TOTAL OPR'G REV.	$ 717,230	$ -	$ -	$ -	$ (1,974)	$ (16,480)		$ -	$ -
5	Operating Expenses:									
6	601 Salaries And Wages - Employees	$ 263,312	$ -		$ -		$ -		$ -	
7	610 Purchased Water	-	-		-		-		-	
8	615 Purchased Power	40,485	-		-	(46)	-	3,308	-	
9	618 Chemicals	18,800	-		-	(21)	-		-	
10	620 Materials And Supplies	36,002	-		-		-		-	
11	621 Office Supplies and Expense	27,025	-		-		-		-	
12	630 Outside Services	97,501	-		-		-		-	
13	635 Contractural Services - Testing	20,993	-		-		-		-	
14	641 Rental of Building / Real Property	10,241	-		-		-		-	
15	650 Transportation Expenses	24,173	-		-		-		-	
16	657 Insurance - General Liability	7,125	-		-		-		-	
17	659 Insurance - Other	4,218	-		-		-		-	
18	666 Regulatory Comm. Exp. - Rate Case	5,333	(5,333)	9,923	-		-		-	
19	670 Bad Debt Expense	8,422	-		-		-		-	
20	675 Miscellaneous Expense	25,404	-		(842)		-		-	
21	403 Depreciation Expense	196,646	-		-		-		-	4,022
22	403 Depreciation Expense - CIAC Amort.	-	-		-		-		-	
23	408 Taxes Other than Income	782	-		-		-		-	
24	408.1 Taxes Other that Income - Property	22,674	-		-		-		-	
25	409 Income Taxes	(43,147)	-		-		-		-	
26		-	-		-		-		-	
27		-	-		-		-		-	
28		-	-		-		-		-	
29		-	-		-		-		-	
30										
31	Total Operating Expenses	$ 765,989	$ (5,333)	$ 9,923	$ (842)	$ (67)	$ -	$ 3,308	$ -	$ 4,022
32										
33	Operating Income (Loss)	$ (48,759)	$ 5,333	$ (9,923)	$ 842	$ (1,907)	$ (16,480)	$ (3,308)	$ -	$ (4,022)

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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DETAIL OF OPERATING INCOME ADJUSTMENTS - WITH COMPANY ADJUSTMENT

Line No	DESCRIPTION	(J) Adj. No 9 Bad Debt Expense	(K) Adj. No 10 Property Taxes	(L) Adj. No 11 Income Taxes	(M) Adj. No 12 Additional Treatment	(N) Adj. No 13 Adjust Credits	(O) Adj. No 14 Income Taxes	(P) Company Adjustments Test Year	(Q) Company As Adjusted Test Year
	Revenues:								
1	461 Metered Water Revenues	$ -	$ -	$ -		$ 1,473	$ 2,404	$ 29,924	$ 689,275
2	460 Other Water Revenues	-	-	-		-	-	(44,501)	-
3	474 Unmetered Water Revenues							-	13,378
4	TOTAL OPR'G REV.	$ -	$ -	$ -		$ 1,473	$ 2,404	$ (14,577)	$ 702,653
5	Operating Expenses:								
6	601 Salaries And Wages - Employees							$ -	$ 263,312
7	610 Purchased Water							-	-
8	615 Purchased Power							3,262	43,747
9	618 Chemicals				36,643			36,622	55,422
10	620 Materials And Supplies							-	36,002
11	621 Office Supplies and Expense							-	27,025
12	630 Outside Services							-	97,501
13	635 Contractural Services - Testing							-	20,993
14	641 Rental of Building / Real Property							-	10,241
15	650 Transportation Expenses							-	24,173
16	657 Insurance - General Liability							-	7,125
17	659 Insurance - Other							-	4,218
18	666 Regulatory Comm. Exp. - Rate Case							4,590	9,923
19	670 Bad Debt Expense	(171)						(171)	8,251
20	675 Miscellaneous Expense							(842)	24,562
21	403 Depreciation Expense							4,022	200,668
22	403 Depreciation Expense - CIAC Amort.							-	-
23	408 Taxes Other than Income							-	782
24	408.1 Taxes Other that Income - Property		11,257					11,257	33,931
25	409 Income Taxes			(63,583)				(63,583)	(106,730)
26								-	-
27								-	-
28								-	-
29								-	-
30								-	-
31	Total Operating Expenses	$ (171)	$ 11,257	$ (63,583)	$ 36,643	$ -	$ -	$ (4,843)	$ 761,146
32									
33	Operating Income (Loss)	$ 171	$ (11,257)	$ 63,583	$ (36,643)	$ 1,473	$ 2,404	$ (9,734)	$ (58,493)

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Sche
Column (O); Sum of Columns (B) throug
Column (P); Column (A) - Column (O)

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor - Column (B) L33			2.51%
4				
5	Willow Valley Water Company - Li (L1 X L3)			$ 10,500
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 3,500
10				
11	Company Amortized Rate Case Expense for Valencia Town as Filed (Sch. C-2.2)			$ 9,923
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (6,423)
14				
15	RUCO Adjustment			$ (6,423)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) L27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
29					
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	(1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

OPERATING INCOME ADJUSTMENT NO. 2
PURCHASED POWER

Line No.	System	Service Provider	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Valencia Town	Arizona Public Service	$ 464,075	$ (62,786)	$ 401,289
2					
3	Valencia Greater Buckeye	Arizona Public Service	27,670	(2,562)	25,108
4					
5	Greater Tonopah	Arizona Public Service	22,407	(2,881)	19,526
6					
7	Willow Valley	Mohave Electric Cooperative	43,747	(1,582)	42,165
8					
9		Total	$ 557,899	$ (69,811)	$ 488,088

References
Column (A): Company Schedules C-2
Column (B): Company Schedules C-2.6

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OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Prior Dec Dep Rate	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) Plant Balance 12/31/2011	(G) Calculated Depreciation Expense	(H) Company Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 18,100	$ 192.50	$ -	$ -	$ 18,292.50	$ -	$ -
2	304	Structures and Improvements	3.33%	$ 197,952	266,117	-	-	464,069	11,023	7,875
3		Collecting and impounding Reservoirs	2.50%	-	-	-	-	-	-	
4	306	Lake, River and Other Intakes	2.50%	-				-	-	
5	307	Wells and Springs	3.33%	$ 1,622,446	1,295	-	-	1,623,741	54,049	1,946
6	308	Infiltration Galleries	6.67%	-				-	-	
7	309	Supply Mains	2.00%	$ 2,118	3,323	-	-	5,441	76	33
8	310	Power Generation Equipment	5.00%	$ 11,062				11,062	553	-
9	311	Pumping Equipment	12.50%	$ 501,448	11,909	-	-	513,357	63,425	3,874
10	320	Water Treatment Equipment	3.33%	$ 287,111	273,452	-	-	560,564	14,114	35,780
11	330.1	Distribution Reservoirs and Standpipes	2.22%	$ 274,842	232	-	(676)	274,398	6,097	5,552
12	331	Transmission and Distribution Mains	2.00%	$ 624,048	20,639	-	-	644,688	12,687	10,087
13	333	Services	3.33%	$ 95,359				95,359	3,175	2,944
14	334	Meters and Meter Installations	8.33%	$ 530,561	2,456	-	-	533,017	44,298	31,247
15	335	Hydrants	2.00%	$ 37,179	9,386	-	-	46,565	837	662
16	336	Backflow Prevention Devices	6.67%	$ 1,024				1,024	68	-
17	339	Other Plant and Miscellaneous Equipment	6.67%	$ 19,310	1,007	-	-	20,317	1,322	371
18	340	Office Furniture And Equipment	6.67%	$ 22,526	120	-	-	22,646	1,506	158
19	340.1	Computers and Software	33.33%	$ -				-	-	
20	341	Transportation Equipment	20.00%	$ 81,113	-	-	(3,035)	78,078	15,919	93,079
21	342	Stores Equipment	4.00%	-				-	-	
22	343	Tools, Shop And Garage Equipment	5.00%	$ 42,909	479	-	-	43,388	2,157	499
23	344	Laboratory Equipment	10.00%	$ 9,508				9,508	951	-
24	345	Power Operated Equipment	5.00%	$ 38,925				38,925	1,946	779
25	346	Communication Equipment	10.00%	$ 10,063				10,063	1,006	833
26	347	Miscellaneous Equipment	10.00%	$ 10,223				10,223	1,022	195
27	348	Other Tangible Equipment	10.00%	$ 3,937				3,937	394	507
28	390.1	Computer Hardware	33.33%					-	-	
29	396	SCADA	33.33%		4,440	-	-	4,440	740	221
30								-	-	
31				$ 4,441,764	$ 595,046	$ -	$ (3,711)	$ 5,033,100		
32		Calculated Depreciation Expense							$ 237,366	
33										
34		Company Reported Depreciation Expense								196,642
35										
36		Adjustment for Post Test Yr. Plant Depreciation								4,022
37		RUCO Adjusted Test Year Depreciation Expense								200,664
38										

References:
Column (A) Decision 71878
Column (B) RUCO Schedule RBM-5.4
Column (C), (D), (E)RUCO DR 1.14
Column (F) = (A x B)+((C:E) *A*.5))
Column (G) Depreciation Expense as Reported by Company

OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense Category	Acct No	(A) Company Selected Expenses	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	-
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (L24)			2.506%	
12					
13	Willow Valley Water Company			$ (9,571)	
14					
15	Personnel Expense as Filed			$ 263,312	
16					
17	RUCO Pro Forma Expense (L15 + L13)			$ 253,741	
18					
19	RUCO Adjustment (L17-L15)			$ (9,571)	
20					
21	Allocation Factor Based on Test Year Revenue		Operating Revenue	Percent of Total	Adjustment by System
22	Palo Verde Utilities Co.		11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company		10,705,825	37.406%	(142,858)
24	Valencia Town Water Company		4,940,530	17.262%	(65,926)
25	Willow Valley Water Company		717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah		214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility		479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale		151,196	0.528%	(2,018)
29	Total Revenue Percentages		28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08

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OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	(D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
2												
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
4												
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
6												
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
8												
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
10												
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
12												
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
14												
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
16												
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
18												
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
20												
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
22												
23	80503	Other Compensation	28,794	(28,794)	-	(4,970)	(11,481)	(152)	(216)	(482)	(10,771)	(722)
24												
25		**Total**	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$ (3,940)	$ (6,831)	$ (194,371)	$ (26,087)
26												

	Allocation Factor By System Revenue	Operating Revenue	%t of Total Revenue	Allowed Dues
27				
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water Utility	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percentages	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B) Thru (J) RUCO Data Requests 5.02, 6 & 1.09

OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED		[B] RUCO RECOMMENDED	
1	Adjusted Test Year Revenues	$	702,653	$	702,653
2	Multiplied by 2		2		2
3	Subtotal (L1 X L2)	$	1,405,306	$	1,405,306
4a	Adjusted Test Year Revenues		702,653		
4b	Recommended Revenue, Per Schedule				1,098,934
5	Subtotal (L3 + L4a)	$	2,107,959	$	2,504,240
6	Number of Years		3		3
7	Three Year Average (L5 / L6)	$	702,653	$	834,747
8	Department of Revenue Mutilplier		2		2
9	Revenue Base Value (L7 X L8)	$	1,405,306	$	1,669,494
10	Plus: 10% of CWIP Per Company Schedule E		47		47
11	Less: Net Book Value of Licensed Vehicles		340		340
12	Full Cash Value (Line 9 + L10 - L11)	$	1,405,013	$	1,669,200
13	Assessment Ratio		19.0%		19.0%
14	Assessed Value (L12 * L13)	$	266,952	$	317,148
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation Analysis W/P)		11.5000%		10.3559%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$	30,700		
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)		33,931		
18	RUCO Test Year Adjustment (L16-L17)	$	(3,231)		
19	Property Tax - RUCO Recommended Revenue (L14 * L15)			$	32,844
20	RUCO Test Year Adjusted Property Tax Expense (L16)				30,700
21	Increase/(Decrease) to Property Tax Expense			$	2,144
22	Increase/(Decrease) to Property Tax Expense			$	2,144
23	Increase in Revenue Requirement				396,281
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)				0.5410%

OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No.	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Expense As Filed by Company - RBM-7 Col (A) Ln 24	$	(106,730)
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO RBM-7 Col (C) Ln 24		(36,509)
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	70,221
7			

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ 29,470	$ -	$ 29,470	0.89%	5.17%	0.05%
2	Long-term Debt	$ 387,538	$ -	$ 387,538	11.65%	4.68%	0.55%
3	Common Equity	$ 2,908,686	$ -	$ 2,908,686	87.46%	8.50%	7.43%
4	TOTAL CAPITAL	$ 3,325,694	$ -	$ 3,325,694	100.00%		
5	COST OF CAPITAL						8.03%

References:
Columns (A) Thru (F): Testimony, WAR

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Valencia Water Utility of Greater Buckeye, Inc.

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Schedule RBM-1

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost		(B) RUCO OCRB/FVRB Cost	
1	Fair Value Rate Base	$	634,978	$	634,979
2					
3	Adjusted Operating Income (Loss)	$	49,158	$	61,801
4					
5	Current Rate Of Return (L3 / L1)		7.74%		9.73%
6					
7	Required Operating Income (L9 X L1)	$	70,795	$	53,258
8					
9	Required Rate Of Return On Fair Value Rate Base		11.18%		8.39%
10					
11	Operating Income Deficiency (L7 - L3)	$	21,817	$	(8,543)
12					
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)		1.6694		1.4522
14					
15	Increase In Gross Revenue Requirement (L11 X L13)	$	36,422	$	(12,406)
16					
17	Adjusted Test Year Revenue	$	462,043	$	462,043
18					
19	Proposed Annual Revenue (L15 + L17)	$	497,654	$	449,637
20					
21	Required Percentage Increase In Revenue (L15 / L17)		7.70%		-2.69%
22					
23	Rate Of Return On Common Equity		11.44%		8.50%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	0.7293%		
3	Revenues (L1 - L2)	99.2707%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	30.4088%		
5	Subtotal (L3 - L4)	68.8619%		
6	**Revenue Conversion Factor (L1 / L5)**	1.452182		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	29.8750%		
9	One Minus Combined Income Tax Rate (L7 - L8)	70.1250%		
10	Uncollectible Rate	0.01040		
11	Uncollectible Factor (L9 * L10)	0.7293%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	25.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	23.3750%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		29.8750%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	29.8750%		
20	One Minus Combined Income Tax Rate (L18-L19)	70.1250%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	0.7613%		
22	Effective Property Tax Factor (L20 x L21)		0.5338%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			30.4088%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 53,258		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	61,801		
26	Required Increase in Operating Income (L24 - L25)		$ (8,543)	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 14,694		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	18,333		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		(3,640)	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L30	$ 449,637		
31	Uncollectible Rate (L10)	0.01040		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	$ 4,676		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L31)	$ 4,805		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		(129)	
35	Property Tax with Recommended Revenue (Sch. RBM -7 , Col. (E), L23)	$ 10,458		
36	Property Tax on Test Year Revenue (Sch. RBM-8, Col. (C), L23)	10,552		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		(94)	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ (12,406)	

LINE NO.	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 462,043	$ (12,406)	$ 449,637
40	Operating Expenses Excluding Income Taxes	$ 381,909		$ 381,685
41	Synchronized Interest (Col. [C], L57)	$ 2,032		$ 2,032
42	Arizona Taxable Income (L39 - L40 - L41)	$ 78,103		$ 65,920
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ 5,077		$ 4,285
45	Federal Taxable Income (L42 - L44)	$ 73,026		$ 61,635
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 7,500		$ 7,500
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ 5,756		$ 2,909
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
51	Total Federal Income Tax	$ 13,256		$ 10,409
52	Combined Federal and State Income Tax (L44 + L51)	$ 18,333		$ 14,694
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			25.0000%
54	Synchronized Interest Calculation			
55	Rate Base			$ 634,979
56	Weighted Average Cost of Debt			0.32%
57	Synchronized Interest			$ 2,032

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SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FVRB	(B) RUCO Adjustments	(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$ 3,079,206	$ -	$ 3,079,206
2	Accumulated Depreciation	(1,372,116)	-	(1,372,116)
3	Net Utility Plant In Service (L1 + L2)	$ 1,707,090	$ -	$ 1,707,090
4	Advances In Aid Of Const.	$ (722,274)	$ -	$ (722,274)
5	Contribution In Aid Of Const.	$ (236,097)	$ -	$ (236,097)
6	Accumulated Amortization Of CIAC	-	-	-
7	NET CIAC (L5 + L6)	$ (236,097)	$ -	$ (236,097)
8	Customer Meter Deposits	$ (43,597)	$ -	$ (43,597)
9	Deferred Income Taxes & Credits	$ (70,143)	$ -	$ (70,143)
10	Unamortized Finance Charges	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 634,979	$ -	$ 634,979

References:
Column (A): Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

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PLANT SCHEDULES
YEAR ENDED DECEMBER 31, 2011

LINE NO.	ACCT. NO.	ACCOUNT NAME	Gross Pant From Year 2010	(A) Additions	(B) Plant Retirements	(D) Gross Plant Value 2011
1	303	Land and Land Rights	$ 27,898	$ -	$ -	$ 27,898
2	304	Structures and Improvements	39,169	128	-	39,297
3	305	Collecting and impounding Reservoirs	-	-	-	-
4	306	Lake, River and Other Intakes	-	-	-	-
5	307	Wells and Springs	115,895	-	-	115,895
6	308	Infiltration Galleries	-	-	-	-
7	309	Supply Mains	-	-	-	-
7	310	Power Generation Equipment	1,738	-	-	1,738
8	311	Pumping Equipment	538,770	4,922	-	543,692
8	320	Water Treatment Equipment	844,989	-	-	844,989
9	330	Distribution Reservoirs and Standpipes	588,494	-	-	588,494
10	331	Transmission and Distribution Mains	765,133	1,360	-	766,493
11	333	Services	37,406	-	-	37,406
12	334	Meters and Meter Installations	37,738	-	-	37,738
13	335	Hydrants	40,757	-	-	40,757
14	336	Backflow Prevention Devices	5,432	-	-	5,432
15	339	Other Plant and Miscellaneous Equipment	4,284	-	-	4,284
16	340	Office Furniture And Equipment	-	-	-	-
17	340.1	Computers and Software	-	-	-	-
18	341	Transportation Equipment	-	-	-	-
19	342	Stores Equipment	-	-	-	-
20	343	Tools, Shop And Garage Equip	1,650	-	-	1,650
21	344	Laboratory Equipment	-	-		-
22	345	Power Operated Equipment	-	-	-	-
23	346	Communication Equipment	4,225	-	-	4,225
24	347	Miscellaneous Equipment	10,089	-		10,089
25	348	Other Tangible Equipment	8,533			8,533
26			-			-
27			-	526		526
28						
29		TOTAL PLANT IN SERVICE	$ 3,072,200	$ 6,410	$ -	$ 3,079,136
30						
31		Company As Filed				3,079,206
32		Difference				$ (70)

References:
Columns (A) (B): Company Workpapers
Column (C): [(Col. (A) + Col. (B)) X RLM-4, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-4, Page 1, Col. (B) X RLM-4, Page 1, Col. (A)]
Column (D): Schedule RLM-4, Page 1, Column (B) + Column (A) + Column (B)
Column (E): Schedule RLM-4, Page 1, Column (C) + Column (B) + Column (C)
Column (F): Column (D) + Column (E)

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SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	3,079,206	$ -	$ -	$ -	$ 3,079,206
2	Accumulated Depreciation	(1,372,116)	-	-	-	(1,372,116)
3	Net Utility Plant In Service (L1 + L2)	$ 1,707,090	$ -	$ -	$ -	$ 1,707,090
4	Advances In Aid Of Const.	$ (722,274)	$ -	$ -	$ -	$ (722,274)
5	Contribution In Aid Of Const.	$ (236,097)	$ -	$ -	$ -	$ (236,097)
6	Accumulated Amortization Of CIAC	-	-	-	-	-
7	NET CIAC (L5 + L6)	$ (236,097)	$ -	$ -	$ -	$ (236,097)
8	Customer Meter Deposits	$ (43,597)	$ -	$ -	$ -	$ (43,597)
9	Deferred Income Taxes & Credits	$ (70,143)	$ -	$ -	$ -	$ (70,143)
10	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ 634,979	$ -	$ -	$ -	$ 634,979

References:
Company Schedules and RUCO Data Request 1.14

SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 449,915	$ -	$ 449,915	$ (12,406)	$ 437,509
2	460	Unmetered Water Revenues	-	-	-		-
3	474	Other Water Revenues	12,128	-	12,128		12,128
4		TOTAL OPERATING REVENUE	$ 462,043	$ -	$ 462,043	$ (12,406)	$ 449,637
	Operating Expenses:						
5	601	Salaries And Wages - Employees	$ 108,598	(6,397)	$ 102,201	$ -	$ 102,201
6	610	Purchased Water	51,353	-	51,353	-	51,353
7	615	Purchased Power	27,670	(2,562)	25,108	-	25,108
8	618	Chemicals	5,234	-	5,234	-	5,234
9	620	Materials And Supplies	(2,816)	-	(2,816)	-	(2,816)
10	621	Office Supplies and Expense	5,458	-	5,458	-	5,458
11	630	Outside Services	36,433	-	36,433	-	36,433
12	635	Contractural Services - Testing	3,252	-	3,252	-	3,252
13	641	Rental of Building / Real Property	4,216	-	4,216	-	4,216
14	650	Transportation Expenses	9,090	-	9,090	-	9,090
15	657	Insurance - General Liability	2,836	-	2,836	-	2,836
16	659	Insurance - Other	1,509	-	1,509	-	1,509
17	666	Regulatory Comm. Exp. - Rate Case	4,142	(1,802)	2,340	-	2,340
18	670	Bad Debt Expense	11,295	(6,490)	4,805	(129)	4,676
19	675	Miscellaneous Expense	13,302	(6,831)	6,471	-	6,471
20	403	Depreciation Expense	137,751	-	137,751	-	137,751
21	403	Depreciation Expense - CIAC Amort.	(25,606)	-	(25,606)	-	(25,606)
22	408	Taxes Other than Income	1,722	-	1,722	-	1,722
23	408.1	Taxes Other that Income - Property	11,663	(1,111)	10,552	(94)	10,458
24	409	Income Taxes	5,781	12,552	18,333	(3,640)	14,694
25			-	-	-	-	-
26			-				
27			-				
28			-				
29		Total Operating Expenses	$ 412,883	$ (12,641)	$ 400,242	$ (3,863)	$ 396,379
30		Operating Income (Loss)	$ 49,160		$ 61,801		$ 53,258

References:
Column (A): Company Schedule C-1
Column (B): RBM-8, Columns (B) Thru (J)
Column (C): Column (A) + Column (B)
Column (D): Sch. RBM-1, Column (B), L8: Sch RBM-1 page 2 L52
Column (E): Column (C) + Column (D)

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Valencia Water Utility of Greater Buckeye, Inc.
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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Pur. Power Expense	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 7 Property Taxes	(I) Adj. No 8 Income Taxes	(J) Total Pro Forma Adjustments	(K) Test Year Adjusted Results
	Revenues:											
1	461 Metered Water Revenues	$ 449,915	$ -	$ -	$ -			$ -	$ -	$ -	$ -	$ 449,915
2	460 Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-
3	474 Unmetered Water Revenues	12,128	-	-	-	-	-	-	-	-	-	12,128
4	TOTAL OPR'G REV.	$ 462,043	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ 462,043
	Operating Expenses:											
5	601 Salaries And Wages - Employees	$ 108,598					$ (6,397)				$ (6,397)	$ 102,201
6	610 Purchased Water	51,353									-	51,353
7	615 Purchased Power	27,670		(2,562)							(2,562)	25,108
8	618 Chemicals	5,234									-	5,234
9	620 Materials And Supplies	(2,816)									-	(2,816)
10	621 Office Supplies and Expense	5,458									-	5,458
11	630 Outside Services	36,433									-	36,433
12	635 Contractural Services - Testing	3,252									-	3,252
13	641 Rental of Building / Real Property	4,216									-	4,216
14	650 Transportation Expenses	9,090									-	9,090
15	657 Insurance - General Liability	2,836									-	2,836
16	659 Insurance - Other	1,509									-	1,509
17	666 Regulatory Comm. Exp. - Rate Case	4,142	(1,802)								(1,802)	2,340
18	670 Bad Debt Expense	11,295				(6,490)					(6,490)	4,805
19	675 Miscellaneous Expense	13,302						(6,831)			(6,831)	6,471
20	403 Depreciation Expense	137,751			-						-	137,751
21	403 Depreciation Expense - CIAC Amort.	(25,606)									-	(25,606)
22	408 Taxes Other than Income	1,722									-	1,722
23	408.1 Taxes Other that Income - Property	11,663							(1,111)		(1,111)	10,552
24	409 Income Taxes	5,781								12,552	12,552	18,333
25		-									-	-
26		-									-	-
27		-									-	-
28		-									-	-
		-									-	-
29	Total Operating Expenses	$ 412,883	$ (1,802)	$ (2,562)	$ -	$ (6,490)	$ (6,397)	$ (6,831)	$ (1,111)	$ 12,552	$ (12,641)	$ 400,242
		-										
30	Operating Income (Loss0	$ 49,160	$ 1,802	$ 2,562	$ -	$ 6,490	$ 6,397	$ 6,831	$ 1,111	$ (12,552)	$ 12,641	$ 61,801

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Rate Case Expense	(D) Adj. No 3 Low Income Relief	(E) Adj. No 4 Customer Count	(F) Adj. No 5 Accrued Revenue	(G) Adj. No 6 Adjust Pur. Pwr.	(H) Adj. No 7 Reclass of Revenues	(I) Adj. No 8 BLANK	(J) Adj. No 9 Bad Debt Expense	(K) Adj. No 10 Property Taxes	(L) Adj. No 11 Income Taxes	(M) Adj. No 12 Income Taxes	(N) Adj. No 13 Income Taxes	(O) Company Adjustments Test Year	(P) Company As Adjusted Test Year
	Revenues:																
1	461 Metered Water Revenues	$ 466,071	$ -	$ -	$ -	$ (494)	$ (16,890)	$ -	$ 1,228	$ -	$ -	$ -	$ -	$ -	$ -	$ (16,156)	$ 449,915
2	460 Other Water Revenues	1,228	-	-	-	-	-	-	(1,228)	-	-	-	-	-	-	(1,228)	-
3	474 Unmetered Water Revenues	12,128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,128
4	TOTAL OPR'G REV.	$ 479,427	$ -	$ -	$ -	$ (494)	$ (16,890)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (17,384)	$ 462,043
	Operating Expenses:																
5	601 Salaries And Wages - Employees	$ 108,598	$ -		$ -		$ -		$ -							$ -	$ 108,598
6	610 Purchased Water	51,353	-		-		-		-							-	51,353
7	615 Purchased Power	23,611	-		-	(4)	-	4,063	-							4,059	27,670
8	618 Chemicals	5,235	-		-	(1)	-		-							(1)	5,234
9	620 Materials And Supplies	(2,816)	-		-		-		-							-	(2,816)
10	621 Office Supplies and Expense	5,458	-		-		-		-							-	5,458
11	630 Outside Services	36,433	-		-		-		-							-	36,433
12	635 Contractural Services - Testing	3,252	-		-		-		-							-	3,252
13	641 Rental of Building / Real Property	4,216	-		-		-		-							-	4,216
14	650 Transportation Expenses	9,090	-		-		-		-							-	9,090
15	657 Insurance - General Liability	2,836	-		-		-		-							-	2,836
16	659 Insurance - Other	1,509	-		-		-		-							-	1,509
17	666 Regulatory Comm. Exp. - Rate Case	1,333	(1,333)	4,142	-		-		-							2,809	4,142
18	670 Bad Debt Expense	11,720	-		-		-		-		(425)					(425)	11,295
19	675 Miscellaneous Expense	13,636	-		(334)		-		-	-						(334)	13,302
20	403 Depreciation Expense	137,751	-		-		-		-							-	137,751
21	403 Depreciation Expense - CIAC Amort.	(25,606)	-		-		-		-							-	(25,606)
22	408 Taxes Other than Income	1,722	-		-		-		-							-	1,722
23	408.1 Taxes Other that Income - Property	19,177	-		-		-		-			(7,514)				(7,514)	11,663
24	409 Income Taxes	23,499	-		-		-		-				(17,718)			(17,718)	5,781
25		-	-		-		-		-							-	-
26		-	-		-		-		-							-	-
27		-	-		-		-		-							-	-
28																	
29	TOTAL OPR'G EXP.	$ 432,007	$ (1,333)	$ 4,142	$ (334)	$ (5)	$ -	$ 4,063	$ -	$ -	$ (425)	$ (7,514)	$ (17,718)	$ -	$ -	$ (19,124)	$ 412,883
30	OPR'G INC. (LOSS)	$ 47,420	$ 1,333	$ (4,142)	$ 334	$ (489)	$ (16,890)	$ (4,063)	$ -	$ -	$ 425	$ 7,514	$ 17,718	$ -	$ -	$ 1,740	$ 49,160

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

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OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$ 787,174	$ (368,174)	$ 419,000
2				
3	Allocation Factor (L35)			1.68%
4				
5	Valencia Buckeye Water Company			$ 7,019
6				
7	Amortization Period - 3 years			3
8				
9	RUCO Adjusted Rate Case Expense (L5 / L7)			$ 2,340
10				
11	Company Amortized Rate Case Expense for Valencia Buckey as Filed (Sch. C-2.2)			$ 4,142
12				
13	RUCO Pro Forma Rate Case Expense (L9 - L11)			$ (1,802)
14				
15	RUCO Adjustment			$ (1,802)
16				
17	RUCO's Rate Case Expense Adjustment Calculation:			
18	Decision No. 71878, dated September 15, 2010, approved amount			
19	$400,000 forGlobal Water.		$ 400,000	
20				
21	Inflation factor from October 1, 2010 to July 1, 2012			
22	Per Consumer Price Index		4.75%	
23				
24	Reasonable Amount of Rate Case Expense based on			
25	Decision No. 71878.		$ 419,000	
26				
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)		$ (368,174)	
28				

Line No.	Allocation Factor Based on System Revenue	Operating Revenue	%t of Total	Company Amortized Amt.	Adjustment by System
30	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 104,585	$ (48,896)
31	Santa Cruz Water Company	10,705,825	37.41%	105,801	(53,558)
32	Valencia Town Water Company	4,940,530	17.26%	35,298	(11,189)
33	Willow Valley Water Company	717,230	2.51%	9,923	(6,423)
34	Water Utility of Greater Tonopah	214,736	0.75%	2,140	(1,092)
35	Valencia of Greater Buckeye Water Utility	479,427	1.68%	4,142	(1,802)
36	Water Utility of Northern Scottsdale	151,196	0.53%	502	236
37	Total System Revenud and Percentages	$ 28,620,876	100.00%	$ 262,391	$ (122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

OPERATING INCOME ADJUSTMENT NO. 2
PURCHASED POWER

Line No.	System	Service Provider	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Valencia Town	Arizona Public Service	$ 464,075	$ (62,786)	$ 401,289
2					
3	Valencia Greater Buckeye	Arizona Public Service	27,670	(2,562)	25,108
4					
5	Greater Tonopah	Arizona Public Service	22,407	(2,881)	19,526
6					
7	Willow Valley	Mohave Electric Cooperative	43,747	(1,582)	42,165
8					
9		Total	557,899	(69,811)	488,088

References
Column (A): Company Schedules C-2
Column (B): Company Schedules C-2.6

OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Prior Dec Dep Rate	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) RUCO Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 27,898		-	-	-
2	304	Structures and Improvements	3.33%	39,169	128	-	-	1,306
3		Collecting and impounding Reservoirs	2.50%	-	-	-	-	-
4	306	Lake, River and Other Intakes	2.50%	-	-	-	-	-
5	307	Wells and Springs	3.33%	115,895	-	-	-	3,859
6	308	Infiltration Galleries	6.67%	-	-	-	-	-
7	309	Supply Mains	2.00%	-	-	-	-	-
8	310	Power Generation Equipment	5.00%	1,738	-	-	-	87
9	311	Pumping Equipment	12.50%	538,770	4,992	-	-	67,658
10	320	Water Treatment Equipment	3.33%	844,989	-	-	-	28,138
11	330.1	Distribution Reservoirs and Standpipes	2.22%	588,494	-	-	-	13,065
12	331	Transmission and Distribution Mains	2.00%	765,133	1,360	-	-	15,316
13	333	Services	3.33%	37,406	-	-	-	1,246
14	334	Meters and Meter Installations	8.33%	37,738	-	-	-	3,144
15	335	Hydrants	2.00%	40,757	-	-	-	815
16	336	Backflow Prevention Devices	6.67%	5,432	-	-	-	362
17	339	Other Plant and Miscellaneous Equipment	6.67%	4,284	-	-	-	286
18	340	Office Furniture And Equipment	6.67%	-	-	-	-	-
19	340.1	Computers and Software	33.33%	-	-	-	-	-
20	341	Transportation Equipment	20.00%	-	-	-	-	-
21	342	Stores Equipment	4.00%	-	-	-	-	-
22	343	Tools, Shop And Garage Equipment	5.00%	1,650	-	-	-	83
23	344	Laboratory Equipment	10.00%	-	-	-	-	-
24	345	Power Operated Equipment	5.00%	-	-	-	-	-
25	346	Communication Equipment	10.00%	4,225	-	-	-	423
26	347	Miscellaneous Equipment	10.00%	10,089	-	-	-	1,009
27	348	Other Tangible Equipment	10.00%	8,533	-	-	-	853
28	390.1	Computer Hardware	33.33%	-	-	-	-	-
29	396	SCADA	33.33%	-	526	-	-	88
30								
31		Total Depreciation Expense						$ 137,751
32		Company Depreciation As Filed		$ 3,072,200				137,751

References:
- Column A : Order 71878
- Column B : RUCO Schedule RBM-5.4
- Column C, D, E : RUCO DR 1.14
- Column F : (A x B)+((C:E) *A*.5))

OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	Acct. No.	(A) COMPANY SLECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (L24)			1.675%	
12					
13	Valencia Town Water Company Allocation			$ (6,397)	
14					
15	Personnel Expense as Filed			$ 108,598	
16					
17	RUCO Pro Forma Expense (L15 + L13)			$ 102,201	
18					
19	RUCO Adjustment (L17-L15)			$ (6,397)	
20					

		Operating Revenue	Percent of Total	Adjustment by System
21	Allocation Factor Based on Test Year Revenue			
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08
Column (C) -- Company Schedules C-2

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OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

Line	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
25		**Total**	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831)	# $ (194,371)	# $ (26,087)

Line	Allocation Factor By System Revenue	Operating Revenue	%t of Total Revenue	Allowed Dues
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water U	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B-J) RUCO Data Requests 5.02, 6 & 1.09

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OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$ 462,043	$ 462,043
2	Multiplied by 2	2	2
3	Subtotal (L1 X L2)	$ 924,086	$ 924,086
4a	Adjusted Test Year Revenues	462,043	
4b	Recommended Revenue, Per Schedule		449,637
5	Subtotal (L3 + L4a)	$ 1,386,129	$ 1,373,723
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$ 462,043	$ 457,908
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (L7 X L8)	$ 924,086	$ 915,815
10	Plus: 10% of CWIP Per Company Schedule E	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + L10 - L11)	$ 924,086	$ 915,815
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (L12 * L13)	$ 175,576	$ 174,005
15	Composite Property Tax Rate	6.0100%	6.0100%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$ 10,552	
17	*Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)*	11,663	
18	RUCO Test Year Adjustment (L16-L17)	$ (1,111)	
19	Property Tax - RUCO Recommended Revenue (L14 * L15)		$ 10,458
20	RUCO Test Year Adjusted Property Tax Expense (L16)		10,552
21	Increase/(Decrease) to Property Tax Expense		$ (94)
22	Increase/(Decrease) to Property Tax Expense		$ (94)
23	Increase in Revenue Requirement		(12,406)
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)		0.007613

OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Exp. As Filed by Company (RBM-8 Col (A) Ln 25)	$	5,781
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO (RBM-1(2), Col (A) Ln 52		18,333
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	12,552

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COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ 12,886	$ -	$ 12,886	0.49%	6.78%	0.03%
2	Long-term Debt	$ 121,380	$ -	$ 121,380	4.61%	6.24%	0.29%
3	Common Equity	$ 2,499,277	$ -	$ 2,499,277	94.90%	8.50%	8.07%
4	TOTAL CAPITAL	$ 2,633,543	$ -	$ 2,633,543	100.00%		
5	COST OF CAPITAL						8.39%

References:
Columns (A) Thru (F): Testimony, WAR

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Northern Scottsdale, Inc.

TABLE OF CONTENTS TO RBM SCHEDULES

REVENUE REQUIREMENT

Line No.	Description	(A) Company OCRB/FVRB Cost	(B) RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	$ (181,978)	$ (181,978)
2			
3	Adjusted Operating Income (Loss)	$ 21,301	$ 28,273
4			
5	Current Rate Of Return (L3 / L1)	-11.71%	NA
6			
7	Recommended Operating Income (RBM-7, Col (N) Ln 4) X 8.50%	$ 21,301	$ 11,077
8			
9	Required Rate Of Return On Fair Value Rate Base	14.44%	NA
10			
11	Operating Income Deficiency (L7 - L3)	$ -	NA
12			
13	Gross Revenue Conversion Factor (RBM-1, Pg 2)	1.6290	1.2863
14			
15	Increase In Gross Revenue Requirement (L11 X L13)	$ 2,844	$ (17,196)
16			
17	Adjusted Test Year Revenue	$ 147,513	$ 147,513
18			
19	Proposed Annual Revenue (L15 + L17)	$ 148,244	$ 130,317
20			
21	Required Percentage Increase In Revenue (L15 / L17)	1.93%	-11.66%
22			
23	Rate Of Return On Common Equity	N/A	8.50%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RBM-2, RBM-6 and RBM-10

GROSS REVENUE CONVERSION FACTOR / INCOME TAX CALCULATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor	1.2289%		
3	Revenues (L1 - L2)	98.7711%		
4	Combined Federal and State Income Tax and Property Tax Rate (L23)	21.0293%		
5	Subtotal (L3 - L4)	77.7417%		
6	**Revenue Conversion Factor (L1 / L5)**	1.286311		
	Calculation of Uncollecttible Factor:			
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (L17)	20.5250%		
9	One Minus Combined Income Tax Rate (L7 - L8)	79.4750%		
10	Uncollectible Rate	0.01546		
11	Uncollectible Factor (L9 * L10)	1.2289%		
	Calculation of Effective Tax Rate:			
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col [C] L53)	15.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	14.0250%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		20.5250%	
	Calculation of Effective Property Tax Factor			
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	20.5250%		
20	One Minus Combined Income Tax Rate (L18-L19)	79.4750%		
21	Property Tax Factor (Sch. RBM-16, Col. [B], L24)	0.6346%		
22	Effective Property Tax Factor (L20 x L21)		0.5043%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. (B), L17 + L22)			21.0293%
24	Required Operating Income (Sch. RBM-1, Col. (B) L7)	$ 11,077		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col (B) L3)	28,273		
26	Required Increase in Operating Income (L24 - L25)		$ (17,196)	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	$ 3,772		
28	Income Taxes on Test Year Revenue (Col. (A), L52)	7,302		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		N/A	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. (B), L30	$ 130,317		
31	Uncollectible Rate (L10)	0.01546		
32	Uncolllectible Expense on Recommended Revenue (L30 x L31)	$ 2,015		
33	Adjusted Test Year Uncollectible Expense(Sch. RBM-8, Col. (K), L31)	$ 2,281		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		N/A	
35	Property Tax with Recommended Revenue (Sch. RBM -8, Col. (K), L36)	$ 2,699		
36	Property Tax on Test Year Revenue (Sch. RBM-8, Col. (Q), L32)	2,808		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		N/A	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		$ (17,196)	

LINE NO.	Calculation of Income Tax:	Test Year		RUCO Recommended
39	Revenue (Sch.RBM-7 Col [C] L4 and Col (D) L4	$ 147,513	$ (17,196)	$ 130,317
40	Operating Expenses Excluding Income Taxes	$ 111,939		$ 111,939
41	Synchronized Interest (Col. [C], L57)	$ -		$ -
42	Arizona Taxable Income (L39 - L40 - L41)	$ 35,574		$ 18,379
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	$ 2,312		$ 1,195
45	Federal Taxable Income (L42 - L44)	$ 33,262		$ 17,184
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 4,989		$ 2,578
47	Federal Tax on Second Income Bracket ($51,001 - $75,000) @ 25%	$ -		$ -
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -		$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -		$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -		$ -
51	Total Federal Income Tax	$ 4,989		$ 2,578
52	Combined Federal and State Income Tax (L44 + L51)	$ 7,302	N/A	$ 3,772
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			15.0000%
54	Synchronized Interest Calculation			
55	Rate Base			$ -
56	Weighted Average Cost of Debt			-
57	Synchronized Interest			$ -

SUMMARY OF ORIGINAL COST RATE BASE WITH RUCO ADJUSTMENTS

Line No.	Description	(A) Company As Filed OCRB/FVRB	(B) RUCO Adjustments	(C) RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	$ 1,921,063	$ -	$ 1,921,063
2	Accumulated Depreciation	(424,824)	-	(424,824)
3	Net Utility Plant In Service (L1 + L2)	$ 1,496,239	$ -	$ 1,496,239
4	Advances In Aid Of Const.	$ (1,824,411)	$ -	$ (1,824,411)
5	Contribution In Aid Of Const.	$ -	$ -	$ -
6	Accumulated Amortization Of CIAC	-	-	-
7	NET CIAC (L5 + L6)	$ -	$ -	$ -
8	Customer Meter Deposits	$ (10,765)	$ -	$ (10,765)
9	Deferred Income Taxes & Credits	$ 156,959	$ -	$ 156,959
10	Unamortized Finance Charges	$ -	$ -	$ -
11	Deferred Regulatory Assets	$ -	$ -	$ -
12	Allowance For Working Capital	$ -	$ -	$ -
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ (181,978)	$ -	$ (181,978)

References:
Column (A): Company Schedule B-1
Column (B): RBM-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

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COMPANY PLANT BALANCES

Line No.	Acct No	Account Description	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) RUCO Depreciation Expense
1	303	Land and Land Rights	$ 30,374	-	1,727	-	$ 32,101
2	304	Structures and Improvements	20,000	-	-	-	20,000
3		Collecting and impounding Reservoirs	-	-	-	-	-
4	306	Lake, River and Other Intakes	-	-	-	-	-
5	307	Wells and Springs	130,000	-	-	-	130,000
6	308	Infiltration Galleries	-	-	-	-	-
7	309	Supply Mains	-	-	-	-	-
8	310	Power Generation Equipment	-	-	-	-	-
9	311	Pumping Equipment	216,158	-	-	-	216,158
10	320	Water Treatment Equipment	377	-	-	-	377
11	330.1	Distribution Reservoirs and Standpipes	182,972	-	-	-	182,972
12	331	Transmission and Distribution Mains	1,155,497	-	-	-	1,155,497
13	333	Services	60,047	-	-	-	60,047
14	334	Meters and Meter Installations	11,303	-	-	-	11,303
15	335	Hydrants	108,312	-	-	-	108,312
16	336	Backflow Prevention Devices	775	-	-	-	775
17	339	Other Plant and Miscellaneous Equipment	2,390	-	-	-	2,390
18	340	Office Furniture And Equipment	-	-	-	-	-
19	340.1	Computers and Software	-	-	-	-	-
20	341	Transportation Equipment		-	-	-	-
21	342	Stores Equipment		-	-	-	-
22	343	Tools, Shop And Garage Equipment	515	-	-	-	515
23	344	Laboratory Equipment		-	-	-	-
24	345	Power Operated Equipment		-	-	-	-
25	346	Communication Equipment		-	-	-	-
26	347	Miscellaneous Equipment		-	-	-	-
27	348	Other Tangible Equipment		-	-	-	-
28	390.1	Computer Hardware	2,343	-	-	-	2,343
29	396	SCADA		-	-	-	-
		Total Plant in Service	$ 1,921,063				$ 1,922,790

References:
Company Schedules and RUCO Data Request 1.14

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Northern Scottsdale, Inc.
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Page 1

SUMMARY OF ORIGINAL COST RATE BASE WITH COMPANY ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Post Test Year Plant	(C) Adjust No. 2 BLANK	(D) Adjust No. 3 BLANK	(E) Test Year Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	1,921,063	$ -	$ -	$ -	$ 1,921,063
2						
3	Accumulated Depreciation	(424,824)	-	-	-	(424,824)
4	Net Utility Plant In Service (L1 + L2)	$ 1,496,239	$ -	$ -	$ -	$ 1,496,239
5						
6	Advances In Aid Of Const.	$ (1,824,411)	$ -	$ -	$ -	$ (1,824,411)
7						
8	Contribution In Aid Of Const.	$ -	$ -	$ -	$ -	$ -
9	Accumulated Amortization Of CIAC	-	-	-	-	-
10	NET CIAC (L5 + L6)	$ -	$ -	$ -	$ -	$ -
11						
12	Customer Meter Deposits	$ (10,765)	$ -	$ -	$ -	$ (10,765)
13						
14	Deferred Income Taxes & Credits	$ 156,959	$ -	$ -	$ -	$ 156,959
15						
16	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -
17						
18	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -
19						
20	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -
21						
22						
23	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	$ (181,978)	$ -	$ -	$ -	$ (181,978)

References:
Column (A): Company Schedule B-1
Column (B); Company Schedule B-2-1
Column (E); Columns (A) through (D)

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Northern Scottsdale, Inc.
Schedule RBM-7
Page 1

SUMMARY OPERATING INCOME WITH RUCO ADJUSTMENTS

Line No.		Description	(A) Actual Test Year as Filed	(B) RUCO Test Year' Adjustments	(C) RUCO Test Year As Adjusted	(D) RUCO Proposed Changes	(E) RUCO As Recommended
	Revenues:						
1	461	Metered Water Revenues	$ 145,963	$ -	$ 145,963	$ (17,196)	$ 128,767
2	460	Unmetered Water Revenues	-	-	-	-	-
3	474	Other Water Revenues	1,550	-	1,550	-	1,550
4		TOTAL OPERATING REVENUE	$ 147,513	$ -	$ 147,513	$ (17,196)	$ 130,317
5							
6	Operating Expenses:						
7	601	Salaries And Wages - Employees	$ 19,787	(2,018)	$ 17,769	$ -	$ 17,769
8	610	Purchased Water	-	-	-	-	-
9	615	Purchased Power	10,050	-	10,050	-	10,050
10	618	Chemicals	1,286	-	1,286	-	1,286
11	620	Materials And Supplies	(779)	-	(779)	-	(779)
12	621	Office Supplies and Expense	1,494	-	1,494	-	1,494
13	630	Outside Services	4,483	-	4,483	-	4,483
14	635	Contractural Services - Testing	728	-	728	-	728
15	636	Contractural Services - Other	-	-	-	-	-
16	641	Rental of Building / Real Property	504	-	504	-	504
17	650	Transportation Expenses	1,508	-	1,508	-	1,508
18	657	Insurance - General Liability	475	-	475	-	475
19	659	Insurance - Other	664	-	664	-	664
20	666	Regulatory Comm. Exp. - Rate Case	502	236	738	-	738
21	670	Bad Debt Expense	-	2,281	2,281	-	2,281
22	675	Miscellaneous Expense	4,137	(1,858)	2,279	-	2,279
23	403	Depreciation Expense	64,552	773	65,325	-	65,325
24	403	Depreciation Expense - CIAC Amort.	-	-	-	-	-
25	408	Taxes Other than Income	326	-	326	-	326
26	408.1	Taxes Other that Income - Property	3,104	(296)	2,808	-	2,808
27	409	Income Taxes	13,391	(6,089)	7,302	-	7,302
28							
29							
30							
31							
32							
33		*Total Operating Expenses*	$ 126,212	$ (6,972)	$ 119,240	$ -	$ 119,240
34							
35		Operating Income (Loss)	$ 21,301	$ 6,972	$ 28,273	$ (17,196)	$ 11,077

References:
- Column (A): Company Schedule C-1
- Column (B): RBM-8, Columns (B) Thru (J)
- Column (C): Column (A) + Column (B)
- Column (D): Sch. RBM-1, Column (B), L8: Sch RBM-1 page 2 L52
- Column (E): Column (C) + Column (D)

Global Utilities
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Test Year Ended December 31, 2011

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH RUCO ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Left Blank	(D) Adj. No 3 Depreciation Expense	(E) Adj. No 4 Bad Debt Expense	(F) Adj. No 5 Personnel Expense	(G) Adj. No 6 Misc. Expense	(H) Adj. No 10 Property Taxes	(I) Adj. No 13 Income Taxes	(J) Total Pro Forma Adjustments	(K) Test Year Adjusted Results
	Revenues:											
1	461 Metered Water Revenues	$ 145,963	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 145,963
2	460 Other Water Revenues	-	-		-	-	-	-	-	-	-	$ -
3	474 Unmetered Water Revenues	1,550	-	-	-	-	-	-	-	-	-	$ 1,550
4	TOTAL OPR'G REV.	$ 147,513	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 147,513
	Operating Expenses:											
5	601 Salaries And Wages - Employees	$ 19,787					$ (2,018)				(2,018)	17,769
6	610 Purchased Water	-									-	-
7	615 Purchased Power	10,050									-	10,050
8	618 Chemicals	1,286									-	1,286
9	620 Materials And Supplies	(779)									-	(779)
10	621 Office Supplies and Expense	1,494									-	1,494
11	630 Outside Services	4,483									-	4,483
12	635 Contractural Services - Testing	728									-	728
13	636 Contractural Services - Other	-									-	-
14	641 Rental of Building / Real Property	504									-	504
15	650 Transportation Expenses	1,508									-	1,508
16	657 Insurance - General Liability	475									-	475
17	659 Insurance - Other	664									-	664
18	666 Regulatory Comm. Exp. - Rate Case	502	236								236	738
19	670 Bad Debt Expense	-				2,281					2,281	2,281
20	675 Miscellaneous Expense	4,137						(1,858)			(1,858)	2,279
21	403 Depreciation Expense	64,552			773						773	65,325
22	403 Depreciation Expense - CIAC Amort.	-									-	-
23	408 Taxes Other than Income	326									-	326
24	408.1 Taxes Other that Income - Property	3,104							(296)		(296)	2,808
25	409 Income Taxes	13,391								(6,089)	(6,089)	7,302
26		-										-
27		-										-
28		-										-
29	Total Operating Expenses	$ 126,212	$ 236	$ -	$ 773	$ 2,281	$ (2,018)	$ (1,858)	$ (296)	$ (6,089)	$ (6,972)	$ 119,240
30	Operating Income (Loss)	$ 21,301	$ (236)	$ -	$ (773)	$ (2,281)	$ 2,018	$ 1,858	$ 296	$ 6,089	$ 6,972	$ 28,273

References:
Column (A): Company Schedule C-1
Column (B) through (N); Company Schedules C-2 pg. 1 through pg. 16
Column (O); Sum of Columns (B) through (N)
Column (P); Column (A) - Column (O)

Global Utilities
Docket No. W-01212A-12-309 ET AL
Test Year Ended December 31, 2011

DETAIL OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED WITH COMPANY ADJUSTMENTS

Line No	DESCRIPTION	(A) Actual Test Year	(B) Adj. No 1 Rate Case Expense	(C) Adj. No 2 Customer Count	(D) Adj. No 3 Accrued Revenue	(E) Adj. No 4 Property Tax	(F) Adj. No 5 Income Taxes	(G) Adj. No 6 BLANK	(H) Adj. No 7 BLANK	(I) Adj. No 8 BLANK	(J) Adj. No 9 BLANK	(K) Adj. No 10 BLANK	(L) Adj. No 11 BLANK	(M) Adj. No 12 BLANK	(N) Adj. No 13 BLANK	(O) Adj. No 14 BLANK	(P) Company Adjustments Test Year	(Q) Company As Adjusted Test Year
	Revenues:																	
1	461 Metered Water Revenues	$ 149,646	$ -	$ 2,115	$ (5,798)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$	$ (3,683)	$ 145,963
2	460 Other Water Revenues	-	-		-	-	-	-	-	-	-	-	-	-	-		-	-
3	474 Unmetered Water Revenues	1,550	-	-	-	-	-	-	-	-	-	-	-	-	-		-	1,550
4	TOTAL OPR'G REV.	$ 151,196	$ -	$ 2,115	$ (5,798)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$	$ (3,683)	$ 147,513
	Operating Expenses:																	
5	601 Salaries And Wages - Employees	$ 19,787	$ -		$ -		$ -		$ -								-	19,787
6	610 Purchased Water	-	-		-		-		-								-	-
7	615 Purchased Power	9,918	-	132	-		-		-								132	10,050
8	618 Chemicals	1,270	-	16	-		-		-								16	1,286
9	620 Materials And Supplies	(779)	-		-		-		-								-	(779)
10	621 Office Supplies and Expense	1,494	-		-		-		-								-	1,494
11	630 Outside Services	4,483	-		-		-		-								-	4,483
12	635 Contractural Services - Testing	728	-		-		-		-								-	728
13	636 Contractural Services - Other	-	-		-		-		-								-	-
14	641 Rental of Building / Real Property	504	-		-		-		-								-	504
15	650 Transportation Expenses	1,508	-		-		-		-								-	1,508
16	657 Insurance - General Liability	475	-		-		-		-								-	475
17	659 Insurance - Other	664	-	-	-		-		-								-	664
18	666 Regulatory Comm. Exp. - Rate Case	-	502	-	-		-		-								502	502
19	670 Bad Debt Expense	-	-		-		-		-								-	-
20	675 Miscellaneous Expense	4,137	-		-		-		-								-	4,137
21	403 Depreciation Expense	64,552	-		-		-		-								-	64,552
22	403 Depreciation Expense - CIAC Amort.	-	-		-		-		-								-	-
23	408 Taxes Other than Income	326	-		-		-		-								-	326
24	408 Taxes Other that Income - Property	3,694	-		-	(590)	-		-								(590)	3,104
25	409 Income Taxes	14,854	-		-		(1,463)		-								(1,463)	13,391
26		-	-		-		-		-								-	-
27		-	-		-		-		-								-	-
28																		
29	Total Operating Expenses	$ 127,615	$ 502	$ 148	$ -	$ (590)	$ (1,463)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ (1,403)	$ 126,212
30	Operating Income (Loss)	$ 23,581	$ (502)	$ 1,967	$ (5,798)	$ 590	$ 1,463	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ (2,280)	$ 21,301

References:
Column (A): Company Schedule C-1
Column (B) through (N): Company Schedules C-2 pg. 1 through pg. 16
Column (O): Sum of Columns (B) through (N)
Column (P): Column (A) - Column (O)

OPERATING INCOME ADJUSTMENT NO. 1
RATE CASE EXPENSE

Line No.	DESCRIPTION		(A) COMPANY AS FILED		(B) RUCO ADJUSTMENT		(C) RUCO AS ADJUSTED
1	Rate Case Expense Total for Global Water	$	787,174	$	(368,174)	$	419,000
2							
3	Allocation Factor (L36)						0.53%
4							
5	Northern Scottsdale Water Company					$	2,213
6							
7	Amortization Period - 3 years						3
8							
9	RUCO Adjusted Rate Case Expense (L5 / L7)					$	738
10							
11	Company Amortized Rate Case Expense for Northern Scottsdale as Filed (Sch. C-2.2)					$	502
12							
13	RUCO Pro Forma Rate Case Expense (L9 - L11)					$	236
14							
15	RUCO Adjustment					$	236
16							
17	RUCO's Rate Case Expense Adjustment Calculation:						
19	$400,000 forGlobal Water.			$	400,000		
21	Inflation factor from October 1, 2010 to July 1, 2012						
22	Per Consumer Price Index				4.75%		
23							
24	Reasonable Amount of Rate Case Expense based on						
25	Decision No. 71878.			$	419,000		
26							
27	RUCO Adjustment (Col. (B) Ln 27 - Col. (A) L 1)			$	(368,174)		
28							

Line No.	Allocation Factor Based on System Revenue		Operating Revenue	%t of Total	Company Amortized Amt.		Adjustment by System
30	Palo Verde Utilities Co.	$	11,411,932	39.87%	$ 104,585	$	(48,896)
31	Santa Cruz Water Company		10,705,825	37.41%	105,801		(53,558)
32	Valencia Town Water Company		4,940,530	17.26%	35,298		(11,189)
33	Willow Valley Water Company		717,230	2.51%	9,923		(6,423)
34	Water Utility of Greater Tonopah		214,736	0.75%	2,140		(1,092)
35	Valencia of Greater Buckeye Water Utility		479,427	1.68%	4,142		(1,802)
36	Water Utility of Northern Scottsdale		151,196	0.53%	502		236
37	Total System Revenud and Percentages	$	28,620,876	100.00%	$ 262,391	$	(122,724)

References:
Column (A) Company Schedules C-2.2
Column (B) CPI Information from Inflation.com

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OPERATING INCOME ADJUSTMENT NO. 3
CALCULATION OF DEPRECIATION EXPENSE

Line No.	Acct No	Account Description	(A) Prior Dec Dep Rate	(B) Plant Balance 12/31/2010	(C) Additions	(D) Other Costs	(E) Disposals	(F) RUCO Depreciation Expense
1	303	Land and Land Rights	0.00%	$ 30,374	-	1,727	-	-
2	304	Structures and Improvements	3.33%	20,000	-	-	-	666
3		Collecting and impounding Reservoirs	2.50%	-	-	-	-	-
4	306	Lake, River and Other Intakes	2.50%	-	-	-	-	-
5	307	Wells and Springs	3.33%	130,000	-	-	-	4,329
6	308	Infiltration Galleries	6.67%	-	-	-	-	-
7	309	Supply Mains	2.00%	-	-	-	-	-
8	310	Power Generation Equipment	5.00%	-	-	-	-	-
9	311	Pumping Equipment	12.50%	216,158	-	-	-	27,020
10	320	Water Treatment Equipment	3.33%	377	-	-	-	13
11	330.1	Distribution Reservoirs and Standpipes	2.22%	182,972	-	-	-	4,062
12	331	Transmission and Distribution Mains	2.00%	1,155,497	-	-	-	23,110
13	333	Services	3.33%	60,047	-	-	-	2,000
14	334	Meters and Meter Installations	8.33%	11,303	-	-	-	942
15	335	Hydrants	2.00%	108,312	-	-	-	2,166
16	336	Backflow Prevention Devices	6.67%	775	-	-	-	52
17	339	Other Plant and Miscellaneous Equipment	6.67%	2,390	-	-	-	159
18	340	Office Furniture And Equipment	6.67%	-	-	-	-	-
19	340.1	Computers and Software	33.33%	-	-	-	-	-
20	341	Transportation Equipment	20.00%		-	-	-	-
21	342	Stores Equipment	4.00%		-	-	-	-
22	343	Tools, Shop And Garage Equipment	5.00%	515	-	-	-	26
23	344	Laboratory Equipment	10.00%		-	-	-	-
24	345	Power Operated Equipment	5.00%		-	-	-	-
25	346	Communication Equipment	10.00%		-	-	-	-
26	347	Miscellaneous Equipment	10.00%		-	-	-	-
27	348	Other Tangible Equipment	10.00%		-	-	-	-
28	390.1	Computer Hardware	33.33%	2,343	-	-	-	781
29	396	SCADA	33.33%		-	-	-	-
		Calculated Depreciation Expense						$ 65,324
		Company Reported Depreciation Expense						64,552
		RUCO Adjusted Test Year Depreciation Expense						$ 773

References:
Column A : Order 71878
Column B : RUCO Schedule RBM-5.4
Column C, D, E : RUCO DR 1.14
Column F : (A x B)+((C:E) *A*.5))
Column (G) Depreciation Expense as Reported by Company
Line 34: Company Schedule B2.1 and RUCO Schedule RBM 3.2

OPERATING INCOME ADJUSTMENT NO. 4
BAD DEBT EXPENSE

Line No.	System	(A) COMPANY BAD DEBT EXPENSE	(B) COMPANY TEST YEAR ADJUSTMENT, REVENUE CHG.	(C) COMPANY AS FILED	(D) ACTUAL BAD DEBT WRITE-OFF	(E) RUCO ADJUSTMENT (D - C)
1	Valencia Town	$ 30,899	$ (1)	$ 30,898	$ 24,472	$ (6,426)
2						
3	Palo Verde	72,207	10,729	82,936	71,312	(11,624)
4						
5	Greater Tonopah	4,930	(161)	4,769	3,751	(1,018)
6						
7	Valencia Greater Buckeye	11,720	(425)	11,295	4,805	(6,490)
8						
9	Santa Cruz	55,174	(1,249)	53,925	73,358	19,433
10						
11	Willow Valley	8,422	(171)	8,251	4,430	(3,821)
12						
13	Northern Scottsdale	-	-	-	2,281	2,281
14						
15		$ 183,352	$ 8,722	$ 192,074	$ 184,409	$ (7,665)

References:
Column (A) & (C) Company Schedules C-2
Column (B) Company Schedule C-2.11
Column (D) RUCO Data Request 3.01

Global Utilities
Docket No. W-20445A-12-0309 et al
Test Year Ended December 31, 2011

Northern Scottsdale, Inc.
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Page 1

OPERATING INCOME ADJUSTMENT NO.5
PERSONNEL EXPENSE

Line No.	Expense	No.	(A) COMPANY SELECTED EXPENSES	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Overtime Hours	80101	$ 95,796	$ (47,898)	$ 47,898
2					
3	Bonuses Operations	80107	1,160	(580)	580
4					
5	Deferred Compensation	80500	293,306	(293,306)	
6					
7	Employee Hiring & Moving	80901	80,264	(40,132)	40,132
8					
9	Total		$ 470,526	$ (381,916)	$ 88,610
10					
11	Allocation Factor (L28)			0.528%	
12					
13	Northern Scottsdale Water Company Allocation			$ (2,018)	
14					
15	Personnel Expense as Filed			$ 19,787	
16					
17	RUCO Pro Forma Expense (L15 + L13)			$ 17,769	
18					
19	RUCO Adjustment (L17-L15)			$ (2,018)	
20					

Line No.	Allocation Factor Based on Test Year Revenue	Operating Revenue	Percent of Total	Adjustment by System
22	Palo Verde Utilities Co.	11,411,932	39.873%	$ (152,280)
23	Santa Cruz Water Company	10,705,825	37.406%	(142,858)
24	Valencia Town Water Company	4,940,530	17.262%	(65,926)
25	Willow Valley Water Company	717,230	2.506%	(9,571)
26	Water Utility of Greater Tonopah	214,736	0.750%	(2,865)
27	Valencia of Greater Buckeye Water Utility	479,427	1.675%	(6,397)
28	Water Utility of Northern Scottsdale	151,196	0.528%	(2,018)
29	Total Revenue Percentages	28,620,876	100.00%	$ (381,916)

References:
Column (A) -- RUCO DR 1.08
Column (C) -- Company Schedules C-2

OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

Line	Account No.	Expense Category	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED	Allocation: (D) Valencia Town	(E) Palo Verde	(F) N. Scottsdale	(G) Greater Tonopah	(H) Valencia Buckeye	(I) Santa Cruz	(J) Willow
1	88077	Investor Relations	$ 57,595	$ (57,595)	$ -	$ (7,734)	$ (22,956)	$ (108)	$ (476)	$ (897)	$ (23,226)	$ (2,198)
3	94037	Charitable Contributions	6,268	$ (6,268)	-	(53)	(2,976)				(3,239)	
5	94041	Dues & Subscriptions	43,056	$ (43,011)	45	(6,104)	(16,816)	(136)	(400)	(684)	(17,400)	(1,471)
7	94043	Promotions & Advertising	28,763	$ (28,763)	-	(3,595)	(10,454)	(53)	(222)	(416)	(12,999)	(1,024)
9	94045	Employee Relations	32,955	$ (32,955)	-	(5,128)	(11,961)	(106)	(396)	(546)	(13,365)	(1,453)
11	80500	Board Compensation	26,396	$ (26,396)	-	(4,556)	(10,525)	(139)	(198)	(442)	(9,874)	(661)
13	94022	Travel & Entertainment	74,400	(74,400)	-	(9,391)	(27,635)	(415)	(673)	(954)	(27,039)	(8,293)
15	94023	Meals	42,101	(42,101)	-	(6,294)	(13,014)	(249)	(631)	(733)	(13,315)	(7,865)
17	94036	Business Development	26,161	(26,161)	-		627				(26,788)	
19	93941	Sales Tax Late Fee	1,636	(1,636)	-	(553)	(22)		(17)	(90)	(928)	(27)
21	94025	Professional Fees - Other	94,713	(94,713)	-	(16,349)	(37,765)	(500)	(711)	(1,587)	(35,428)	(2,373)
23	80503	Other Compensation	28,794	(28,794)	-	(4,970.41)	(11,480.96)	(152.11)	(216.03)	(482.33)	(10,770.58)	(721.57)
25		Total	$ 462,838	$ (462,793)	$ 45	$ (64,729)	$ (164,977)	$ (1,858)	$(3,940)	$ (6,831)	# $ (194,371)	# $ (26,087)

Line	Allocation Factor By System Revenue	Operating Revenue	% of Total Revenue	Allowed Dues
28	Palo Verde Utilities Co.	$ 11,411,932	39.87%	$ 17.94
29	Santa Cruz Water Company	10,705,825	37.41%	16.83
30	Valencia Town Water Company	4,940,530	17.26%	7.77
31	Willow Valley Water Company	717,230	2.51%	1.13
32	Water Utility of Greater Tonopah	214,736	0.75%	0.34
33	Valencia of Greater Buckeye Water L	479,427	1.68%	0.75
34	Water Utility of Northern Scottsdale	151,196	0.53%	0.24
35	Total System Revenue and Percei	$ 28,620,876	100.00%	$ 45.00

References:
Column (A) RUCO Data Requests 5.02, 6 & 1.08
Columns (B-J) RUCO Data Requests 5.02, 6 & 1.09

OPERATING INCOME ADJUSTMENT NO. 7
PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	Adjusted Test Year Revenues	$ 147,513	$ 147,513
2	Multiplied by 2	2	2
3	Subtotal (L1 X L2)	$ 295,026	$ 295,026
4a	Adjusted Test Year Revenues	147,513	
4b	Recommended Revenue, Per Schedule		130,317
5	Subtotal (L3 + L4a)	$ 442,539	$ 425,343
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$ 147,513	$ 141,781
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (L7 X L8)	$ 295,026	$ 283,562
10	Plus: 10% of CWIP Per Company Schedule E	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + L10 - L11)	$ 295,026	$ 283,562
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (L12 * L13)	$ 56,055	$ 53,877
15	Composite Property Tax Rate	5.0100%	5.0100%
16	RUCO Adjusted Test Year Property Tax Expense (L14 * L15)	$ 2,808	
17	Company Adjusted Test Year Property Tax (Per Company C-1 Schedule)	3,104	
18	RUCO Test Year Adjustment (L16-L17)	$ (296)	
19	Property Tax - RUCO Recommended Revenue (L14 * L15)		$ 2,699
20	RUCO Test Year Adjusted Property Tax Expense (L16)		2,808
21	Increase/(Decrease) to Property Tax Expense		$ (109)
22	Increase/(Decrease) to Property Tax Expense		$ (109)
23	Increase in Revenue Requirement		(17,196)
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (L22 / L23)		0.006346

OPERATING INCOME ADJUSTMENT NO. 8
ADJUSTED TEST YEAR INCOME TAX EXPENSE

Line No.	Description		Amount
1			
2	Total Adjusted Test Year Income Tax Expense As Filed by Company	$	13,391
3			
4	Total Adjusted Test Year Income Tax Expense Per RUCO		7,302
5			
6	RUCO Adjusted Test Year Income Tax Expense Adjustment	$	(6,089)
7			

Global Utilities
Docket No. W-01212A-12-309 ET AL
Test Year Ended December 31, 2011

Northern Scottsdale, Inc.
Schedule RBM-18
Page 1

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	Short-term Debt	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	Long-term Debt	$ -	$ -	$ -	0.00%	0.00%	0.00%
3	Common Equity	$ (233,834)	$ -	$ (233,834)	100.00%	8.50%	8.50%
4	TOTAL CAPITAL	$ (233,834)	$ -	$ (233,834)	100.00%		
5	COST OF CAPITAL						8.50%

References:
Columns (A) Thru (F): Testimony, WAR

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – TOWN DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-01212A-12-0309
IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – PALO VERDE UTILITIES COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. SW-20445A-12-0310
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF NORTHERN SCOTTSDALE, INC. FOR A RATE INCREASE	DOCKET NO. W-03720A-12-0311
IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER TONOPAH FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02450A-12-0312
IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02451A-12-0313

EXHIBIT
R-2
ADMITTED

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – SANTA CRUZ WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-20446A-12-0314
IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-1732A-12-0315 **NOTICE OF ERRATA**

The Residential Utility Consumer Office ("RUCO") hereby provides a notice of errata to correct the Docket Numbers in the Executive Summary and a Revised Table of Contents to the Direct Testimony of Robert B. Mease.

RESPECTFULLY SUBMITTED this 9th day of July, 2013.

Michelle L. Wood
Counsel

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 9th day of July, 2013 with:

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

COPIES of the foregoing hand delivered/ mailed this 9th day of July, 2013 to:

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By Cheryl Fraulob
Cheryl Fraulob

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EXECUTIVE SUMMARY

On July 9, 2012, Global Water, LLC ("Global Water" or "Company") filed general rate applications for Valencia Water Company – Town Division ("VWCT"), Global Water – Palo Verde Utilities Company ("Palo Verde"), Water Utility of Northern Scottsdale ("WUNS"), Water Utility of Greater Tonopah ("WUGT"), Valencia Water Company – Greater Buckeye Division ("VWCGB"), Global Water – Santa Cruz Water Company, ("Santa Cruz"), and Willow Valley Water Company ("Willow Valley") for the establishment of just and reasonable rates using a test year ending December 31, 2011. WUGT and VWCGB are classified as Class C utilities; WUNS is classified as a Class D utility while the remaining four locations are classified as Class A utilities.

On July 12, 2012 a Motion to Consolidate was filed by the Company and on November 20, 2012, the motion was granted under Docket No. W-01212A-12-0309 ET AL.

The Company's water utilities included in the application(s) serve approximately 23,900 customers while the wastewater utility ("Palo Verde") serves approximately 15,800 customers. In addition to requesting an adjustment in rates the Company is also requesting new and revised tariffs, license fee adjustment mechanisms for CAGRD and the City of Maricopa, approving a Distribution System Improvement Charge (DSIC) for it water systems and a Collection System Improvement Charge (CSIC) for its wastewater system. Finally the Company is requesting consolidation of the rates for ("WUGT"), ("VWCT"), and ("VWCGB").

Global Water's Application requests and RUCO's proposed gross revenue increases are as follows:

	Company Requested		RUCO Proposed	
System	Increase	Percent	Increase	Percent
Palo Verde	$3,662,560	27.9%	$1,337,539	10.20%
Santa Cruz	$2,726,367	26.1%	$1,454,179	13.90%
VWCT	$823,424	16.7%	$176,472	3.58%
WUGT	$677,458	326.6%	$32,753	7.31%
Willow Valley	$507,537	72.2%	$396,281	56.40%
VWCG	$36,422	7.7%	($12,406)	-0.03%
WUNS	$2,844	1.9%	($17,196)	-11.66%

Global Water's Application requests and RUCO's proposed rate base and rate of return on the fair value rate base (FVRB) are as follows:

	OCRB / FVRB		RATE OF RETURN	
System	Company	RUCO	Company	RUCO
Palo Verde	$60,166,756	$52,813,708	8.81%	7.39%
Santa Cruz	$38,014,243	$33,994,203	8.79%	7.46%
VWCT	$2,323,476	$1,650,906	10.27%	7.91%
WUGT	$2,206,816	($1,437,481)	10.72%	8.19%
Willow Valley	$2,359,391	$2,278,955	10.60%	8.03%
VWCGB	$634,978	$634,979	11.18%	8.39%
WUNS	($181,978)	($181,978)	14.44%	8.50%

RUCO's Chief of Accounting and Rates, Mr. William A. Rigsby, will provide testimony on RUCO's recommended cost of capital and on the Company's request for a DSIC and CISC. Mr. Robert B. Mease, RUCO's Associate Chief of Accounting and Rates, will present testimony on each systems revenue requirements.

GLOBAL UTILITIES

DOCKET NO. W-01212A-12-0309 ET AL

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON

COST OF CAPITAL

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

JULY 8, 2013

EXHIBIT

R-3

ADMITTED

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Based on the Residential Utility Consumer Office's ("RUCO") analysis of the applications for a permanent rate increase ("Applications") of Global Water - Palo Verde Utilities Company ("Palo Verde"); Global Water - Santa Cruz Water Company ("Santa Cruz"); Global Water - Valencia Water Company - Town Division ("VWCT"); Water Utility of Greater Tonopah, Inc. ("WUGT"); Willow Valley Water Company, Inc. ("Willow Valley"); Valencia Water Company - Greater Buckeye Division ("VWCGB"); and Global Water - Water Utility of Northern Scottsdale ("WUNS") (collectively "Applicants," "Global Utilities," or "Company") which were filed with the Arizona Corporation Commission ("ACC" or "Commission") on July 9, 2012, RUCO recommends the following:

Cost of Common Equity – RUCO recommends that the Commission adopt an 8.50 percent cost of common equity. This 8.50 percent figure falls within the range of results obtained in RUCO's cost of equity analysis, and is 294 basis points lower than the 11.44 percent cost of equity capital proposed by the Company in its application for a permanent rate increase.

Costs of Debt – RUCO recommends that the Commission adopt the Company-proposed following costs of short-term and long-term debt:

	Short-term	Long-term
Palo Verde	0.00%	6.36%
Santa Cruz	0.00%	6.58%
VWCT	5.95%	5.69%
WUGT	6.22%	6.33%
Willow Valley	5.17%	4.68%
VWCGB	6.78%	6.24%
WUNS	0.00%	0.00%

Capital Structures – RUCO recommends that the Commission adopt the Company-proposed capital structures of the Applicants as follows:

	S-T Debt	L-T Debt	Equity
Palo Verde	0.00%	51.73%	48.27%
Santa Cruz	0.00%	54.50%	45.50%
VWCT	1.17%	20.17%	78.66%
WUGT	0.82%	13.18%	86.00%
Willow Valley	0.89%	11.65%	87.46%
VWCGB	0.49%	4.61%	94.90%
WUNS	0.00%	0.00%	100.00%

Weighted Average Costs of Capital – RUCO recommends that the Commission adopt the following weighted average costs of capital ("WACC") which are the weighted costs of RUCO's recommended costs of short-term debt and long-term debt and cost of common equity:

	WACC
Palo Verde	7.39%
Santa Cruz	7.46%
VWCT	7.91%
WUGT	8.19%
Willow Valley	8.03%
VWCGB	8.39%
WUNS	8.50%

RUCO is also recommending that its WACC for WUGT and WUNS be adopted as operating margins due to the fact that both systems have negative rate bases.

RUCO disagrees with a number of inputs that the Company's cost of capital consultant relied on in both the discounted cash flow ("DCF") model and the capital asset pricing model ("CAPM") which were used to develop a proposed cost of common equity estimate of 11.44 percent.

RUCO also disagrees with the Company's heavy reliance on comparable earnings and its use of a 120 basis point Arizona risk premium.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My Name is William A. Rigsby. I am the Chief of Accounting and Rates for the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to my direct testimony further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of the applications for a permanent rate increase ("Applications") of Global Water - Palo Verde Utilities Company ("Palo Verde"); Global Water - Santa Cruz Water Company ("Santa Cruz"); Global Water - Valencia Water Company - Town Division ("VWCT"); Water Utility of Greater Tonopah, Inc. ("WUGT"); Willow Valley Water Company, Inc. ("Willow Valley"); Valencia Water Company - Greater Buckeye Division ("VWCGB"); and Global Water - Water Utility of Northern Scottsdale ("WUNS") (collectively "Applicants," "Global Utilities," or "Company") which were filed with the Arizona Corporation Commission ("ACC" or "Commission") on July 9, 2012.

The Global Utilities have chosen the operating period ended December 31, 2011 for the test year ("Test Year") in this proceeding. The Company has elected not to conduct a reconstruction cost new less depreciation study ("RCND") for the purpose of establishing a fair value rate base, and to use the Applicant's original cost rate base as their fair value rate base for the purpose of establishing a fair value rate of return on its invested capital.

....

Q. Briefly describe the Applicants.

A. The Applicants are all wholly owned subsidiaries of Global Water Resources, Inc. ("GWRI") which in turn is owned by Global Water Resources Corp. ('GWRC" or "Parent") a publicly traded Canadian firm which is listed on the Toronto Stock Exchange (stock ticker symbol GWR).

Q. Is this your first case involving the Company?

A. No. I testified in the Company's prior rate case during 2009 which included all of the Applicants in this filing with the exception of WUNS.

Q. What areas will you address in your direct testimony?

A. I will address the cost of capital issues associated with the case.

Q. Will RUCO also offer direct testimony on the rate base, operating income and rate design issues in this proceeding?

A. Yes. The rate base and operating income issues associated with the case will be addressed by RUCO witness Robert B. Mease. Mr. Mease will also provide testimony on rate design.

Q. Please explain your role in RUCO's analysis of the Company's Applications.

A. I reviewed the Company's Applications and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended capital structure, my direct testimony will present my recommended cost of common equity (the Company has no preferred stock) and my recommended costs of short-term and long-term debt. The recommendations contained in this testimony are based on information obtained from Company responses to data requests, the Company's Applications, and from market-based research that I conducted during my analysis.

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Exhibit 1, Attachments A through D and Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into seven sections. First, the introduction I have just presented and second, a summary of my testimony and recommendations that I am about to give. Third, I will present the findings of my cost of equity capital analysis, which utilized both the discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of return for utilities that operate in the Arizona jurisdiction. In this third section I will also provide a brief overview of the current economic climate within which the Company is operating. Fourth, I will discuss my recommended costs short-term and of long-term debt for the Applicants. The fifth section of my direct testimony is devoted to a discussion of my recommended capital structures for the Applicants. Sixth I will discuss my recommended weighted average costs of capital for the Applicants. In the Seventh and final section, I will comment on the Company's cost of capital testimony. Attachments A through D and Sche dules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis, I am making the following recommendations:

Cost of Common Equity – I am recommending that the Commission adopt an 8.50 percent cost of common equity. This 8.50 percent figure falls within the range of results obtained in my cost of equity analysis, and is 294 basis points lower than the 11.44 percent cost of common equity capital proposed by the Company in its Applications.

Costs of Debt – I am recommending that the Commission adopt the Company-proposed following costs of short-term and long-term debt:

	Short-term	Long-term
Palo Verde	0.00%	6.36%
Santa Cruz	0.00%	6.58%
WWCT	5.95%	5.69%
WUGT	6.22%	6.33%
Willow Valley	5.17%	4.68%
WWCGB	6.78%	6.24%
WUNS	0.00%	0.00%

Capital Structures – I am recommending that the Commission adopt the Company-proposed capital structures of the Applicants as follows:

	S-T Debt	L-T Debt	Equity
Palo Verde	0.00%	51.73%	48.27%
Santa Cruz	0.00%	54.50%	45.50%
WWCT	1.17%	20.17%	78.66%
WUGT	0.82%	13.18%	86.00%
Willow Valley	0.89%	11.65%	87.46%
WWCGB	0.49%	4.61%	94.90%
WUNS	0.00%	0.00%	100.00%

<u>Weighted Average Costs of Capital</u> – I am recommending that the Commission adopt the following weighted average costs of capital ("WACC") which are the weighted costs of RUCO's recommended costs of short-term debt and long-term debt and cost of common equity:

	WACC
Palo Verde	7.39%
Santa Cruz	7.46%
VWCT	7.91%
WUGT	8.19%
Willow Valley	8.03%
VWCGB	8.39%
WUNS	8.50%

I am also recommending that my WACC for WUGT and WUNS be adopted as operating margins due to the fact that both systems have negative rate bases.

Q. Why do you believe that your recommended WACC are appropriate rates of return for the Applicants to earn on their invested capital?

A. The various WACC figures that I am recommending meet the criteria established in the landmark Supreme Court cases of <u>Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia</u> (262 U.S. 679, 1923) and <u>Federal Power Commission v. Hope Natural</u>

Gas Company (320 U.S. 391, 1944). Simply stated, these two cases affirmed that a public utility that is efficiently and economically managed is entitled to a return on investment that instills confidence in its financial soundness, allows the utility to attract capital, and also allows the utility to perform its duty to provide service to ratepayers. The rate of return adopted for the utility should also be comparable to a return that investors would expect to receive from investments with similar risk.

The Hope decision allows for the rate of return to cover both the operating expenses and the "capital costs of the business" which includes interest on debt and dividend payment to shareholders. This is predicated on the belief that, in the long run, a company that cannot meet its debt obligations and provide its shareholders with an adequate rate of return will not continue to supply adequate public utility service to ratepayers.

Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient to cover all operating and capital costs is guaranteed?

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as the Global Utilities, are provided with the opportunity to earn an appropriate rate of return if their management exercises good judgment and manages assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your final recommended cost of equity capital for the Global Utilities?

A. I am recommending a cost of equity of 8.50 percent. My recommended 8.50 percent cost of equity falls within the range of results derived from my DCF and CAPM analyses, which utilized a sample of publicly traded water providers and a sample of natural gas local distribution companies ("LDCs"). The results of my DCF and CAPM analyses are summarized on page 2 of my Schedule WAR-1.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate the Company's cost of equity capital.

A. The DCF method employs a stock valuation model known as the constant growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e. the Gordon model), the professor of finance who was responsible for its development. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth

This formula is the basis for the standard growth valuation model that I used to determine the Company's cost of equity capital.

Q. In determining the rate of future dividend growth for the Company, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as $g = b \times r$.

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Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[1]

Table I

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.25	$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	$1.00	$1.04	$1.082	$1.125	$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.649	$0.675	$0.702	4.00%

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0. 60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I

[1] Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

presents the results of this continuing scenario over the remaining five-year period.

The results displayed in Table I demonstrate that under "steady-state" (i.e. constant) conditions, book value, earnings and dividends all grow at the same constant rate. The table further illustrates that the dividend growth rate, as discussed earlier, is a function of (1) the internally generated funds or earnings that are retained by a company to become new equity, and (2) the return that an investor earns on that new equity. The DCF dividend growth rate, expressed as g = b x r, is also referred to as the internal or sustainable growth rate.

Q. If earnings and dividends both grow at the same rate as book value, shouldn't that rate be the sole factor in determining the DCF growth rate?

A. No. Possible changes in the expected rate of return on either common equity or the dividend payout ratio make earnings and dividend growth by themselves unreliable. This can be seen in the continuation of Mr. Hill's illustration on a hypothetical utility.

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Table II

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.47	$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	$1.00	$1.04	$1.623	$1.720	$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.974	$1.032	$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent[2] exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.[3] If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rate for earnings and dividends, displayed in the last column, is 16.20 percent. If this rate was to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

Although it is not illustrated in Mr. Hill's hypothetical example, a change in only the dividend payout ratio will eventually result in a utility paying out

[2] [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [($1.04 - $1.00) ÷ $1.00] = [$0.04 ÷ $1.00] = 4.00%

[3] [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

more in dividends than it earns. While it is not uncommon for a utility in the real world to have a dividend payout ratio that exceeds one hundred percent on occasion, it would be unrealistic to expect the practice to continue over a sustained long-term period of time.

Q. Other than the retention of internally generated funds, as illustrated in Mr. Hill's hypothetical example, are there any other sources of new equity capital that can influence an investor's growth expectations for a given company?

A. Yes, a company can raise new equity capital externally. The best example of external funding would be the sale of new shares of common stock. This would create additional equity for the issuer and is often the case with utilities that are either in the process of acquiring smaller systems or providing service to rapidly growing areas.

Q. How does external equity financing influence the growth expectations held by investors?

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

Q. Please provide an example of how external financing affects a utility's book value of equity.

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book value per share, there would be no impact on either the utility's earnings base or investor expectations.

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[4] Dr. Gordon (the individual responsible for the development of the DCF or constant growth model) identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where:	g	=	DCF expected growth rate,
	b	=	the earnings retention ratio,
	r	=	the return on common equity,
	s	=	the fraction of new common stock sold that accrues to a current shareholder, and
	v	=	funds raised from the sale of stock as a fraction of existing equity.
and	v	=	1 - [(BV) / (MP)]
where:	BV	=	book value per share of common stock, and
	MP	=	the market price per share of common stock.

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[4] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

Q. Did you include the effect of external equity financing on long-term growth rate expectations in your analysis of expected dividend growth for the DCF model?

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the expected growth rate in shares outstanding times 1 minus 1 divided by the market-to-book ratio in the equation [1 - (1 / (M / B))].

A. In cases when a company is trading at a market price that is greater than its book value, multiplying the expected growth rate in shares outstanding by the equation [1 - (1 / (M / B))] increases the external growth rate and reflects investors' growth rate expectations associated with the issuance of new shares.

Q. Did the Commission adopt your cost of capital estimate in the prior Global Utilities rate case proceeding?

A. Yes. The Commission adopted my recommended cost of common equity in the 2009 Global Water rate case proceeding.[5] Decision No. 71878, dated September 14, 2010 stated the following:

[5] Docket Number W-02445A-09-0077

> "We find that the evidence presented by RUCO as a basis for its cost of equity recommendation constitutes substantial evidence in support of its cost of equity recommendation. We further find that the evidence presented by the Company as a basis for its cost of equity recommendation contrary to RUCO's assertion, constitutes evidence that is no less substantial in support of its recommendation and of Staff's acceptance thereof. The methodologies on which each of the parties relied in making their cost of equity recommendations are clearly set forth in the hearing exhibits. Based on a consideration of all the evidence presented in this proceeding, we find a cost of common equity of 9.0 percent to be reasonable in this case. This level of return on equity reasonably and fairly balances the needs of Applicants and their ratepayers, is reflective of current market conditions, and results in the setting of just and reasonable rates."

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of seven publicly traded water companies and a natural gas proxy group consisting of nine natural gas local distribution companies ("LDCs") that have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of the Company?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company as in this case where shares of are closely held and not publicly-traded on a stock exchange. Because of this situation, I used the aforementioned proxy that includes four publicly-traded water companies and nine LDCs.

Q. Are there any other advantages to the use of a proxy?

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for the Company?

A. The seven water companies used in the proxy are publicly traded on the both the New York Stock Exchange ("NYSE") and the NASDAQ.[6] All of the water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's April 19, 2013 update of the water utility industry and evaluations of the water companies used in my proxy).

[6] "NASDAQ" originally stood for "National Association of Securities Dealers Automated Quotations". Today it is the second-largest stock exchange in the world, after the New York Stock Exchange ("NYSE").

Q. Are these the same water utilities that you have used in prior rate case proceedings?

A. I have used six of the seven water utilities in prior rate case proceedings. In this case, I am including Connecticut Water Service, Inc., (NASDAQ stock ticker symbol "CTWS") which was added to Value Line's Large Cap Edition in January 2013.

Q. What other water utilities comprise your water company proxy group?

A. In addition to Connecticut Water Service, Inc., my water company proxy group includes American Water Works Company, Inc. ("AWK"), American States Water Company (stock ticker symbol "AWR"), California Water Service Group ("CWT"), Middlesex Water Company ("MSEX"), SJW Corporation ("SJW"), and Aqua America, Inc. ("WTR"). Each of these water companies face the same types of risk that AWC faces. For the sake of brevity, I will refer to each of the companies in my samples by their appropriate stock ticker symbols henceforth.

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. AWK operates in over 30 U.S. states and Canada. AWR serves communities located in Los Angeles, Orange and San Bernardino counties in California. CWT provides service to customers in seventy-five communities in California, New Mexico and Washington. CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. As described earlier in my testimony, CTWS provides service to 400,000 people in over 55 towns in Connecticut and Maine. MSEX serves customers in New Jersey, Delaware and Pennsylvania. SJW serves approximately 226,000 customers in the San Jose area and approximately 8,700 customers in a region located between Austin and San Antonio, Texas. WTR is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida and Kentucky.

Q. What criteria did you use in selecting the natural gas LDCs included in your proxy for the Company?

A. As are the water companies that I just described, each of the natural gas LDCs used in the proxy are publicly traded on a major stock exchange (all nine trade on the NYSE) and are followed by Value Line. Each of the nine LDCs in my sample are tracked in Value Line's natural gas Utility industry segment. All of the companies in the proxy are engaged in the provision of regulated natural gas distribution services. Attachment B of my testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas proxy?

A. The nine natural gas LDCs included in my proxy (and their NYSE ticker symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"), Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"), Northwest Natural Gas Co. ("NWN"), Piedmont Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona, and WGL Holdings, Inc. ("WGL").

Q. Are these the same LDCs that you have used in prior rate case proceedings?

A. Yes, I have used these same LDCs in prior cases including two of the most recent water company proceedings that I have testified in before the Commission.[7]

Q. Briefly describe the regions of the U.S. served by the nine natural gas LDCs that make up your sample proxy.

A. The nine LDCs listed above provide natural gas service to customers in the Middle Atlantic region (i.e. NJR which serves portions of northern New Jersey, SJI which serves southern New Jersey and WGL which serves the Washington D.C. metro area), the Southeast and South Central portions of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the

[7] Arizona Water Company Eastern Group Rate Case, Docket No. W-01445A-11-0310 and Pima Utility Company Docket Numbers W-02199A-11-0329 and SW-02199A-11-0330.

Atlanta, Georgia area and PNY which serves customers in North Carolina, South Carolina and Tennessee), the South, deep South and Midwest (i.e. ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas, Colorado and Kansas, LG which serves the St. Louis area), and the Pacific Northwest (i.e. NWN which serves Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Are these the same water and natural gas companies that the Company used in its application?

A. For the most part, yes. The Company's consultant, Mathew J. Rowell, relied on a sample comprised of eight water providers which excluded American Water Works Company, Inc. but included York Water Company and Artesian Resources Corp.

Q. Why didn't you include York Water Company and Artesian Resources Corp. in your sample of water providers?

A. Both York Water Company and Artesian Resources Corp. are only followed in Value Line's Small and Mid-Cap Edition which does not provide the five-year projections on growth and earnings that I rely on in making my cost of common equity estimates.

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Q. Please explain your DCF growth rate calculations for the sample companies used in your proxy.

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and the compounded share growth for each of the utilities included in the sample for the historical observation period 2008 to 2012 for both the water companies and for the LDCs. Schedule WAR-5 also includes Value Line's projected 2013, 2014 and 2016-18 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding for the both the water utilities and the LDCs in my sample.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use WTR as an example. The first dividend growth component that I evaluated was the internal growth rate. I used the "b x r" formula (described earlier on pages 11 and 12 of my direct testimony) to multiply WTR's earned return on common equity by its earnings retention ratio for each year in the 2008 to 2012 observation period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on Schedule WAR-5, Page 2, WTR had sustainable internal growth that averaged 3.59 percent during the 2008 to 2012 observation period. The company experienced a decline in growth from 2.80 percent in 2008, to 2.69 percent in 2009. Internal growth then climbed to 4.24 percent during the final year of the observation period. Value Line's analysts expect growth for WTR to decline in the coming years. Internal growth is expected to increase to 5.78 percent in 2013 before falling to 4.31 percent by the end of 2018. After weighing Value Line's earnings and book value estimates, I believe that internal growth of 5.00 percent is reasonable for WTR. (Schedule WAR-4, Page 1 of 2).

Q. **Please continue with the external growth rate component portion of your analysis.**

A. Schedule WAR-5 demonstrates that the number of shares outstanding for WTR increased from 135.37 million in 2008, to 140.35 million in 2012. Value Line is forecasting higher future share growth. According to Value Line's analysts, outstanding shares should increase from 140.50 million in 2013 to 143.00 million by the end of the 2016-18 time period. Based on Value Line's expectations, I believe that a 0.30% rate of share growth is appropriate (Page 2 of Schedule WAR-4). My final dividend growth rate estimate for WTR is 5.19 percent (5.00 percent internal growth + 0.19 percent external growth) and is shown on Page 1 of Schedule WAR-4.

Q. What is your average DCF dividend growth rate estimate for your sample of water utilities?

A. My average DCF dividend growth rate estimate for my water company sample is 4.95 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for your proxy of natural gas LDCs?

A. Yes.

Q. What is your average DCF dividend growth rate estimate for the sample natural gas utilities?

A. My average DCF dividend growth rate estimate for my natural gas sample is 5.28 percent, which is also displayed on page 1 of Schedule WAR-4.

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. Schedule WAR-6 compares my growth estimates with the five-year projections of analysts at both Zacks Investment Research, Inc. ("Zacks") (Attachment C) and Value Line. In the case of the water companies, my 4.95 percent growth estimate falls below Zacks' average long-term EPS projection of 5.10 percent for the water companies in my sample and Value Line's growth projection of 5.81 percent (which is an average of

EPS, DPS and BVPS). My 4.95 percent estimate is 104 basis points higher than the 3.91 percent average of Value Line's historical growth results and 6 basis points higher than the 4.89 percent average of the growth data published by both Value Line and Zacks. My 4.95 percent growth estimate is also 21 basis points higher than Value Line's 4.74 percent 5-year compound historical average of EPS, DPS and BVPS. On balance, I would say my 4.95 percent growth estimate, derived from Value Line data, is not out of line with the growth projections that are available to the investing public.

Q. How do your average growth rate estimates on natural gas LDCs compare to the growth rate data published by Value Line and other analysts?

A. As can be seen on Schedule WAR-6, my 5.28 percent growth estimate for the natural gas LDCs is 67 to 80 basis points higher than the average 4.48 percent average of long-term EPS consensus projection published by Zacks, and the 4.61 percent Value Line projected estimate (which is an average of EPS, DPS and BVPS). The 5.28 percent estimate that I have calculated is 50 basis points lower than the 4.78 percent average of the 5-year historic EPS, DPS and BVPS means of Value Line and is also 62 basis points higher than the combined 4.66 percent Value Line and Zacks averages displayed in Schedule WAR-6. In fact, my 5.28 percent growth estimate exceeds Value Line's 4.12 percent 5-year compound historical average of EPS, DPS and BVPS by 116 basis points. In the case of the LDCs I would say that my 5.28 percent estimate is more optimistic than the growth projections for natural gas LDCs being presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDCs I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's April 19, 2013 Ratings and Reports water utility industry update and Value Line's June 7, 2012 Ratings and Reports natural gas utility update. I then divided those figures by the eight-week average daily adjusted closing price per share of the appropriate utility's common stock. The eight-week observation period ran from April 15, 2013 to June 7, 2013. The average dividend yields were 2.97 percent and 3.56 percent for the water companies and natural gas LDCs, respectively.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas utilities included in your sample?

A. As shown on Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 7.92 percent for the water utilities and 8.84 percent for the natural gas LDCs which is 332 to 424 basis points higher than the current 4.60 percent yield on a safer Baa/BBB-rated utility bond (Attachment D).

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind CAPM and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[8], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and risk as measured by beta.[9] In this regard, CAPM can help an investor to determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be

[8] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

[9] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification. Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM is that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

$$k = r_f + [\, ß\, (\, r_m - r_f\,)\,]$$

where: k = the expected return of a given security,

r_f = risk-free rate of return,

$ß$ = beta coefficient, a statistical measurement of a security's systematic risk,

r_m = average market return (e.g. S&P 500), and

$r_m - r_f$ = market risk premium.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments (Attachment D) will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[10] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my

[10] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

testimony, this compensation translates into higher rates of returns to the investor.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments (Attachment D) will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[11] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself

[11] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my testimony, this compensation translates into higher rates of returns to the investor.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used an eight-week average of the yield on a 30-year U.S. Treasury instrument. The yields were published in Value Line's Selection and Opinion publication dated April 26, 2013 through June 7, 2013 (Attachment D). This resulted in a risk-free (r_f) rate of return of 3.06 percent.

Q. Why did you use the yield on a 30-year year U.S. Treasury instrument as opposed to a short-term T-Bill?

A. While a shorter term instrument, such as a 91-day T-Bill, presents the lowest possible total risk to an investor, a good argument can be made that the yield on an instrument that matches the investment period of the asset being analyzed in the CAPM model should be used as the risk-free rate of return. Because utilities in Arizona generally file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument more closely matches the investment period or, in the case of regulated utilities, the period that new rates will be in effect. In prior rate cases I have relied on the yields of the 5-year Treasury instrument, however for the sake of argument in this case, I have used the higher yield of the longer term 30-year Treasury bond. As I will discuss later in my testimony, the yields of long-term U.S. Treasury instruments are at historic lows as a result of recent actions being undertaken by the U.S. Federal Reserve to stimulate the U.S. economy.

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical total returns on the S&P 500 index from 1926 to 2012 as the proxy for the market rate of return (r_m). For the risk-free portion of the risk premium component (r_f), I used the geometric mean of the total returns of long-term government bonds for the same eighty-four year period. The market risk premium (r_m - r_f) that results by using the geometric mean of these inputs is 3.70 percent (9.80% - 6.10% = 3.70%). The market risk premium that results by using the arithmetic mean calculation is 5.40 percent (11.80% - 6.40% = 5.40%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of April 19, 2013 for the water companies and June 7, 2013 for the natural gas LDCs. Value Line calculates its betas by using a regression analysis between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.60 to 0.85 with an average beta of 0.70. The beta coefficients for the LDCs included in my natural gas sample ranged from 0.60 to 0.75 with an average beta of 0.67.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean to calculate the risk premium results in an average expected return of 5.65 percent for the water companies and 5.52 percent for the natural gas LDCs. My calculation using an arithmetic mean results in an average expected return of 6.84 percent for the water companies and 6.66 percent for the natural gas LDCs.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	7.92%
DCF (Natural Gas Sample)	8.84%
CAPM (Water Sample)	5.65% – 6.84%
CAPM (Natural Gas)	5.52% – 6.66%

Based on these results, my best estimate of an unadjusted range for a cost of common equity for the Company is 5.52 percent to 8.84 percent. My final recommended cost of common equity figure is 8.50 percent which falls above the mid-point of 7.18 in the range of estimates shown above (Schedule WAR-1, Page 3) and 390 basis points higher than the current 4.60 percent yield on a safer Baa/BBB-rated utility bond. My final estimate also falls within the range of projected returns on book common equity that Value Line is projecting for both the water and natural gas utility industries (Attachment A & B).

As I will discuss in more detail in the next section of my testimony, my final estimate also takes into consideration current interest rates (as the cost of equity moves in the same direction as interest rates) and the current state of the national economy. My final estimate also takes into consideration the U.S. Federal Reserve's decisions not to raise interest rates as long as the level of unemployment remains above 6.50 percent and on inflation, holding to within a half percentage point of the Fed's 2.00 percent target.[12] I also took into consideration information on Arizona's economy and current rate of unemployment in making my final cost of equity estimate.

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 11.44 percent cost of equity capital reflected in the Company's Application is 294 basis points higher than the 8.50 percent cost of equity capital that I am recommending.

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks

[12] U.S. Federal Reserve press release dated January 30, 2013: http://www.federalreserve.gov/newsevents/press/monetary/20130130a.htm

that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are also investing in non-regulated entities.

Q. Please describe your analysis of the current economic environment.

A. My analysis begins with a review of the economic events that have occurred between 1990 and the present in order to provide a background on how we got to where we are now. It also describes how the Board of Governors of the Federal Reserve System ("Federal Reserve" or "Fed") and its Federal Open Market Committee ("FOMC") used its interest rate-setting authority to stimulate the economy by cutting interest rates during recessionary periods and by raising interest rates to control inflation during times of robust economic growth. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve, then chaired by noted economist Alan Greenspan, lowered its benchmark federal funds rate[13] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

[13] This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

Q. Did the Federal Reserve achieve its goals during this period?

A. Yes. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what former Chairman Greenspan described as "irrational exuberance," pushed stock prices and market indexes to all time highs from 1997 to 2000. Over the next ten years, the FOMC continued to stimulate the economy and keep inflation in check by raising and lowering the federal funds rate.

Q. How did the U.S. economy fare between 2001 and 2007?

A. The U.S. economy entered into a recession near the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Disappointing economic data releases, since the beginning of

2001, preceded the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon which are now regarded as a defining point during this economic slump. From January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times in order to stimulate growth. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the federal funds rate thirteen more times to a level of 4.50 percent during a period in which the economic picture turned considerably brighter as both Inflation and unemployment fell, wages increased and the overall economy, despite continued problems in housing, grew briskly.[14]

The FOMC's January 31, 2006 meeting marked the final appearance of Alan Greenspan, who had presided over the rate setting body for a total of eighteen years. On that same day, Greenspan's successor, Ben Bernanke, the former chairman of the President's Council of Economic Advisers, and a former Fed governor under Greenspan from 2002 to 2005, was confirmed by the U.S. Senate to be the new Federal Reserve chief. As expected by Fed watchers, Chairman Bernanke picked up where his predecessor left off and increased the federal funds rate by 25 basis points during each of the next three FOMC meetings for a total of

[14] Henderson, Nell, "Bullish on Bernanke" The Washington Post, January 30, 2007.

seventeen consecutive rate increases since June 2004, and raising the federal funds rate to a level of 5.25 percent. The Fed's rate increase campaign finally came to a halt at the FOMC meeting held on August 8, 2006, when the FOMC decided not to raise rates. Once again, the Fed managed to engineer a soft landing.

Q. What has been the state of the economy since 2007?

A. Reports in the mainstream financial press during the majority of 2007 reflected the view that the U.S. economy was slowing as a result of a worsening situation in the housing market and higher oil prices. The overall outlook for the economy was one of only moderate growth at best. Also during this period the Fed's key measure of inflation began to exceed the rate setting body's comfort level.

On August 7, 2007, the beginning of what is now being referred to as the Great Recession; the FOMC decided not to increase or decrease the federal funds rate for the ninth straight time and left its target rate unchanged at 5.25 percent.[15] At the time of the Fed's decision, analysts speculated that a rate cut over the next several months was unlikely given the Fed's concern that inflation would fail to moderate. However, during this same period, evidence of an even slower economy and a possible

[15] Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

recession was beginning to surface. Within days of the Fed's decision to stand pat on rates, a borrowing crisis rooted in a deterioration of the market for subprime mortgages, and securities linked to them, forced the Fed to inject $24 billion in funds (raised through its open market operations) into the credit markets.[16] By Friday, August 17, 2007, after a turbulent week on Wall Street, the Fed made the decision to lower its discount rate (i.e. the rate charged on direct loans to banks) by 50 basis points, from 6.25 percent to 5.75 percent, and took steps to encourage banks to borrow from the Fed's discount window in order to provide liquidity to lenders. According to an article that appeared in the August 18, 2007 edition of The Wall Street Journal, [17] the Fed had used all of its tools to restore normalcy to the financial markets. If the markets failed to settle down, the Fed's only weapon left was to cut the Federal Funds rate – possibly before the next FOMC meeting scheduled on September 18, 2007.

Q. Did the Fed cut rates as a result of the subprime mortgage borrowing crises?

A. Yes. At its regularly scheduled meeting on September 18, 2007, the FOMC surprised the investment community and cut both the federal funds rate and the discount rate by 50 basis points (25 basis points more than

[16] Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

[17] Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

what was anticipated). This brought the federal funds rate down to a level of 4.75 percent. The Fed's action was seen as an effort to curb the aforementioned slowdown in the economy. Over the course of the next four months, the FOMC reduced the Federal funds rate by a total 175 basis points to a level of 3.00 percent – mainly as a result of concerns that the economy was slipping into a recession. This included a 75 basis point reduction that occurred one week prior to the FOMC's meeting on January 29, 2008.

Q. What actions has the Fed taken in regard to interest rates since the beginning of 2008?

A. The Fed made two more rate cuts which included a 75 basis point reduction in the federal funds rate on March 18, 2008 and an additional 25 basis point reduction on April 30, 2008. The Fed's decision to cut rates was based on its belief that the slowing economy was a greater concern than the current rate of inflation (which the majority of FOMC members believed would moderate during the economic slowdown).[18] As a result of the Fed's actions, the federal funds rate was reduced to a level of 2.00 percent. From April 30, 2008 through September 16, 2008, the Fed took no further action on its key interest rate. However, the days before and after the Fed's September 16, 2008 meeting saw longstanding Wall Street

[18] Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of their subprime holdings. By the end of the week, the Bush administration had announced plans to deal with the deteriorating financial condition which had now become a worldwide crisis. The administration's actions included former Treasury Secretary Henry Paulson's request to Congress for $700 billion to buy distressed assets as part of a plan to halt what has been described as the worst financial crisis since the 1930's[19]. Amidst this turmoil, the Fed made the decision to cut the federal funds rate by another 50 basis points in a coordinated move with foreign central banks on October 8, 2008. This was followed by another 50 basis point cut during the regular FOMC meeting on October 29, 2008. At the time of this writing, the federal funds target rate now stands at 0.25 percent, the result of a 75 basis point cut announced on December 16, 2008.

Q. Has the Fed taken any further action to stimulate the economy besides cutting rates?

Yes. At the close of the FOMC's September 2011 meeting the Fed announced its decision to implement a plan that resembled a 1961 Federal Reserve program known as "Operation Twist".[20] Under this plan, the Fed would sell $400 billion in Treasury securities that mature within

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[19] Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

[20] Hilsenrath, Jon and Luca Di Leo "Fed Launches New Stimulus" The Wall Street Journal, September 22, 2011

three years. The proceeds from these sales would then be reinvested into securities that mature in six to 30 years. This action would significantly alter the balance of the Fed's holdings toward long-term securities. In addition to selling off its shorter term Treasury holdings, the proceeds from the Fed's maturing mortgage-backed securities would be reinvested in other mortgage backed securities. Since 2010, the Fed had been reinvesting that money into Treasury bonds, shrinking its mortgage portfolio. The overall goal of the Fed's plan was to reduce long-term interest rates in the hope of boosting investment and spending and provide a shot in the arm to the beleaguered housing sector of the economy. On December 12, 2012, the Federal Open Market Committee voted to order a fourth round of quantitative easing, referred to as QE4, which authorized the purchase of up to $40 billion worth of agency mortgage-backed securities per month, and $45 billion worth of longer-term Treasury securities. The goal in buying the $85 billion in securities per month is to drive up the cost of available instruments in the market (by reducing the existing supply) which has the effect of decreasing their effective yields.

...

Q. What is the investment community's current view of the Fed's low interest rate policy?

A. A recent opinion piece by Mitch Zacks of Zacks Investment Management, published on June 16, 2013, provides some interesting insight into this question:

> "Right now the market is intensely focused on trying to determine when the Federal Reserve's quantitative easing program will end. Market participants realize that the Federal Reserve has stated they will continue with their program until unemployment falls to an acceptable level, which would hopefully coincide with a pick-up in the economy.
>
> To recap, the Federal Reserve cut the Fed funds rate to zero in order to stimulate the economy in the wake of the financial crisis of '08. The economy recovered, but did so at a relatively lackluster pace, so the chance of a double dip recession in the wake of European unrest was real. As a result, the Federal Reserve wanted to continue to take stimulus actions. However, they were unable to reduce interest rates any further – they could not cut rates below zero.
>
> In order to continue to stimulate the economy, the Federal Reserve decided to start actively buying treasury bonds and mortgage backed securities to keep long-term rates relatively low. The Fed was trying to stimulate the economy by causing riskier assets to appreciate, making individuals wealthier, and therefore causing them to spend more money. Additionally, by buying mortgage backed securities and causing longer-term rates to fall, the assets that banks hold on their balance sheets would increase in value. This would effectively help increase the capitalization of banks, and hopefully increase bank lending.
>
> Fast forward a few years and we see that the Fed's plan has resulted in asset prices going up and longer-term interest rates, such as mortgage rates, being held down. The stimulus activity effectively put a tax on individuals who held cash reserves. Interestingly enough, the stimulus appears to be working. It has caused consumer spending to increase and an upward movement in home prices. The concern the market now has is whether the economy will be strong enough in the absence of the quantitative easing to continue to grow."

Q. What is the current rate of inflation in the U.S.?

A. As can be seen on Schedule WAR-8, the current rate of inflation, as measured by the consumer price index, is at 1.10 percent according to information provided by the U.S. Department of Labor's Bureau of Labor Statistics.[21]

Q. Does the Fed have any immediate plans to raise interest rates in anticipation of higher inflation?

A. No. At the FOMC meeting held on June 18 and 19, 2013, the Fed made no changes to the Fed Funds rate. An article published in the Wall Street Journal on June 19, 2013 reported that Chairman Bernanke stated at the end of the meeting that the Fed could start winding down its $85 billion-a-month QE4 bond-buying program later this year and end it altogether by mid-2014 if growth picks up as the Fed projects, unemployment comes down, and inflation moves closer to the central bank's 2.00 percent target. Chairman Bernanke went on to say that if those expectations bear out, the Fed could stop buying bonds altogether by the middle of next year, when officials project unemployment to be around 7.00 percent.

...

[21] http://www.bls.gov/news.release/cpi.nr0.htm

Q. Has the Fed's quantitative easing actions resulted in lower yields on long-term Treasury instruments?

A. Yes. Despite a recent rise in the yields of longer-term instruments (Attachment C), mainly due to uncertainty over when the Fed will reverse its policy of quantitative easing, the yields on various treasury and utility instruments are currently at historic lows.

As can be seen on Schedule WAR-8, current Treasury yields are considerably lower than corresponding yields that existed during the year 2000 and, as just noted, U.S. Treasury instruments, are for the most part, still at historically low levels. As can be seen on the first page of Attachment C, the previously mentioned federal discount rate (the rate charged to the Fed's member banks), has remained steady at 0.75 percent since June of 2012.[22]

As of June 14, 2013, leading interest rates that include the 3-month, 6-month and 1-year treasury yields have decreased 3 to 6 basis points from their June 2012 levels. Longer term yields including the 5-year, 10-year and 30-year have increased somewhat from levels that existed a year ago, but still remain at historically low levels. The same is true for the 30-year Zero rate. The prime rate has remained constant at 3.25 percent

[22] Hilsenrath, Jon and Victoria McGrane, "Federal Reserve Eyes End of Bond Buying, Spooking Markets" The Wall Street Journal, June 19, 2013

over the past year, as has the benchmark federal funds rate discussed above. A previous trend, described by former Chairman Greenspan as a "conundrum"[23], in which long-term rates fell as short-term rates increased, thus creating a somewhat inverted yield curve that existed as late as June 2007, is completely reversed and a more traditional yield curve (one where yields increase as maturity dates lengthen) presently exists.

Q. What are the current yields on utility bonds?

A. Referring again to Attachment C, as of June 14, 2013, 25/30-year A-rated utility bonds were yielding 4.19 percent and 25/30-year Baa/BBB-rated utility bonds were yielding 4.60 percent. As with the intermediate and long-term Treasuries noted above, the yields on both utility bonds have increased somewhat over the last several weeks but still remain at historic lows.

Q. What is the current outlook for the economy?

A. The current outlook on the economy is for an improving picture in the second half of 2013. Value line's analysts offered this perspective on the economy in the June 14, 2013 edition of Value Line's Selection and Opinion publication:

[23] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

> "**The economy is limping to the first half finish line.** To wit, after a modest recovery in the first quarter, with the U.S. gross domestic product rising by 2.4%, growth appears to be slipping again, with personal income, consumer spending, manufacturing, and the international trade figures denoting enough overall sluggishness to produce growth of no more than 1%-2% in the fast-ending period"

Value Line's analysts went on to say:

> "**However, we expect a selective pickup in business activity after midyear.** In part, this presumptive improvement probably will reflect the lesser impact of the sequestrations (or government spending cuts), as well as gains in non-manufacturing and home prices. Such a combination is likely to lead to more liberalized spending by consumers. In that more constructive setting, growth could edge back above 2% over the closing six months of this year."

Value Line's analysts further stated:

> "**Meanwhile, the focus is on the Federal Reserve,** as it may well be until the start of earnings reporting season, which is still about a month away. The worry is that the Fed might soon start slowing down the pace of bond buying, on the belief that the economy is now better able to stand on its own. We think such concerns are premature, and sense that it may be a while before the central bank opts to materially ease off on the stimulus pedal."

Q. What is the current outlook for water utilities such as the Applicants?

A. In the April 19, 2013 quarterly update (Attachment A) on the Water Utility Industry, Value Line analyst James A. Flood had this to say:

> "Despite some of the reservations that we have noted about the industry, overall, it is currently in decent shape. Though issuance of new shares dilutes earnings, we are glad to see companies selling new equity when the market is near its all-time high. This was the case recently with Connecticut Water, California Water Service Group, and SJW. And while the industry's prospects are not bad for 2013 and 2014, it is the pull to 2016-2018 that has us concerned. Also, despite the recent underperformance if certain water utility shares, almost all have advanced so far that they have below-average long-term total return potential."

Q. How has Arizona faired in terms of the overall economy and home foreclosures?

A. Arizona was one of the states hit hardest during the Great Recession and has lagged during the current recovery.[24] During the period between 2006 and 2009, statewide construction spending fell by 40.00 percent. According to information provided by Irvine, California-based RealtyTrac, Arizona was ranked third in the nation behind California and Nevada in terms of home foreclosures with the largest number of foreclosures occurring in Maricopa, Pinal and Pima Counties. As of this writing RealtyTrac is ranking Arizona as having the ninth highest foreclosure rate in the country.[25]

Q. What is the current unemployment situation in Arizona during this period of economic recovery?

A. According to information published on June 20, 2013, and displayed on the website of the Arizona Department of Administration's Office of Employment and Population Statistics,[26] the seasonally adjusted unemployment rate for Arizona dropped from 8.40% in May 2012, to 7.80% in May 2013. At the time that this information was compiled,

[24] Beard, Betty, "Recession hit Arizona hardest" The Arizona Republic, March 6, 2011.

[25] RealtyTrac Staff: U.S. Foreclosure Activity Increases 2 Percent in May Boosted by 11 Percent Rise in Bank Repossessions, June 11, 2013.

[26] Arizona Department of Administration's Office of Employment and Population Statistics http://www.workforce.az.gov/ .

Arizona's rate of unemployment was slightly higher than the current seasonally adjusted U.S. unemployment rate[27] of 7.6 percent.

According to the June 20, 2013 Arizona Department of Administration's Office of Employment and Population Statistics report, the May 2013 rates of unemployment for the counties that are served by Global Utilities were as follows:

Selected County Unemployment Rates - May 2013

Maricopa	6.10%
Mohave	8.90%
Pinal	7.70%

Q. After weighing the economic information that you've just discussed, do you believe that the 8.50 percent cost of equity capital that you have estimated is reasonable for the Company?

A. I believe that my recommended 8.50 percent cost of equity capital, which is 390 basis points higher than the current 4.60 percent yield on a Baa/BBB-rated utility bond and the 172 basis points higher than the Applicants highest weighted average cost of debt, will provide the Company with a reasonable rate of return on invested capital when data on interest rates (that are low by historical standards), the current state of the economy, current rates of unemployment (both nationally, in Arizona, and in the counties served by the Applicants), and the Fed's decision to

[27] U.S. Department of Labor, Bureau of Labor Statistics http://www.bls.gov/cps/

keep interest rates at their current levels until unemployment reaches 6.50 percent[28] are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk.

COST OF DEBT

Q. Have you reviewed the Applicants' testimony on the Company-proposed costs of short and long-term debt?

A. Yes.

Q. What costs of short and long-term debt are you recommending for AWC?

A. I am recommending that the Commission adopt the Company-proposed costs of short and long-term debt as follows:

	Short-term	Long-term
Palo Verde	0.00%	6.36%
Santa Cruz	0.00%	6.58%
Valencia - Town	5.95%	5.69%
WUGT	6.22%	6.33%
Valencia - Greater Buckeye	6.78%	6.24%
Willow Valley	5.17%	4.68%
WUNS	0.00%	0.00%

[28] Federal Reserve Press Release issued on June 19, 2013.

CAPITAL STRUCTURE

Q. Have you reviewed the Company's testimony regarding the Applicants' proposed capital structures?

A. Yes.

Q. Please describe the Applicants' proposed capital structures.

A. The Applicants' are proposing the following:

	Short-term	Long-term
Palo Verde	0.00%	6.36%
Santa Cruz	0.00%	6.58%
VWCT	5.95%	5.69%
WUGT	6.22%	6.33%
Willow Valley	5.17%	4.68%
VWCGB	6.78%	6.24%
WUNS	0.00%	0.00%

Q. Are the Applicants' capital structures in line with industry averages?

A. No. Five of the seven Applicants – VWCT, WUGT, Willow Valley, VWCGB and WUNS – have capital structures that are heavier in equity than the capital structures of the water utilities in my sample and would be perceived by investors as having lower financial risk. As can be seen in Schedule WAR-9, the capital structures for my sample of water utilities averaged 54.00 percent for debt and 46.00 percent for equity (45.80

percent common equity + 0.2 percent preferred equity). Only Palo Verde and Santa Cruz had capital structures that were similar to the average capital structure of my sample water utilities. On the other hand, both Palo Verde and Santa Cruz have somewhat lower amounts of equity than do the capital structures of the LDCs in my sample. The capital structures for the LDC utilities averaged 44.80 percent for debt and 50.5 percent for equity (55.00 percent common equity + 0.1 percent preferred equity).

Q. What capital structures are you recommending for the Applicants?

A. I am recommending that the Commission adopt the Company-proposed capital structures described above. In the case of WUGT and WUNS, which have negative rate bases, I am recommending that the Company-proposed capital structures be adopted only for the purpose of calculating an operating margin.

Q. Have you made a downward adjustment to your recommended cost of equity that takes into consideration the fact that five of the seven Applicants have capital structures that are heavier in equity than the average capital structure of your sample water and natural gas companies?

A. No. I have not made a specific downward adjustment. However I believe that my recommended 8.50 percent cost of common equity, which falls within the range of estimates produced by my water and natural gas sample DCF models is adequate to cover any perceived financial or business risks faced by the Applicants.

WEIGHTED AVERAGE COST OF CAPITAL

Q. How do the Applicants' proposed weighted average costs of capital compare with RUCO's recommendations?

A. The Applicants' and RUCO's recommended WACC's are as follows:

	WACC
Palo Verde	7.39%
Santa Cruz	7.46%
VWCT	7.91%
WUGT	8.19%
Willow Valley	8.03%
VWCGB	8.39%
WUNS	8.50%

As I explained earlier in my testimony, I am recommending that the WACC's calculated for WUGT and WUNS be adopted as operating margins given the fact that both systems have negative rate bases.

COMMENTS ON GLOBAL UTILITIES' COST OF EQUITY CAPITAL TESTIMONY

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The Company's cost of capital witness, Matthew J. Rowell, is recommending a cost of common equity of 11.44 percent. His 11.44 percent cost of equity capital is 294 basis points higher than the 8.50 percent cost of equity capital that I am recommending.

Q. What methods did Mr. Rowell use to arrive at his proposed cost of common equity for the Applicants?

A. Mr. Rowel utilized two versions of the DCF, three versions of the CAPM and a comparable earnings methodology which I have not employed. Mr. Rowell relies on the same single stage DCF model that I have used and a multi-stage version of the DCF model. His CAPM analysis relies on three different sets of risk free asset inputs and his comparable earnings analysis is based on the returns on book common equity of his sample utilities.

...

Q. What is the main reason for the difference between your recommended cost of equity and the Company-proposed cost of equity?

A. The main reason for the 294 basis point difference between my cost of equity recommendation and the Company-proposed cost of equity is Mr. Rowell's heavy reliance on the results of his comparable earnings analysis. Mr. Rowell gives a 2/3rds weighting to his comparable earnings results of 10.47 percent and a 1/3rd weighting to the 9.77 percent average of the results obtained from his DCF and CAPM models to arrive at a 10.24 percent weighted average. He then adds a 120 basis point Arizona risk premium to his 10.24 percent average to arrive at his proposed 11.44 percent cost of equity.

Q. Do you agree with Mr. Rowell's heavy reliance on his comparable earnings analysis?

A. No. Quite simply, returns on book common equity are not a company's cost of capital. The return on book common equity is the annual net income of a company (which appears on its income statement) divided by the shareholder equity recorded on the accounting books of the company (which appears on its balance sheet). The cost of equity capital on the other hand, is the return investors expect to earn in the marketplace for a particular risk-class of assets. If the market value of a company's stock is more than its book value (as are all of the company's included in my sample based on their market to book ratios displayed as "M ÷ B" in Schedule WAR-4), the market return will be lower because the net income is being divided by a larger number (i.e. the market price of the company's stock) than the lower shareholder equity figure that appears on the books of the company. The return that investors expect to receive in the marketplace is the company's cost of equity because that is the return that the company has to offer in order to attract equity capital. By definition a company's cost of equity capital has to be lower than its return on book common equity or it would not be profitable. Given this rationale, Mr. Rowell's comparable earnings estimate carries far less weight than he assigns to it in my opinion.

Q. Are there other problems with Mr. Rowell's reliance on comparable earnings?

A. Yes. It represents circular logic from the standpoint that the authorized rates of return awarded by regulatory agencies, such as the ACC, to the utilities in his sample were most likely based on the same financial models, such as the DCF and the CAPM, which he seems to hold in low regard. I would have to say that Mr. Rowell, like a number of other utility consultants these days, is in a state of denial. By that I mean that they simply refuse to face the fact that the results from models such as the DCF and the CAPM are reflective of the current economic environment of low interest rates which I described earlier in my testimony.

DCF Comparison

Q. Briefly compare the results of Mr. Rowell's DCF analysis with the results your DCF analysis.

A. Mr. Rowell's single stage DCF model produced an average return of 9.06 percent for the natural gas and water companies in his sample compared to my average of 8.38 percent.

Q. Please compare the dividend yield results that you obtained from your DCF analysis and the results that Mr. Rowell obtained from his DCF analysis using the constant growth model?

A. Mr. Rowell relied on an average dividend yield of 3.81 percent obtained by dividing the expected dividends of his sample companies by the average spot price of his sample companies' stock on June 21, 2012 as opposed to the eight week average stock price which I relied on. His 3.81 percent average dividend yield is 54 basis points higher than my average dividend yield of 3.27 percent.

Q. What was the difference between Mr. Rowell's spot price average stock price and your eight week average stock price?

A. Mr. Rowell's average stock price was $29.81 as opposed to my average share price of $38.50 – a difference of $8.69. Clearly both the water stocks and the natural gas companies in our samples have increased in value during the year since Mr. Rowell conducted his analysis. The more recent higher prices that I relied on would produce lower dividend yields in the DCF model thus resulting in a lower expected return.

Q. Does your comparison of the difference in average adjusted stock prices reveal anything else?

A. Yes. I believe that it demonstrates that both water and natural gas stocks are in demand by investors. Their dividend yields, which are attractive when compared to the lower yields on Treasury instruments, and the perceived safety of the investment, would also explain the increase in price. This being the case, as I have stated in prior proceedings, water companies such as the Global Utilities do not need higher rates of return to attract investors at this point in time.

Q. How does Mr. Rowell's DCF growth estimate (g) compare with your growth estimates for water utilities?

A. Mr. Rowell's analysis produced an average growth estimate of 5.25 percent as opposed to my average growth estimate of 5.11 percent for both the water companies and LDCs that were included in our samples.

Q. Can you explain the differences in your methods for obtaining your respective growth estimates?

A. Yes. Mr. Rowell's higher 5.52 percent growth rate was obtained by averaging only the 5-year earnings per share projections of analysts from

Value Line, Reuters, Zacks, CNN Money and Yahoo Finance. As I explained earlier in my direct testimony, I obtained my growth estimates by evaluating a larger number of metrics which included Value Line growth projections for both internal and external growth (based on retained earnings, returns on book common equity projections and shares outstanding for 2013 through 2018), and on future growth in earnings, dividends and book value per share (Schedule WAR 5 pages 1 through 5 and Attachments A and B) and then comparing them to current Zacks earnings per share estimates and Value Line estimates of earnings per share, dividends per share and book value per share for the companies included in my water and gas samples (Schedule WAR-6).

CAPM Comparison

Q. What were the results of Mr. Rowell's CAPM analysis and your CAPM analysis?

A. Mr. Rowell's analysis produced an average expected return of 10.51 percent as opposed to my expected returns that range from 5.52 percent to 6.84 percent.

Q. Compare the way that Mr. Rowell and you arrived at your expected rates of return using the CAPM.

A. For the risk free asset Mr. Rowell relied on much higher historic returns on long-term and medium-term U.S. Government bonds and bills, ranging from 5.10 percent to 10.20 percent, as opposed to relying on the lower current yields of the same types of instruments.

Q. What are your concerns with Mr. Rowell's use of historic returns on medium and long-term U.S. Treasury instruments for a risk-free rate of return?

A. Mr. Rowell's reliance on historic returns result in much higher returns than the actual current yields of similar U.S. government instruments. I believe that the best indicators of future returns are the most recent yields on U.S. treasury instruments. Furthermore, Mr. Rowell's method totally ignores the fact that the Federal Reserve intends to keep interest rates at their current low levels until unemployment falls to 6.50 percent which most likely will not occur until the end of 2014.

Q. How dos Mr. Rowell's average beta used in his CAPM model compare with the average beta that you used in yours?

A. Despite the different companies included in our samples, Mr. Rowell's average beta of 0.688 falls between my average betas of 0.70 and 0.67 for my water company sample and LDC sample, respectively.

...

Q. How does Mr. Rowell's average market risk premium compare to your range of market risk premiums?

A. Mr. Rowell's average market risk premium of 3.80 percent fell within my range of 3.70 percent and 5.40 percent.

Q. Do you believe that the Applicants require a 120 basis point adjustment because they are regulated in Arizona?

A. No. Contrary to Mr. Rowell's position on returns granted in Arizona, I do not believe that such an adjustment is needed. In fact I would say that, if anything, the return on equity granted to the Global Utilities in the prior rate case proceeding was forward looking when you consider the range of estimates that my analysis has produced in this case.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of Mr. Rowell or any other witness for the Applicants constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on the cost of capital issues in this case?

A. Yes, it does.

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Chief of Accounting and Rates
Residential Utility Consumer Office
October 2011 – Present

Public Utilities Analyst V
Residential Utility Consumer Office
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	WS-01303A-06-0491	Rate Increase
UNS Electric, Inc.	E-04204A-06-0783	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona Public Service Company	E-01345A-08-0172	Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase

Appendix 1

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase
Arizona Water Company	W-01445A-08-0440	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Black Mountain Sewer Corporation	SW-02361A-08-0609	Rate Increase
Global Utilities	SW-02445A-09-0077 et al.	Rate Increase
Litchfield Park Service Company	SW-01428A-09-0104 et al.	Rate Increase
UNS Electric, Inc.	E-04204A-09-0206	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-09-0257	Rate Increase
Arizona-American Water Company	W-01303A-09-0343	Rate Increase
Bella Vista Water Company	W-02465A-09-0411 et al.	Rate Increase
Chaparral City Water Company	W-02113A-10-0309	Reorganization
Qwest Communications International	T-04190A-10-0194 et al.	Merger
CenturyLink, Inc.	T-04190A-10-0194 et al.	Merger
Southwest Gas Corporation	G-01551A-10-0458	Rate Increase
Arizona-American Water Company	W-01303A-10-0448	Rate Increase
Arizona-American Water Company	W-01303A-11-0101	Reorganization
Arizona-American Water Company	W-01303A-09-0343	Deconsolidation
Goodman Water Company	W-02500A-10-0382	Rate Increase
Arizona Water Company	W-01445A-10-0517	Rate Increase
Bermuda Water Company, Inc.	W-01812A-10-0521	Rate Increase
UNS Gas, Inc.	G-04204A-11-0158	Rate Increase
Arizona Public Service Company	E-01345A-11-0224	Rate Increase
Arizona Water Company	W-01445A-11-0310	Rate Increase
Pima Utility Company	W-02199A-11-0329 et al.	Rate Increase
Tucson Electric Power Company	E-01933A-12-0291	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-12-0196	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Far West Water & Sewer, Inc.	WS-03478A-12-0307	Rate Increase
Arizona Water Company	W-01445A-12-0348	Rate Increase
UNS Electric, Inc.	E-04204A-12-0504	Rate Increase

ATTACHMENT A

Equities in the Water Utility Industry may have finally peaked. Over the past nine months or so, investors have been pouring funds into this small industry and driving up prices. In our last report in January, the industry soared to a rank of 4 out of the 98 different stock groups in the *The Value Line Investment Survey.* This outperformance was highly unusual, considering it was accomplished in a rising market. Utilities are historically a defensive play that draw the interest of conservative, income-oriented investors, as well as contrarians who believe that the market is nearing a peak. The industry rank has since slipped to a still respectable 29. However, we wouldn't be surprised to see a further decline in the months ahead as the spread between yields on water utilities and the average stock have tightened, making them less attractive.

On the operational front, most water utilities are coming off a decent 2012. Moreover, we think that 2013 and 2014 won't be too bad, either. That said, we still have many concerns about the industry going forward. Much of the water infrastructure in the U.S. is aging and will require massive amounts of funds for repairs and modernization. No utility will be able to generate sufficient cash internally to cover these outlays. Hence, new issuances of debt and equity will be required to finance the difference. Moreover, plenty of rate cases will have to be filed to recover these investments, leaving utilities at the mercy of state regulators, whose final decisions can be politically motivated. On the whole, the regulatory climate has improved throughout the country, but that doesn't mean it can't change.

A Small Fragmented Market

There are only seven companies in our Water Utility Industry. That's because most cities have established their own entities that provide water to citizens as a municipal service. This is in contrast to electric utilities. Due to the capital-intensive nature of the power business, cities and states let investor-owned companies provide electricity at a price that is ultimately approved by them.

There has been much speculation that many cash-strapped municipalities may consider privatizing their water systems because they do not have the large sums of money needed to update and repair their existing facilities. Such a trend would probably be a plus for the existing investor-owned water utilities as they have the required expertise needed to operate these systems. The two utilities that dominate the industry in terms of market capitalization, *American Water Works* and *Aqua America*, would be the obvious beneficiaries. Still, we don't look for much privatization over the next few years.

America's Water Systems Are In Terrible Shape

In their quadrennial report on the status of the infrastructure in the U.S., the American Society of Civil Engineers (ASCE) found that the water/wastewater sector is perhaps the most underfunded part of the infrastructure system. According to ASCE, water systems are about 70% underfunded. Concurring with this opinion is the American Water Works Association (AWWA), which believes that America will have to spend $1 trillion over the next 25 years to get the system up to par.

INDUSTRY TIMELINESS: 29 (of 98)

Where Will the Money Come From?

Whether investor-owned or municipal, no water system has the funds on hand required to meet these projected costs. (We should point out that the higher the estimated funding needed, the more work for the engineers of ASCE.) There are two important factors that investors should focus on when examining a water utility. One, how much capital spending will be required by the company relative to its size, and, two, how will that firm come up with the capital. An increase in shares will dilute current earnings, and the higher interest costs resulting from the added debt can eat away at profits.

Regulators Will Play a Major Role

Upgrading their facilities and finding the funds to do so, is only the first hurdle that water utilities face. Second, and just as important, is the ability to recover their investment. And, to a large extent, this factor is out of their control. Directors on the state utility commissions are usually appointed by the governor. Since this is an elective office, politicians from both parties are very aware that water users (i.e., citizens that vote) do not like having their water bills raised. So, a utility is always at risk of spending and operating prudently, and then being denied the right to recover costs by a state utility commission. Therefore, we advise all investors when reading each utility page, to note the analyst's view on the regulatory climate in each state. What's more, this risk will always be with regulated utilities until politicians can get elected on campaign platforms that are pro-utility, a seemingly unlikely scenario.

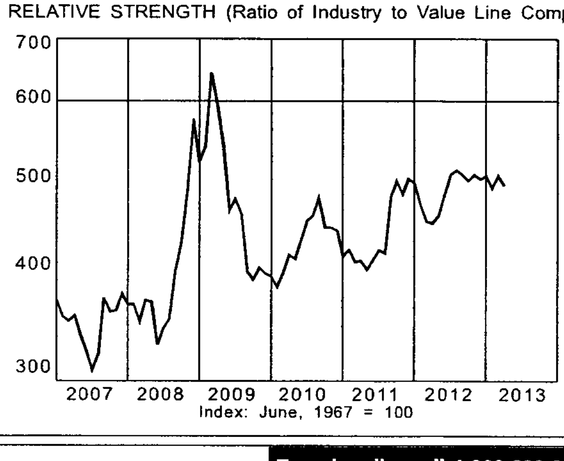
Conclusion

Despite some of the reservations that we have noted about the industry, overall, it is currently in decent shape. Though issuance of new shares dilutes earnings, we are glad to see companies selling new equity when the market is near its all-time high. This was the case recently with *Connecticut Water, California Water Service Group*, and *SJW*. And while the industry's prospects are not bad for 2013 and 2014, it is the pull to 2016-2018 that has us concerned. Also, despite the recent underperformance of certain water utility shares, almost all have advanced so far that they have below-average long-term total return potential.

James A. Flood

Water Utility

RELATIVE STRENGTH (Ratio of Industry to Value Line Comp.)



Index: June, 1967 = 100

AMERICAN WATER NYSE-AWK

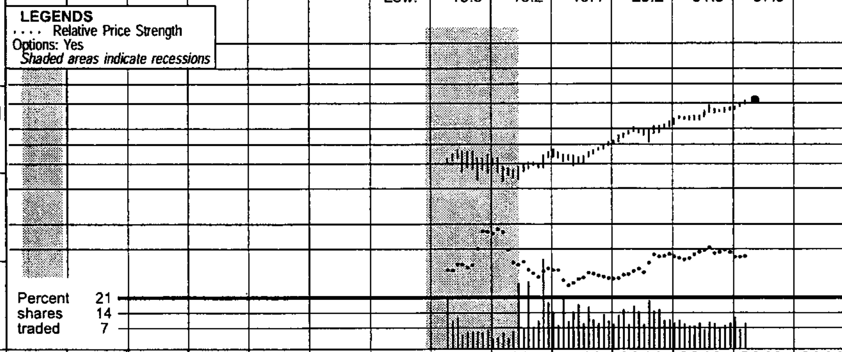
RECENT PRICE **41.64** | P/E RATIO **18.9** (Trailing: 20.1 / Median: NMF) | RELATIVE P/E RATIO **1.13** | DIV'D YLD **2.5%** | **VALUE LINE**

TIMELINESS 4 Lowered 3/29/13
SAFETY 3 New 7/25/08
TECHNICAL 3 Raised 4/19/13
BETA .65 (1.00 = Market)

	2008	2009	2010	2011	2012	2013
High:	23.7	23.0	25.8	32.8	39.4	41.9
Low:	16.5	16.2	19.4	25.2	31.3	37.0

Target Price Range 2016 | 2017 | 2018

LEGENDS
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+45%)	*12%*
Low	40	(-5%)	*2%*

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	1	0	5	0	0	4	0	0
to Sell	2	0	0	6	0	0	4	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	176	173	188
to Sell	162	171	175
Hld's(000)	140028	143865	146609

% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	25.2	15.7
3 yr.	109.4	43.2
5 yr.	—	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006E	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
--	--	--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	15.18	16.25	*17.40*	*18.35*	Revenues per sh	*20.00*
--	--	--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.73	*4.15*	*4.30*	*4.50*	"Cash Flow" per sh	*5.20*
--	--	--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.72	2.11	*2.25*	*2.40*	Earnings per sh A	*2.85*
--	--	--	--	--	--	--	--	--	--	--	.40	.82	.86	.90	.96	*1.04*	*1.12*	Div'd Decl'd per sh B■	*1.40*
--	--	--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	5.27	5.25	*5.35*	*5.40*	Cap'l Spending per sh	*5.25*
--	--	--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	24.11	25.10	*26.40*	*27.50*	Book Value per sh D	*30.00*
--	--	--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	175.66	176.99	*178.00*	*179.00*	Common Shs Outst'g g C	*190.00*
--	--	--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	16.8	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
--	--	--	--	--	--	--	--	--	--	--	1.14	1.04	.93	1.05	1.07	*Value Line*		Relative P/E Ratio	*1.20*
--	--	--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%	3.1%	2.7%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*

2003	2004	2005	2006E	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
--	--	--	2093.1	2214.2	2336.9	2440.7	2710.7	2666.2	2876.9	*3100*	*3300*	Revenues ($mill)	*3800*
--	--	--	d155.8	d342.3	187.2	209.9	267.8	304.9	375.0	*400*	*430*	Net Profit ($mill)	*540*
--	--	--	--	--	37.4%	37.9%	40.4%	39.5%	*40.7%*	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	--	12.5%	6.2%	*8.0%*	*10.0%*	AFUDC % to Net Profit	*12.0%*
--	--	--	56.1%	50.9%	53.1%	56.9%	56.8%	55.7%	53.8%	*54.0%*	*54.0%*	Long-Term Debt Ratio	*53.5%*
--	--	--	43.9%	49.1%	46.9%	43.1%	43.2%	44.2%	46.0%	*46.0%*	*46.0%*	Common Equity Ratio	*46.5%*
--	--	--	8692.8	9245.7	8750.2	9289.0	9561.3	9580.3	9652.7	*10300*	*10800*	Total Capital ($mill)	*12000*
--	--	--	8720.6	9318.0	9991.8	10524	11059	11021	11739	*12300*	*12800*	Net Plant ($mill)	*14000*
--	--	--	NMF	NMF	3.7%	3.8%	4.4%	4.8%	5.5%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.5%*
--	--	--	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.4%	*8.5%*	*8.5%*	Return on Com Equity	*9.5%*
--	--	--	NMF	NMF	3.0%	1.8%	2.8%	3.5%	4.6%	*4.5%*	*4.5%*	Retained to Com Eq	*4.5%*
--	--	--	--	--	34%	65%	56%	52%	45%	*46%*	*47%*	All Div'ds to Net Prof	*50%*

CAPITAL STRUCTURE as of 12/31/12
Total Debt $5576.4 mil. **Due in 5 Yrs** $1034.0 mil.
LT Debt $5190.5 mil. **LT Interest** $301.0 mil.
(Total interest coverage: 4.4x) (54% of Cap'l)

Leases, Uncapitalized: Annual rentals $28.1 mill.
Pension Assets $1157.7 mill
Oblig. $1621.2 mill.
Pfd Stock $18.9 mill. **Pfd Div'd** $.7 mill

Common Stock 177,409,722 shs.
as of 2/21/13

MARKET CAP: $7.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	13.1	14.2	24.4
Other	521.2	1383.5	475.0
Current Assets	534.3	1397.7	499.4
Accts Payable	199.2	243.7	279.6
Debt Due	274.5	543.9	385.9
Other	300.8	701.5	329.3
Current Liab.	774.5	1489.1	994.8
Fix. Chg. Cov.	237%	256%	*300%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '16-'18
Revenues	--	2.5%	*4.5%*
"Cash Flow"	--	39.5%	*6.5%*
Earnings	--	--	*9.5%*
Dividends	--	--	*7.5%*
Book Value	--	-0.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	588.1	671.2	786.9	664.5	2710.7
2011	596.7	668.8	760.9	639.8	2666.2
2012	618.7	745.6	831.8	680.8	2876.9
2013	*650*	*800*	*900*	*750*	*3100*
2014	*700*	*850*	*975*	*775*	*3300*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.18	.42	.71	.23	1.53
2011	.23	.42	.73	.32	1.72
2012	.28	.66	.87	.30	2.11
2013	*.30*	*.65*	*.95*	*.35*	*2.25*
2014	*.35*	*.70*	*1.00*	*.35*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22	.23	.23	.23	.91
2012	.23	.23	.25	.25	.96
2013	.25				

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 14 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 89.1% of 2012 revenues. New Jersey is its biggest market accounting for 22.2% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.6% in '12. BlackRock, Inc., owns 10.3% of the common stock outstanding. Off. & dir. own less than 1% (3/13 Proxy). President & CEO; Jeffry Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works' successful cost containment helps it in more ways than one. The company has been busy paring expenses over the past few years. Indeed, expense ratios have declined from 42% in 2011 to 40.7% last year, and should fall below 40% by 2015. In addition to the benefit to the bottom line, leaner operations create goodwill with regulators. They also make it harder for them to make restrictive rulings on requests for needed rate hikes. Investors should note that a utility's relationship with regulators is of the utmost importance and cannot be over emphasized.

Capital expenditures will likely be large in the years ahead. In reference to the huge sums that American Water has and will continue to spend on upgrading and repairing its water system, its chairman recently stated that "we are in the infrastructure business." We estimate that the company will have to spend roughly $1 billion annually over the next five years.

The company's balance sheet will probably remain overleveraged. Internal cash generation will fall far short of funding all of American Water's capital budget. Currently, we believe the company has too much debt, and that now is a propitious time to issue new equity (even if it is somewhat dilutive), because its shares are near their all-time highs and are up 150% from 2009's low. American Water's management believes that its stock is undervalued, however, so a large stock offering seems unlikely.

American Water's earnings and dividend growth prospects are good for a water utility. With the help of its aforementioned leaner cost structure, we estimate that the company's bottom line will grow by a healthy 9%-10% annual rate through 2016-2018. Larger contributions from the higher-margined, nonregulated businesses will be part of the reason for the good showing.

We think American Water's positive attributes are reflected in its current stock price. These shares have been on a tear, outperforming the market averages over the past one-, three-, and five-year periods, an unusual feat for a regulated utility in a rising market. Thus, we advise investors to avoid this untimely equity.

James A. Flood *April 19, 2013*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $4.62; '09, $2.63; '11, $0.07. Discontinued operations: '06, (4¢); '11, 3¢; '12, (10¢).Next earnings report due late May. Quarterly earnings may not sum due to rounding.(B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available.(C) In millions.(D) Includes intangibles. In 2012: $1.207 billion, $6.82/share. (E) Pro forma numbers for '06 & '07.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	15

AMER. STATES WATER NYSE-AWR

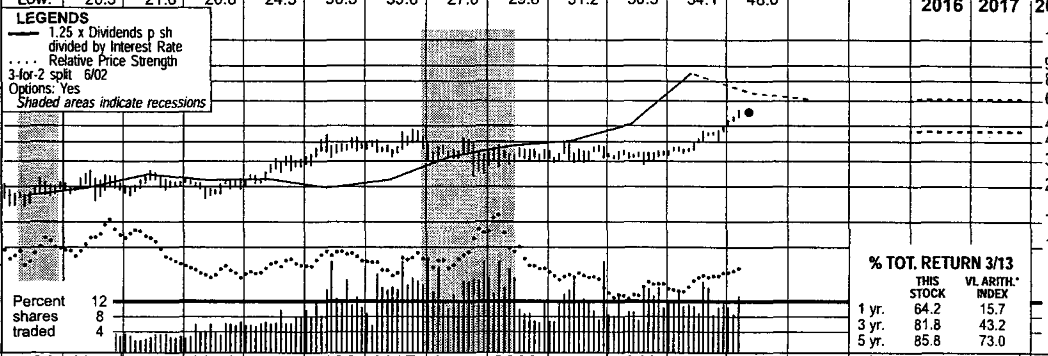
RECENT PRICE	56.22	P/E RATIO	20.2 (Trailing: 19.9 Median: 22.0)	RELATIVE P/E RATIO	1.21	DIV'D YLD	2.5%	VALUE LINE

TIMELINESS **2** Raised 11/23/12
SAFETY **2** Raised 7/20/12
TECHNICAL **4** Lowered 2/22/13
BETA .70 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	48.1	57.8
Low:	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5	34.1	48.0

Target Price Range 2016 | 2017 | 2018

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+15%)	6%
Low	45	(-20%)	-2%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	1	0
Options	4	2	0	16	0	0	1	1	1
to Sell	4	2	0	17	0	0	2	3	1

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	83	79	77
to Sell	50	65	64
Hld's(000)	11968	11747	12033

% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	64.2	15.7
3 yr.	81.8	43.2
5 yr.	85.8	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.24	24.24	*24.40*	*24.85*	Revenues per sh	*25.60*
1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.26	4.96	*5.15*	*5.60*	"Cash Flow" per sh	*6.25*
1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.24	2.82	*2.70*	*2.85*	Earnings per sh A	*3.00*
.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	1.27	*1.45*	*1.55*	Div'd Decl'd per sh B■	*1.70*
2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.26	3.54	*4.40*	*4.35*	Cap'l Spending per sh	*4.20*
11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.68	23.61	*23.70*	*23.95*	Book Value per sh	*24.25*
13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.85	19.26	*19.25*	*19.50*	Common Shs Outst'g C	*21.50*
14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.4	14.3	*Bold figures are*		Avg Ann'l P/E Ratio	*18.5*
.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	.97	.92	*Value Line*		Relative P/E Ratio	*1.15*
5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.2%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*

CAPITAL STRUCTURE as of 12/31/12
Total Debt $335.8 mill. **Due in 5 Yrs** $10.6 mill.
LT Debt $332.5 mill. **LT Interest** $8.0 mill.
(LT interest earned: 5.2x: total interest coverage: 4.9x) (42% of Cap'l)
Leases, Uncapitalized: Annual rentals $3.0 mill.

Pension Assets-12/12 $107.6 mill. **Oblig.** $163.2 mill.
Pfd Stock None.
Common Stock 19,263,011 shs. as of 2/26/13
MARKET CAP: $1.1 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	466.9	*470*	*485*	Revenues ($mill)	*550*
11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	54.1	*55.0*	*58.0*	Net Profit ($mill)	*65.0*
43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	39.9%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	2.0%	2.5%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*2.5%*
52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	42.2%	*43.0%*	*43.0%*	Long-Term Debt Ratio	*42.0%*
48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	57.8%	*57.0%*	*57.0%*	Common Equity Ratio	*58.0%*
442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	787.0	*800*	*820*	Total Capital ($mill)	*900*
602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	917.8	*940*	*985*	Net Plant ($mill)	*1060*
4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	7.1%	8.3%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.0%*
5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	*12.0%*	*12.5%*	Return on Shr. Equity	*12.5%*
5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	11.9%	*12.0%*	*12.5%*	Return on Com Equity	*12.5%*
NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.3%	6.6%	*6.0%*	*6.0%*	Retained to Com Eq	*5.5%*
113%	84%	67%	67%	58%	64%	61%	47%	49%	45%	*51%*	*52%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)

	2010	2011	12/31/12
Cash Assets	4.2	1.3	23.5
Other	200.8	164.3	160.5
Current Assets	205.0	165.6	184.0
Accts Payable	36.2	37.9	40.6
Debt Due	61.3	.3	3.3
Other	81.3	66.2	49.8
Current Liab.	178.8	104.4	93.7
Fix. Chg. Cov.	428%	401%	442%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.5%	7.5%	*3.5%*
"Cash Flow"	6.5%	9.0%	*4.5%*
Earnings	6.5%	11.5%	*8.0%*
Dividends	3.0%	4.5%	*8.0%*
Book Value	5.0%	5.5%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	95.3	419.3
2012	107.6	114.3	133.5	111.5	466.9
2013	*105*	*120*	*135*	*110*	*470*
2014	*110*	*125*	*140*	*110*	*485*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.45	.47	.62	.68	2.22
2011	.37	.68	.83	.36	2.24
2012	.53	.79	.97	.53	2.82
2013	*.50*	*.75*	*1.00*	*.45*	*2.70*
2014	*.55*	*.75*	*1.10*	*.45*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012	.280	.280	.355	.355	1.27
2013	.355				

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 728 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water's bottom line will likely backtrack a bit in 2013. The company is coming off an impressive 2012, which saw share net increase 26% year over year. The strong performance was attributable to its American States Utility Services (ASUS) subsidiary that falls under its Contracted Services segment. Replacement and maintenance projects at Fort Bragg in North Carolina and Fort Bliss in Texas drove the majority of the bottom-line gains in this division. We believe that activity on military bases will slow down, given sequestration cuts and management's conservative tone for new military projects. We are maintaining our 2013 top- and bottom-line estimates until AWR reports its first-quarter results.

Golden State Water Company's (GSWC) water rate case should be finalized soon. The proposed settlement with the Division of Ratepayer Advocates (DRA) would generate $14.5 million in additional gross margin starting in 2013. Rates in 2014 and 2015 would be increased between 2% and 3%, until the next rate filing in 2015. A final decision is expected to be approved by the California Public Utilities Commission (CPUC) within the next 30 to 60 days. GSWC also filed its electric rate case for rates from 2013 through 2016. If approved, the rate increases are projected to generate roughly $1.3 million in additional annual revenues.

Capital investments will pick up over the next couple of years. The annual capex budget is projected to be $85 million over the next three years. These investments represent a step up from the roughly $70 million averaged over the past couple of years.

The balance sheet continues to improve. The company generated $27 million in free cash flow for 2012 compared to negative cash flow recorded over the prior couple of years. Improvements in liquidity and capitalization ratios should help AWR weather the sequester cuts.

This timely stock should have some appeal to momentum and income investors. Though we would suggest that value hunters wait for a better entry point, as these shares have appreciated substantially year to date.

Michael Collins *April 19, 2013*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due early May. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	65
Earnings Predictability	90

CALIFORNIA WATER NYSE-CWT

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
19.75	21.5 (Trailing: 19.4 Median: 21.0)	1.29	3.2%	VALUE LINE

TIMELINESS 3 Raised 8/3/12
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Raised 3/15/13
BETA .65 (1.00 = Market)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3	21.2
Low:	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	16.8	18.4

Target Price Range
2016 | 2017 | 2018

2016-18 PROJECTIONS

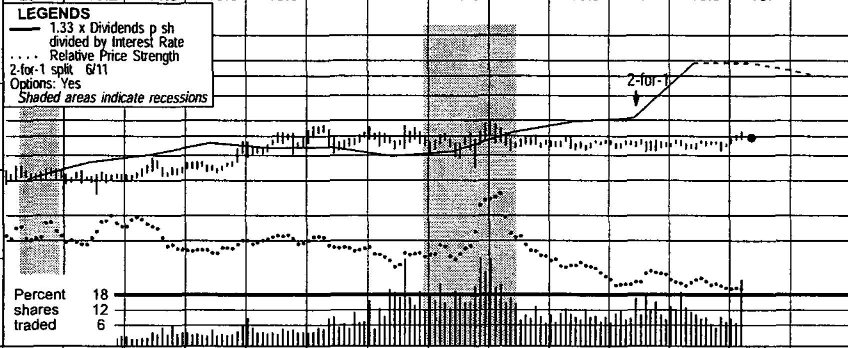
	Price	Gain	Ann'l Total Return
High	30	(+50%)	13%
Low	20	(Nil)	4%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	2	0	0	1	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	54	63	54
to Sell	53	46	63
Hld's(000)	21505	22150	22078



% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.1	15.7
3 yr.	17.1	43.2
5 yr.	22.9	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	13.36	*12.55*	*14.15*	Revenues per sh	*16.00*
1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.25	*2.05*	*2.25*	"Cash Flow" per sh	*2.75*
.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	1.02	*.85*	*1.10*	Earnings per sh A	*1.35*
.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	*.64*	*.68*	Div'd Decl'd per sh B ■	*.90*
1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	3.05	*2.65*	*2.90*	Cap'l Spending per sh	*3.00*
6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.30	*13.40*	*13.85*	Book Value per sh C	*15.00*
25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	41.91	*47.75*	*48.00*	Common Shs Outst'g D	*50.0*
12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	17.9	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	1.10	*Value Line*		Relative P/E Ratio	*1.25*
4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%	3.5%	*estimates*		Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 12/31/12
Total Debt $571.1 mill. Due in 5 Yrs $65.3 mill.

LT Debt $434.5 mill. LT Interest $29.5 mill.
(LT interest earned: 6.7x; total int. cov.: 6.0x)
(52% of Cap'l)

Pension Assets-12/12 $202.9 mill.
Oblig. $402.9 mill.

Pfd Stock None

Common Stock 41,908,218 shs.
as of 2/11/13

MARKET CAP: $825 million (Small Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	560.0	*600*	*650*	Revenues ($mill) E	*800*
19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	42.7	*40.0*	*53.0*	Net Profit ($mill)	*67.0*
39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	30.5%	*34.0%*	*39.0%*	Income Tax Rate	*39.0%*
10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	7.6%	8.0%	*8.0%*	*8.5%*	AFUDC % to Net Profit	*10.0%*
50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	52.1%	*42.0%*	*46.5%*	Long-Term Debt Ratio	*50.0%*
49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	47.8%	*58.0%*	*53.5%*	Common Equity Ratio	*50.0%*
498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	908.2	*1050*	*1125*	Total Capital ($mill)	*1400*
759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1457.1	*1510*	*1575*	Net Plant ($mill)	*1825*
5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	6.5%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.5%*
7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	*7.0%*	*8.0%*	Return on Shr. Equity	*9.5%*
7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	9.0%	*7.0%*	*8.0%*	Return on Com Equity	*9.5%*
.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.6%	*1.5%*	*3.0%*	Retained to Com Eq	*3.0%*
91%	77%	78%	86%	77%	61%	60%	66%	71%	62%	*75%*	*62%*	All Div'ds to Net Prof	*67%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	42.3	27.2	38.8
Other	83.9	86.7	107.8
Current Assets	126.2	113.9	146.6
Accts Payable	39.5	48.9	46.8
Debt Due	26.1	53.7	136.3
Other	41.7	49.3	59.7
Current Liab.	107.3	151.9	242.8
Fix. Chg. Cov.	340%	278%	230%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '16-'18
Revenues	3.5%	6.0%	*5.0%*
"Cash Flow"	4.5%	6.5%	*5.0%*
Earnings	4.0%	5.0%	*5.5%*
Dividends	1.0%	1.0%	*6.0%*
Book Value	5.0%	5.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	103.0	501.8
2012	116.7	143.6	178.1	121.6	560.0
2013	*125*	*155*	*190*	*130*	*600*
2014	*135*	*165*	*210*	*140*	*650*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.05	.25	.49	.12	.91
2011	.03	.29	.50	.04	.86
2012	.03	.31	.56	.12	1.02
2013	*.04*	*.26*	*.50*	*.05*	*.85*
2014	*.05*	*.30*	*.60*	*.15*	*1.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	.63
2013	.16				

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '12: residential, 66%; business, 18%; public authorities, 4%; industrial, 4%; other 8%. '12 reported depreciation rate: 2.8%. Has 1,131 employees. President, Chairman, and Chief Executive Officer: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group recently had a major stock offering. In late March, the utility sold five million new shares. The underwriters were also given an option to sell an additional three-quarters of a million shares over a period of 30 days.

We're lowering our annual share-net estimate for the company as a result. Assuming all the available stock is placed with investors, California Water's outstanding equity will increase by nearly 14%. Deduct another $0.06-a-share capital adjustment expense that will be incurred, and we estimate that earnings per share will decline 17%, to $0.85.

A pending regulatory decision will have a significant impact on next year's bottom line. In mid-2012, the firm filed a request with California regulators seeking a 19.4% rate increase for 2014. Without a meaningful hike, the utility's earnings prospects will be severely impaired. We are tentatively forecasting a reasonable outcome, which should enable California Water's earnings to bounce back somewhat, to $1.10 a share.

Additional external financing will be required to meet future capital expenditures. Even with the recent stock offering, California Water won't be able to fund the outlays required to repair its aging infrastructure over the next 3- to 5-year period. The company will most likely have to turn to the debt markets in the near future. This should result in the equity-to-total capital ratio (which has recently spiked) declining to 50%.

California Water's near-term dividend growth prospects are subpar for a water utility. With most of its cash designated for upgrading its system, the company doesn't have the funds needed to increase its dividend by much. Indeed, for the second consecutive year, the payout was hiked by a paltry 1.6%, compared to about 4.5% for the industry.

All told, we think investors can find more attractive selections elsewhere. Though this neutrally ranked equity carries a yield that is higher than the *Value Line* average, the combination of below-average total returns through 2016-2018 and regulatory risk, makes it hard for us to recommend this stock.

James A. Flood *April 19, 2013*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due mid-May.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. intangible assets. In '12: $18.8 mill., $0.44/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	90

CONNECTICUT WATER NDQ-CTWS

RECENT PRICE 28.67 | P/E RATIO 21.1 (Trailing: 18.9 / Median: 23.0) | RELATIVE P/E RATIO 1.26 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 4 Lowered 3/29/13
SAFETY 3 New 1/18/13
TECHNICAL 4 Lowered 4/5/13
BETA .75 (1.00 = Market)

High:	31.1	30.4	29.8	28.2	27.7	25.6	29.0	26.4	27.9	29.1	32.8	30.3
Low:	20.3	24.0	23.8	21.9	20.3	22.4	19.3	17.3	20.0	23.3	26.2	28.0

Target Price Range 2016 | 2017 | 2018

2016-18 PROJECTIONS

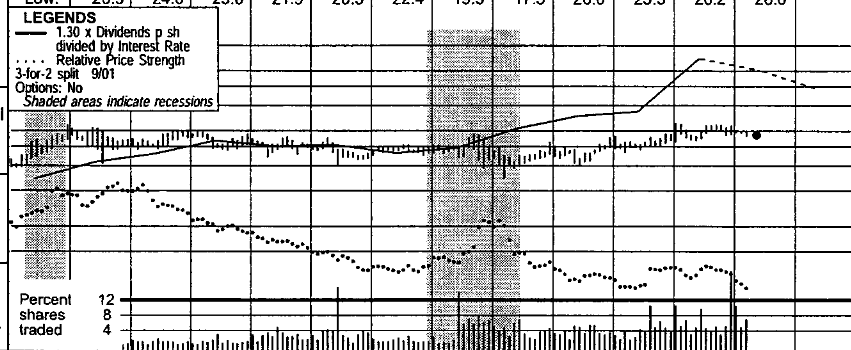
	Price	Gain	Ann'l Total Return
High	40	(+40%)	11%
Low	25	(-15%)	Nil

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	2	0
Options	0	0	0	3	0	0	0	0	0
to Sell	0	0	0	3	0	0	0	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	38	29	48
to Sell	29	22	16
Hld's(000)	3095	3102	4069



% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.7	15.7
3 yr.	39.7	43.2
5 yr.	48.5	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
5.67	5.58	5.87	5.70	5.93	5.77	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	7.63	**8.35**	**8.90**	Revenues per sh	**11.25**
1.51	1.59	1.65	1.73	1.78	1.78	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	**2.10**	**2.35**	**2.55**	"Cash Flow" per sh	**2.75**
1.00	1.02	1.03	1.09	1.13	1.12	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	1.53	**1.40**	**1.55**	Earnings per sh A	**1.70**
.77	.78	.79	.79	.80	.81	.83	.84	.85	.86	.87	.88	.90	.92	.94	.96	**..98**	**1.00**	Div'd Decl'd per sh B■	**1.10**
1.99	1.12	1.42	1.43	1.86	1.98	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	2.34	**2.75**	**2.85**	Cap'l Spending per sh	**2.90**
8.26	8.52	8.61	8.92	9.25	10.06	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	16.89	**17.25**	**17.80**	Book Value per sh D	**20.40**
6.79	6.80	7.26	7.28	7.65	7.94	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	10.97	**11.00**	**11.25**	Common Shs Outst'g C	**12.00**
12.9	15.5	18.2	18.2	21.5	24.3	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	19.4	*Bold figures are*		Avg Ann'l P/E Ratio	**20.0**
.74	.81	1.04	1.18	1.10	1.33	1.34	1.21	1.52	1.57	1.22	1.34	1.23	1.32	1.44	1.24	*Value Line*		Relative P/E Ratio	**1.35**
6.0%	4.9%	4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	3.6%	*estimates*		Avg Ann'l Div'd Yield	**3.4%**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
	47.1	48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	83.8	**92.0**	**100**	Revenues ($mill)	**135**
	9.2	9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	13.6	**15.5**	**17.5**	Net Profit ($mill)	**20.5**
	17.9%	22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	**32.0%**	**32.0%**	**33.0%**	Income Tax Rate	**35%**
	--	--	--	--	--	1.7%	--	--	1.8%	1.8%	**2.0%**	**2.0%**	AFUDC % to Net Profit	**3.0%**
	43.5%	42.8%	44.9%	44.4%	47.8%	46.9%	50.6%	49.5%	53.2%	49.0%	**49.5%**	**49.5%**	Long-Term Debt Ratio	**48.5%**
	55.9%	56.7%	54.6%	55.1%	51.8%	52.7%	49.1%	50.2%	46.5%	50.9%	**50.5%**	**50.5%**	Common Equity Ratio	**51.5%**
	148.9	155.1	172.3	174.1	193.2	196.5	221.3	225.6	254.2	364.6	**375**	**390**	Total Capital ($mill)	**475**
	238.9	246.1	247.7	268.1	284.3	302.3	325.2	344.2	362.4	447.9	**470**	**490**	Net Plant ($mill)	**550**
	7.5%	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	**4.8%**	**5.0%**	**5.5%**	Return on Total Cap'l	**5.5%**
	10.9%	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	7.3%	**8.0%**	**9.0%**	Return on Shr. Equity	**8.5%**
	11.0%	10.6%	7.6%	7.0%	8.7%	9.1%	9.4%	8.7%	8.3%	7.3%	**8.0%**	**9.0%**	Return on Com Equity	**8.5%**
	3.2%	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	2.7%	**2.5%**	**3.0%**	Retained to Com Eq	**3.0%**
	71%	71%	95%	105%	82%	79%	76%	81%	83%	63%	**70%**	**65%**	All Div'ds to Net Prof	**65%**

CAPITAL STRUCTURE as of 12/31/12
Total Debt $181.5 mill. **Due in 5 Yrs** $1.3 mill.
LT Debt $178.5 mill. **LT Interest** $7.6 mill.
(Total interest coverage: 8.8x)
(48% of Cap'l)
Leases, Uncapitalized: Annual rentals $.2 mill.
Pension Assets $45.4 mill.
Oblig. $66.5 mill.

Pfd Stock $0.8 mill. **Pfd Divd** NMF

Common Stock 10,970,895 shs.

MARKET CAP: $325 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	1.0	1.0	13.2
Accounts Receivable	10.1	14.9	11.5
Other	9.3	3.0	11.7
Current Assets	20.4	18.9	36.4
Accts Payable	6.6	7.2	10.0
Debt Due	--	--	3.0
Other	28.5	23.2	2.9
Current Liab.	35.1	30.4	15.9
Fix. Chg. Cov.	400%	419%	200%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '16-'18
Revenues	2.5%	5.0%	6.0%
"Cash Flow"	1.5%	4.0%	4.5%
Earnings	0.5%	4.0%	6.0%
Dividends	1.5%	1.5%	2.5%
Book Value	4.0%	3.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	13.8	15.9	21.0	15.7	66.4
2011	16.0	17.4	20.6	15.4	69.4
2012	18.5	21.3	24.5	19.5	83.8
2013	**21.0**	**23.0**	**26.0**	**22.0**	**92.0**
2014	**22.0**	**24.0**	**30.0**	**24.0**	**100**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.12	.27	.54	.20	1.13
2011	.26	.37	.39	.11	1.13
2012	.22	.47	.67	.16	1.53
2013	**.20**	**.40**	**.60**	**.20**	**1.40**
2014	**.25**	**.45**	**.65**	**.20**	**1.55**

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.222	.222	.228	.228	.90
2010	.228	.228	.233	.233	.922
2011	.233	.233	.238	.238	.942
2012	.238	.238	.243	.243	.962
2013	.243				

BUSINESS: Connecticut Water Service, Inc. is a non-operating holding company, whose income is derived from earnings of its wholly-owned subsidiary companies (regulated water utilities). It largest subsidiary, Connecticut Water, accounted for about 85% of the holding company's net income in 2012, and provides water services to 400,000 people in 55 towns throughout Connecticut and Maine. Acquired The Maine Water Co., 1/12; Biddeford and Saco Water, 12/12. Inc.: CT. Has about 260 employees. Chairman/President/CEO: Eric W. Thornburg. Officers and directors own 2.2% of the common stock; BlackRock, Inc. 6.7%; The Vanguard Group, 5.3%. Address: 93 West Main Street, Clinton, CT 06413. Telephone: (860) 669-8636. Web: www.ctwater.com.

Connecticut Water Service's earnings per share will most likely decline in 2013. Due almost entirely to the large issuance of new equity in December, the amount of the company's outstanding stock rose by almost 25% last year. Though the company will probably perform well on an operational basis, we think its share net will fall by 12%, to $1.40.

We expect 2014 to be better. The utility filed a request for higher rates in 2012. After a recent delay, it seems like the much-needed rate relief will go into effect in January of next year. A reasonable ruling, along with some improvement on the cost front, should enable Connecticut's share net to rebound by 15%, to $1.55.

Connecticut Water's balance sheet has become much larger and healthier. The firm's total capital expanded by a whopping 43% in 2012, thanks in part to the acquisition of two Maine-based water utilities. And while the new equity will be dilutive, it did shore up the utility's finances, which had been deteriorating. In fact, the equity-to-total capital ratio rose by more than four percentage points.

The company's recent expansion diversifies its regulatory risk. Before 2012's purchases, Connecticut Water's fate was solely in the hands of regulators in the Nutmeg state. Unfortunately, for CTWS, the state hasn't always been sympathetic to utilities. Despite some signs of improvement, however, the established rate of return that it allowed utilities to earn on equity was almost a full percentage point below that of the national average. And, while Maine can't be described as pro-business, based on past decisions, the state appears to have a more constructive utility policy.

Investors should hold off making commitments to this untimely stock, for now. In our January report three months ago, we opined that despite some of the company's positives, the equity was more than fully valued. And even though it has underperfomed the market averages by more than 10% over that time span, we believe that there are other utilities in the *Value Line* universe that offer better total return potential over the pull to 2016-2018.

James A. Flood *April 19, 2013*

(A) Diluted earnings. Next earnings report due mid-May.
(B) Dividends historically paid in mid-March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.
(D) Includes intangibles. In '12: $31.7 million/$2.89 a share.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	35
Earnings Predictability	85

MIDDLESEX WATER NDQ-MSEX

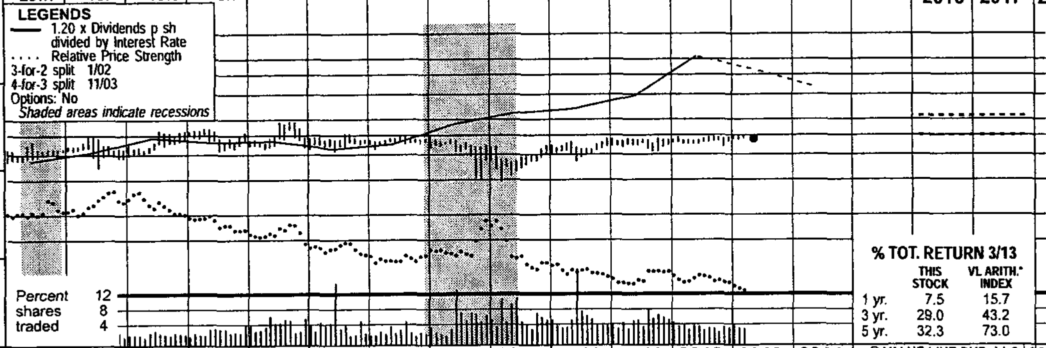
RECENT PRICE 19.24 | P/E RATIO 20.3 (Trailing: 21.4; Median: 22.0) | RELATIVE P/E RATIO 1.22 | DIV'D YLD 3.9% | VALUE LINE

TIMELINESS 2 Lowered 3/29/13	High:	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6	20.1			Target Price Range
SAFETY 2 New 10/21/11	Low:	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	17.5	19.0			2016 | 2017 | 2018

TECHNICAL 3 Raised 6/29/12

BETA .70 (1.00 = Market)

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/02
4-for-3 split 11/03
Options: No
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+30%)	10%
Low	20	(+5%)	5%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	1	1	1	1	1	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	1	0	0	0	0	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	32	37	38
to Sell	30	22	28
Hld's(000)	6653	6713	6696

Percent shares traded 12 8 4

% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.5	15.7
3 yr.	29.0	43.2
5 yr.	32.3	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	6.98	*7.20*	*7.70*	Revenues per sh	*9.10*
1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.46	1.56	*1.65*	*1.85*	"Cash Flow" per sh	*2.30*
.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	.90	*.95*	*1.00*	Earnings per sh A	*1.15*
.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	.74	*.75*	*.76*	Div'd Decl'd per sh B■	*.80*
1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	1.36	*1.50*	*1.65*	Cap'l Spending per sh	*2.00*
6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	11.48	*11.75*	*12.10*	Book Value per sh	*12.90*
8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	15.82	*16.00*	*16.25*	Common Shs Outst'g C	*17.00*
13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.7	20.8	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.36	1.33	*Value Line*		Relative P/E Ratio	*1.35*
6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.0%	4.0%	*estimates*		Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 12/31/12
Total Debt $142.6 mill. **Due in 5 Yrs** $32.5 mill.
LT Debt $131.5 mill. **LT Interest** $7.0 mill.
(LT interest coverage: 4.1x)
(42% of Cap'l)

Pension Assets-12/11 $37.9 mill.
Oblig. $62.8 mill.
Pfd Stock $3.4 mill. **Pfd Div'd:** $.2 mill.

Common Stock 15,815,595 shs.
as of 3/5/12

MARKET CAP: $300 million (Small Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.1	110.4	*115*	*125*	Revenues ($mill)	*155*
6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.4	14.4	*15.5*	*17.0*	Net Profit ($mill)	*20.0*
32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.7%	33.9%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
--	--	--	--	--	--	--	6.8%	6.1%	3.4%	*4.5%*	*4.5%*	AFUDC % to Net Profit	*5.0%*
53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	42.3%	41.5%	*43.0%*	*43.0%*	Long-Term Debt Ratio	*43.0%*
44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	56.6%	57.4%	*57.0%*	*57.0%*	Common Equity Ratio	*57.0%*
181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	312.5	316.5	*330*	*345*	Total Capital ($mill)	*400*
230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	435.2	*440*	*450*	Net Plant ($mill)	*510*
5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.2%	5.4%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	7.8%	*8.0%*	*8.5%*	Return on Shr. Equity	*9.0%*
8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.5%	7.8%	*8.0%*	*8.5%*	Return on Com Equity	*9.0%*
NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.0%	1.4%	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
106%	90%	94%	84%	79%	78%	98%	75%	87%	83%	*80%*	*73%*	All Div'ds to Net Prof	*68%*

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	2.5	3.1	3.0
Other	20.3	19.8	21.6
Current Assets	22.8	22.9	24.6
Accts Payable	6.4	5.7	3.8
Debt Due	4.4	4.6	11.1
Other	29.9	36.4	41.0
Current Liab.	40.7	46.7	55.9
Fix. Chg. Cov.	400%	380%	410%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	1.5%	1.0%	*5.5%*
"Cash Flow"	3.0%	2.0%	*7.0%*
Earnings	3.5%	2.5%	*4.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	4.5%	4.0%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	32.3	27.1	110.4
2013	*28.0*	*28.0*	*32.0*	*27.0*	*115*
2014	*30.0*	*29.0*	*36.0*	*30.0*	*125*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.12	.84
2012	.11	.23	.38	.17	.90
2013	*.15*	*.28*	*.35*	*.17*	*.95*
2014	*.17*	*.28*	*.37*	*.18*	*1.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185	.1875	.74
2013	.1875				

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. In 2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

The profit outlook now looks a little less ebullient for Middlesex Water. We have trimmed our share-earnings target by a nickel, primarily due to the tepid economic environment in New Jersey. Though this market has shown some promising signs, New Jersey still has an above-average unemployment rate and trails only Florida in terms of the number of foreclosures to new residential mortgages. While the company's operations were not materially hurt by Superstorm Sandy, the lingering effects of the storm ought to further complicate matters for many homeowners and businesses.

Weakness in the commercial and industrial markets will stifle growth. Recently, Middlesex lost two contracts worth a combined $4.5 million in revenue. The borough of Sayreville, New Jersey, one of its wholesale customers, decided not to renew its service effective August of 2013. Additionally, the company lost a contract with its largest retail water customer, Hess. The oil & gas operator shut down a refining facility in Port Chester, New Jersey at the end of February. This contract was worth $2.6 million in revenue and may be a precursor of a larger drop in water consumption by commercial and industrial users in the Garden State.

Rate hikes in 2012 ought to provide some relief to top line. The company received rate increases last year of $8.1 million and $3.9 million for its Middlesex system and Tidewater business. These notable increases, coupled with additional hikes in the Pinelands market, should help offset some of the softness in the commercial and industrial sectors.

Capital investment will be key to longer-term growth. The company expects to invest $73 million over the next three years. The vast majority of these investments are targeted toward its Distribution systems. The RENEW initiative will help cut costs by improving the overall distribution process for its customers.

The issue has a Timeliness rank of 2 (Above Average). These shares are appealing to income and momentum investors. However, the longer-term investor should stay on the sidelines, given the stock's rich valuation and below-average 3- to 5-year capital appreciation potential.

Michael Collins *April 19, 2013*

(A) Diluted earnings. May not sum due to rounding. Next earnings report due early May.
(B) Dividends historically paid in mid-Feb., May, Aug., and November ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2012: $9.2 million, $0.58 a share.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	80

SJW CORP. NYSE-SJW

RECENT PRICE **26.38** | P/E RATIO **20.6** (Trailing: 22.4 / Median: 23.0) | RELATIVE P/E RATIO **1.23** | DIV'D YLD **2.8%** | **VALUE LINE**

TIMELINESS **2** Raised 1/11/13
SAFETY **3** New 4/22/11
TECHNICAL **3** Raised 2/22/13
BETA .85 (1.00 = Market)

2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	*14%*
Low	30	(+15%)	*7%*

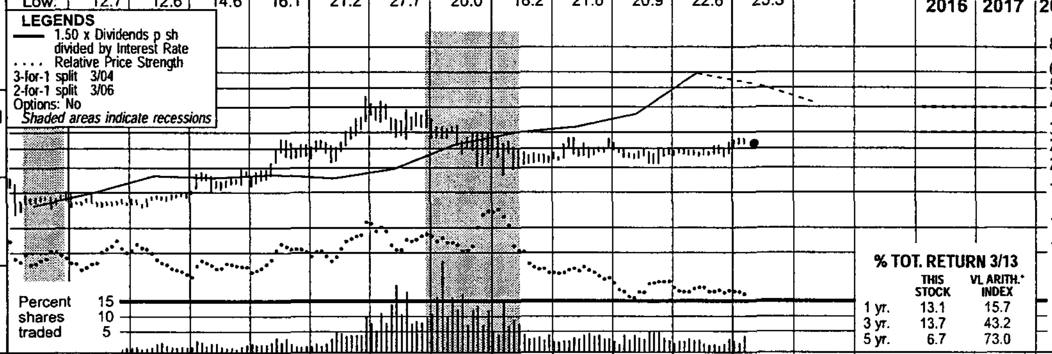
Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	1	0	1	0	0	4	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	34	31	34
to Sell	31	31	30
Hld's(000)	8955	8844	9043

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	26.9	28.1	
Low:	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.6	25.3	



Target Price Range
2016 | 2017 | 2018

% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.1	15.7
3 yr.	13.7	43.2
5 yr.	6.7	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	13.99	*14.25*	*14.75*	Revenues per sh	*16.30*
1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.94	*3.30*	*3.50*	"Cash Flow" per sh	*3.65*
.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	*1.30*	*1.40*	Earnings per sh A	*1.60*
.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	*.73*	*.75*	Div'd Decl'd per sh B■	*.90*
1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.70	*5.25*	*5.20*	Cap'l Spending per sh	*4.85*
7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.68	*15.60*	*16.40*	Book Value per sh	*19.15*
19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.70	*20.00*	*21.00*	Common Shs Outst'g C	*23.00*
11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	*Bold figures are*		Avg Ann'l P/E Ratio	*22.0*
.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.31	*Value Line*		Relative P/E Ratio	*1.45*
4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.6%*
						149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	261.6	*285*	*310*	Revenues ($mill)	*375*
						16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	22.3	*26.0*	*29.0*	Net Profit ($mill)	*37.0*
						36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	*41.0%*	*40.0%*	Income Tax Rate	*40.0%*
						1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	--	2.0%	2.0%	*3.0%*	*4.0%*	AFUDC % to Net Profit	*5.0%*
						45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	*54.5%*	*54.0%*	Long-Term Debt Ratio	*51.0%*
						54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	*45.5%*	*46.0%*	Common Equity Ratio	*49.0%*
						306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.9	610.2	*685*	*745*	Total Capital ($mill)	*900*
						428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	831.6	*890*	*950*	Net Plant ($mill)	*1150*
						6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	4.9%	5.2%	*5.0%*	*5.0%*	Return on Total Cap'l	*6.0%*
						10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	*8.5%*	*8.5%*	Return on Shr. Equity	*8.5%*
						10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	*8.5%*	*8.5%*	Return on Com Equity	*8.5%*
						4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	3.2%	*3.5%*	*4.0%*	Retained to Com Eq	*3.5%*
						53%	58%	47%	46%	57%	59%	80%	80%	61%	60%	*56%*	*54%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 12/31/12
Total Debt $356.3 mill. Due in 5 Yrs $21.2 mill.
LT Debt $335.6 mill. LT Interest $18.6 mill.
(Total interest coverage: 4.6x) (55% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.7 mill.

Pension Assets $75.5 mill. **Oblig.** $141.0 mill.

Pfd Stock None.

Common Stock 18,694,785 shs.

MARKET CAP: $500 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	1.7	26.7	2.5
Other	36.3	42.2	40.4
Current Assets	38.0	68.9	42.9
Accts Payable	5.5	7.4	8.5
Debt Due	5.1	0.8	20.7
Other	18.6	20.1	19.9
Current Liab.	29.2	28.3	49.1
Fix. Chg. Cov.	262%	276%	247%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '16-'18
Revenues	6.0%	4.5%	*4.0%*
"Cash Flow"	6.0%	2.5%	*5.0%*
Earnings	2.0%	-3.0%	*7.5%*
Dividends	5.0%	5.0%	*4.5%*
Book Value	5.5%	4.5%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	62.4	239.0
2012	51.2	65.6	82.4	62.4	261.6
2013	*55.0*	*70.0*	*90.0*	*70.0*	*285*
2014	*60.0*	*75.0*	*100*	*75.0*	*310*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2010	.05	.24	.44	.11	.84
2011	.03	.29	.44	.35	1.11
2012	.06	.28	.53	.31	1.18
2013	*.07*	*.32*	*.58*	*.33*	*1.30*
2014	*.10*	*.35*	*.60*	*.35*	*1.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775	.1775	.71
2013	.1825				

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 227,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has about 375 employees. Chrm.: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int: www.sjwater.com.

SJW is selling more stock. When the new offering is completed in late April, we expect the company will have sold 1.5 million new shares at a price of $26.50 each. This new issuance will increase the amount of equity outstanding by a hefty 8%.

We think the company's share net should see a nice rise in 2013. Early last year, SJW filed a rate case with state regulators seeking to raise fees by 21.5% in 2013, 4.9% in 2014, and 12.6% in 2016, respectively. No decision has been reached yet, but the utility was allowed to implement higher rates in January on an interim basis. So, even with the increase in shares outstanding, we think this additional revenue can increase SJW's earnings per share 10% this year, to $1.30.

Our earnings estimates for SJW are tentative as they are based upon reasonable regulatory ruling. Predicting the actions of a state regulatory commission is, to say the least, not an exact science. Faced with considerable political pressure to keep water rates low, we are still not forecasting a negative decision because certain of SJW main expenses did experience large increases in 2012. For example, the costs of purchasing water on the open market, which is SJW's largest expense, rose by almost 22%.

SJW's long-term capital expenditures will be substantial. With much of its existing infrastructure aging and in need of repair, the utility will probably have to spend more than $100 million annually over the next 3- to 5-year period. Internally generated cash won't come close to financing these outlays. Thus, the company will have to depend heavily on the outside markets. The resulting higher interest expense from the new debt issued will erode profits while more new equity offerings will dilute share earnings.

These timely shares are not for everyone. While the stock may do well in the short term as a result of the interim rate relief, its recent performance has discounted most of the positives, leaving it with below-average total return potential through 2016-2018. Moreover, a harsh ruling by regulators on SJW's pending rate cases could seriously impede the company's growth prospects.

James A. Flood *April 19, 2013*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late May. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	80

AQUA AMERICA NYSE-WTR

RECENT PRICE 32.12 | P/E RATIO 25.1 (Trailing: 29.2 Median: 24.0) | RELATIVE P/E RATIO 1.50 | DIV'D YLD 2.2% | VALUE LINE

TIMELINESS 2 Raised 10/5/12
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Raised 4/12/13
BETA .60 (1.00 = Market)

High:	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	26.9	32.3				Target Price Range
Low:	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3	21.1	25.7				2016 | 2017 | 2018

2016-18 PROJECTIONS

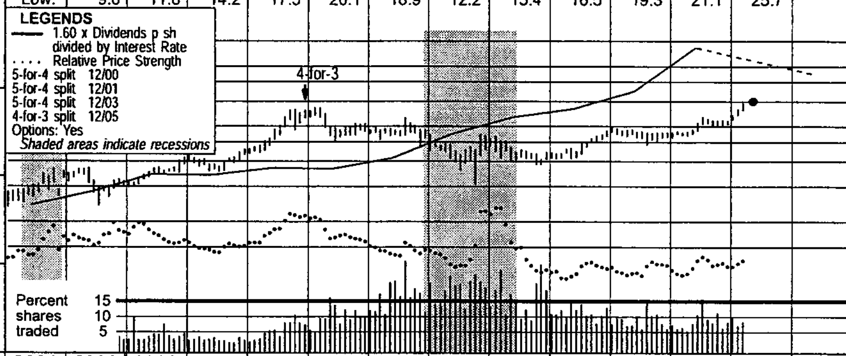
	Price	Gain	Ann'l Total Return
High	40	(+25%)	8%
Low	30	(-5%)	1%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	1	0	0	0	0	1	3
to Sell	3	1	0	0	0	0	0	0	2

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	112	117	118
to Sell	108	108	117
Hld's(000)	60392	64465	67182



% TOT. RETURN 3/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	44.9	15.7
3 yr.	94.8	43.2
5 yr.	93.8	73.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.13	5.40	5.70	5.90	Revenues per sh	6.40
.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.81	1.89	2.00	2.10	"Cash Flow" per sh	2.35
.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.04	1.09	1.35	1.45	Earnings per sh A	1.60
.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.63	.67	.70	.84	Div'd Decl'd per sh B■	1.00
.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.38	2.48	2.65	2.65	Cap'l Spending per sh	2.65
2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	9.01	9.87	11.20	12.25	Book Value per sh	13.30
67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.88	140.35	140.50	141.00	Common Shs Outst'g C	143.00
17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.3	21.9	Bold figures are		Avg Ann'l P/E Ratio	21.0
1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.34	1.40	Value Line		Relative P/E Ratio	1.40
3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	2.8%	2.8%	estimates		Avg Ann'l Div'd Yield	2.9%

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	757.8	800	835	Revenues ($mill)	915
67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	144.8	153.1	190	205	Net Profit ($mill)	220
39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	39.0%	40.0%	40.0%	Income Tax Rate	40.0%
--	--	--	--	--	--	--	--	2.9%	3.1%	3.0%	3.0%	AFUDC % to Net Profit	2.0%
51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	52.7%	52.7%	50.0%	50.0%	Long-Term Debt Ratio	50.0%
48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.3%	47.3%	50.0%	50.0%	Common Equity Ratio	50.0%
1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2646.8	2929.7	3150	3450	Total Capital ($mill)	3800
1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	3936.2	4150	4350	Net Plant ($mill)	4600
6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.9%	6.6%	6.0%	6.0%	Return on Total Cap'l	6.0%
10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	12.0%	12.0%	Return on Shr. Equity	11.5%
10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.6%	11.0%	12.0%	12.0%	Return on Com Equity	11.5%
4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	4.3%	6.0%	6.0%	Retained to Com Eq	4.0%
59%	57%	56%	63%	67%	70%	72%	65%	60%	61%	52%	58%	All Div'ds to Net Prof	65%

CAPITAL STRUCTURE as of 12/31/12
Total Debt $1669.2 mill. Due in 5 Yrs $368.3 mill.
LT Debt $1543.9 mill. LT Interest $60.0 mill.
(LT interest earned: 5.0x; total interest coverage: 4.1x) (53% of Cap'l)

Pension Assets-12/12 $190.1 mill. Oblig. $303.1 mill.

Pfd Stock None

Common Stock 140,347,743 shares as of 2/14/13

MARKET CAP: $4.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2010	2011	12/31/12
Cash Assets	5.9	8.2	5.5
Receivables	85.9	81.1	92.9
Inventory (AvgCst)	9.2	11.2	11.8
Other	44.4	220.0	150.7
Current Assets	145.4	320.5	260.9
Accts Payable	45.3	68.3	55.5
Debt Due	28.5	80.4	125.4
Other	149.9	277.0	93.3
Current Liab.	223.7	425.7	274.2
Fix. Chg. Cov.	290%	367%	398%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	8.0%	7.5%	3.5%
"Cash Flow"	8.5%	8.0%	4.5%
Earnings	6.5%	4.5%	8.0%
Dividends	7.5%	8.0%	8.0%
Book Value	9.0%	7.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	160.5	178.5	207.8	179.3	726.1
2011	163.6	178.3	197.3	172.7	712.0
2012	164.0	191.7	214.6	187.5	757.8
2013	180	210	215	195	800
2014	190	220	225	200	835

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.16	.22	.32	.20	.90
2011	.22	.27	.30	.25	1.03
2012	.20	.30	.36	.25	1.09
2013	.25	.35	.43	.32	1.35
2014	.28	.37	.47	.33	1.45

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155	.165	.63
2012	.165	.165	.165	.175	.67
2013	.175				

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '12: residential, 60.5%; commercial, 16.1%; industrial & other, 23.4%. Officers and directors own 1.4% of the common stock (4/13 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America ought to grow at a decent clip in 2013. The company should be able to capitalize on increased natural gas drilling that should strengthen over the long haul. WTR has some nice momentum after posting a record share net in 2012. The better-than-expected bottom-line figure was attributable to improved operational performance and solid growth in its regulated and unregulated units. It should be noted the GAAP share earnings included a tax benefit of $0.22. The benefit resulted from WTR revising its tax method of accounting for certain qualifying utility system repairs in its Pennsylvania operations (switched to expensing asset improvement costs that were previously being capitalized). That benefit included a "catchup clause" that allowed Aqua to reduce their tax bill from projects prior to 2012. We view the "catchup clause" as a one-time event and excluded it from our 2012 earnings presentation. However, the remaining tax benefit will be amortized over the next ten years and will be included in our projections going forward.

We are raising our 2013 share-net target from $1.15 to $1.35. We are also introducing 2014 estimates and expect revenue and share earnings to come in at $835 million and $1.45, respectively.

The balance sheet is looking healthier. WTR's cost-cutting plans, organic growth, and new tax method should continue to help generate solid free cash flow. A dividend hike may be possible, given that its current 50% payout ratio is below its historical average. Acquisitions may also be possible in markets with strong upside like Texas and Ohio.

Increased natural gas activity should provide a boost to profitability. The colder-than-expected winter has lifted prices to the $4.00 level of late. The Marcellus water pipeline venture finished its second phase and water has already begun pumping to drilling operators. Phase III of the project finished in March and will provide Shell with a majority of its water. Management also hinted there could be a Phase IV if market conditions permit.

These timely shares have risen 28% year to date. Thus, the stock may only be suitable for the income- and momentum-investor at this time.

Michael Collins *April 19, 2013*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢; '12, 22¢. Excl. gain from disc. operations: '12, 9¢. May not sum due to rounding. Next earnings report due late April.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

ATTACHMENT B

Stocks in the Natural Gas Utility Industry have risen nicely in value of late. We attribute that movement partly to better-performing financial markets, as some central banks have indicated that they will maintain an expansionary monetary policy to help stimulate economic growth. Other catalysts include recent domestic data showing consumer confidence on the rise and the real estate sector gathering strength. Notably, when market corrections occur, the stocks in this category tend to be better off than those in a number of other industries. That's partly because their generous levels of dividend income provide a measure of stability.

The United States Economy

For the opening quarter of 2013, Gross Domestic Product (GDP) grew 2.4%, quite a turnaround from the fourth-quarter tally of just 0.4% (following an upward revision). Contributing factors included a rise in personal consumption expenditures, a smaller decrease in federal government spending, and an upturn in exports. Still, the first-quarter result was a bit lower than the better-than-3% gain generally forecasted, as there was a cooling off in industrial production and retail spending levels later during that period. For the second quarter, we believe that economic growth will average between just 1% and 2%, reflecting, among other things, uneven services sector gains, further sluggishness in industrial production, plus ongoing economic difficulties in Europe. In this not-so-spectacular operating environment, customers have been focusing on energy conservation, which, of course, acts as a restraint on the revenues of the companies included in the Natural Gas Utility Industry.

Rate Cases

Rate cases are a very important factor for natural gas utilities. Federal authorities establish wholesale service tariffs, and state regulators determine retail distribution rates. Adequate returns on common equity are necessary to keep these businesses viable. Higher rates are sought to pay for the cost of expansion, storm damage, and/or to cover the expenses of maintaining reliable service. To promote good relationships with customers and regulators, managements endeavor to keep operating and service costs as low as possible. At times, however, political pressure can compel authorities to limit rates of return, to the detriment of utility companies. But mostly, regulators attempt to strike an equitable balance between the interests of shareholders and customers.

Effect of Low Gas Prices On The Industry

Contrary to what some believe, a low gas price environment is generally good for regulated utility operations. That's partly because it may lead to reduced prices for customers, which could lessen bad-debt expense. Moreover, there is an increased possibility that homeowners will switch from alternative fuel sources, such as oil or propane, to natural gas. Even so, the companies in our category also possess nonregulated businesses, including energy marketing and trading, which tend to underperform when gas prices are in a slump.

INDUSTRY TIMELINESS: 35 (of 97)

Oklahoma Tornado

In late May, a powerful tornado, with winds exceeding 200 miles per hour, tore through a central Oklahoma city, demolishing thousands of homes and numerous other buildings, along a 17-mile path. Preliminary estimates indicate that the total damage could be roughly $2 billion.

Natural gas distribution pipelines are located mostly underground, providing a good measure of protection against adverse weather conditions. Nonetheless, these assets can be damaged by uprooted trees and shifted foundations. In addition, fallen tree limbs and other debris can crush meters and associated piping near homes and other buildings. It appears that companies in the group with operations in the affected area held up reasonably well, though.

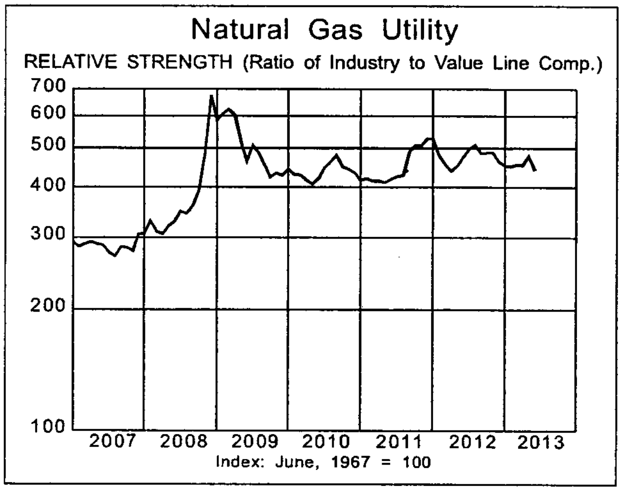
Dividends

The primary attraction of utility equities is their generous levels of dividend income. At the time of this writing, the average yield for the 11 companies in our group was about 3.4%, considerably higher than the *Value Line* median of 2.1%. Standouts include *AGL Resources, Northwest Natural Gas, Laclede Group*, and *WGL Holdings*. When the financial markets are turbulent, which seems to be more common these days, healthy dividend yields tend to act as an anchor, so to speak, in this category.

Conclusion

Stocks in the Natural Gas Utility Industry are most appropriate for income-oriented investors with a conservative bent (given that a number of these issues are ranked favorably for Safety and earn high marks for Price Stability). It should be noted, however, that companies with larger nonregulated operations may offer a higher potential for returns, though profits could be more volatile than for companies with a greater emphasis on the more stable utility segment. As always, our readers are advised to carefully examine the following reports before making a commitment.

Frederick L. Harris, III



AGL RESOURCES NYSE-GAS

RECENT PRICE 42.55 | P/E RATIO 16.7 (Trailing: 17.0 Median: 13.0) | RELATIVE P/E RATIO 0.96 | DIV'D YLD 4.4% | VALUE LINE

High:	25.0	29.3	33.7	39.3	40.1	44.7	39.1	37.5	40.1	43.7	42.9	44.8
Low:	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0	34.2	34.1	36.6	38.9

Target Price Range 2016 | 2017 | 2018

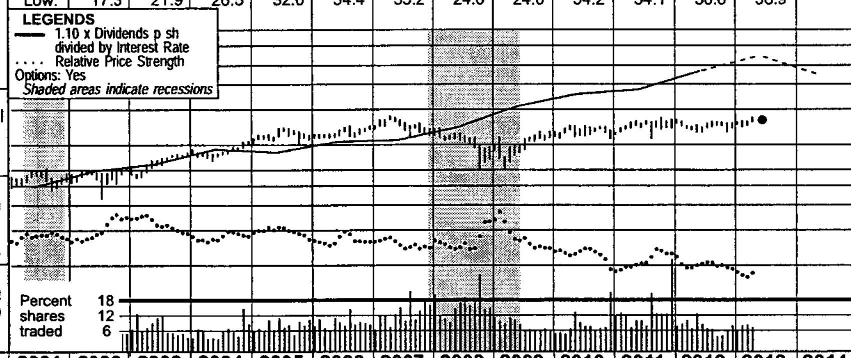
TIMELINESS 3 Raised 3/11/11

SAFETY 1 Raised 9/9/11

TECHNICAL 3 Raised 6/7/13

BETA .75 (1.00 = Market)

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+65%)	16%
Low	55	(+30%)	10%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	0	0	0	0	0	1	0
to Sell	0	2	0	0	0	0	0	2	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	136	150	150
to Sell	151	140	141
Hld's(000)	69954	70430	71771

Percent shares traded 18 12 6

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.6	18.4
3 yr.	27.4	37.6
5 yr.	64.3	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.88	30.42	19.97	33.27	35.50	37.65	Revenues per sh A	44.85
2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.90	5.05	3.06	5.82	6.10	6.65	"Cash Flow" per sh	8.40
1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.88	3.00	2.12	2.32	2.55	2.90	Earnings per sh A B	4.10
1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	1.90	1.74	1.88	1.92	Div'ds Decl'd per sh CF■	2.04
2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.14	6.54	3.65	6.63	5.15	5.60	Cap'l Spending per sh	6.45
10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	23.24	28.33	28.76	32.80	33.75	Book Value per sh D	36.05
56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.54	78.00	117.10	117.88	117.00	117.00	Common Shs Outst'g E	117.00
14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.2	12.5	18.8	12.6	Bold figures are		Avg Ann'l P/E Ratio	15.0
.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.75	.80	1.18	.82	Value Line		Relative P/E Ratio	1.00
5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	4.7%	4.8%	4.8%	estimates		Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 3/31/13
Total Debt $5071 mill. Due in 5 Yrs $2370 mill.
LT Debt $3324 mill. LT Interest $184 mill.
(Total interest coverage: 6.5x)

Leases, Uncapitalized Annual rentals $214.9 mill.
Pension Assets-12/12 $845.0 mill. Oblig. $968.0 mill.

Pfd Stock None

Common Stock 118,180,688 shs. as of 4/24/13

MARKET CAP: $5.0 billion (Large Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2317.0	2373.0	2338.0	3922.0	4155	4405	Revenues ($mill) A	5250
132.4	153.0	193.0	212.0	211.0	207.6	222.0	234.0	172.0	271.0	300	340	Net Profit ($mill)	480
35.9%	37.0%	37.7%	37.8%	37.6%	40.5%	35.2%	35.9%	40.2%	39.8%	38.0%	36.5%	Income Tax Rate	32.5%
13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	9.6%	9.9%	7.4%	6.9%	7.0%	7.7%	Net Profit Margin	9.2%
50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	52.6%	48.0%	51.8%	49.5%	48.0%	48.5%	Long-Term Debt Ratio	51.5%
49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	47.4%	52.0%	48.2%	50.5%	52.0%	51.5%	Common Equity Ratio	48.5%
1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3754.0	3486.0	6879.0	6716.0	7365	7685	Total Capital ($mill)	8670
2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4146.0	4405.0	7900.0	8347.0	8850	9380	Net Plant ($mill)	11170
8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	6.9%	7.6%	3.1%	5.4%	5.5%	6.0%	Return on Total Cap'l	7.0%
14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	5.2%	8.0%	8.0%	8.5%	Return on Shr. Equity	11.5%
14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	5.2%	8.0%	8.0%	8.5%	Return on Com Equity	6.0%
6.6%	5.6%	6.2%	6.3%	5.3%	5.1%	5.3%	5.6%	.7%	2.0%	2.0%	2.0%	Retained to Com Eq	6.0%
53%	49%	52%	52%	58%	60%	57%	57%	86%	75%	74%	66%	All Div'ds to Net Prof	50%

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	69	131	149
Other	2677	2537	2212
Current Assets	2746	2668	2361
Accts Payable	294	334	314
Debt Due	1928	2214	1747
Other	862	790	999
Current Liab.	3084	3338	3060
Fix. Chg. Cov.	325%	330%	650%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.0%	-3.0%	8.0%
"Cash Flow"	4.5%	1.5%	10.0%
Earnings	8.0%	1.5%	9.0%
Dividends	5.0%	6.5%	2.0%
Book Value	8.0%	5.0%	5.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	1003	359	346	665	2373
2011	878	375	295	790	2338
2012	1404	686	614	1218	3922
2013	1709	650	560	1236	4155
2014	1805	695	595	1310	4405

Cal-endar	EARNINGS PER SHARE AB Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	1.73	.17	.29	.81	3.00
2011	1.59	.23	d.04	.37	2.12
2012	1.12	.28	.08	.84	2.32
2013	1.31	.25	.15	.84	2.55
2014	1.75	.25	.15	.75	2.90

Cal-endar	QUARTERLY DIVIDENDS PAID CF■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.43	.43	.43	.43	1.72
2010	.44	.44	.44	.44	1.76
2011	.45	.45	.45	.55	1.90
2012	.36	.46	.46	.46	1.74
2013	.47	.47			

BUSINESS: AGL Resources Inc. is a public utility holding company. Distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas, Virginia Natural Gas, Florida City Gas and Elkton Gas. Acquired Nicor in 2011. The utilities have more than 4.4 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Illinois. Engaged in nonregulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. BlackRock Inc. owns 7.0% of common stock; officers/directors, less than 1.0% (3/13 Proxy). President & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources' first-quarter results showed marked improvement over a year ago. Net income rose to $154 million (up 18%), and earnings per share were $1.31, a 17% increase. Total revenues rebounded from a year ago on the back of a cooler first quarter, which tended to be more in line with historical temperatures. A year ago, earnings were dragged down by Nicor merger-related expenses, which are no longer a factor. The company has outstanding rates cases and possible positive legislative actions, including a New Jersey update infrastructure replacement program, a Georgia expanded infrastructure case, and an Illinois depreciation rate change. These actions will likely be ruled upon by year's end, and positive results could boost earnings. The company also signed an agreement with UPS to deliver 500,000 gallons of liquid natural gas monthly in Tennessee over a 10-year contract, which should boost margins even further.

The company is building up its cash position through debt issuances and divestitures. Senior notes totalling $500 million were issued at a 4.4% coupon over 30 years. The interest rate is low compared to historical averages and should be highly beneficial to earnings when rates start to rise. It also sold off its Compass Energy subsidiary. The sale brought in $12 million, which will be upped by an additional $3 million-$8 million, based upon financial performance. This should add $0.05 a share to second-quarter earnings. Overall, the balance sheet continues to be strong, but total share count continues to creep higher.

The Timeliness rank of AGL Resources' shares is 3 (Average). However, this issue has some appealing characteristics, such as the highest total-return potential in the sector. Though price growth from its high perch may be somewhat limited, GAS shares remain a good choice for conservative and income-based investors, as the yield is also the highest in Natural Gas Utilities segment. That said, we have low expectations for future dividend increases at this point. Conservative investors should also notice the stock's high marks for Price Stability and Safety.

John E. Seibert III *June 7, 2013*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses):'99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late July.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2012: $1933 million, $17.91/share.
(E) In millions. (F) Excluding special dividends from the Nicor merger.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	70

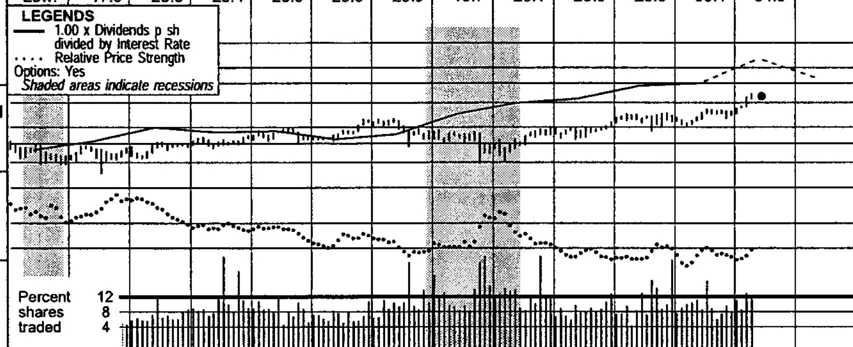
ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	43.02	P/E RATIO	17.8 (Trailing: 17.7 Median: 14.0)	RELATIVE P/E RATIO	1.02	DIV'D YLD	3.3%	VALUE LINE

TIMELINESS 2 Raised 5/24/13
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Raised 5/3/13
BETA .70 (1.00 = Market)

High:	24.5	25.5	27.6	30.0	33.1	33.5	29.3	30.3	32.0	35.6	37.3	45.1
Low:	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.1	25.9	28.5	30.4	34.9

Target Price Range
2016 | 2017 | 2018



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+15%)	7%
Low	35	(-20%)	-1%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	1	0	0	0
to Sell	0	2	0	0	0	1	0	0	3

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	112	107	118
to Sell	131	115	115
Hld's(000)	51653	52881	53879

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	41.7	18.4
3 yr.	70.3	37.6
5 yr.	101.4	66.4

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
54.39	46.50	61.75	75.27	66.03	79.52	53.69	53.12	48.15	38.10	*38.35*	*39.15*	Revenues per sh A	*56.30*
3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.64	4.72	4.76	*5.20*	*5.45*	"Cash Flow" per sh	*6.05*
1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.16	2.26	2.10	*2.45*	*2.60*	Earnings per sh A B	*3.00*
1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	1.38	*1.40*	*1.42*	Div'ds Decl'd per sh C ■	*1.50*
3.10	3.03	4.14	5.20	4.39	5.20	5.51	6.02	6.90	8.12	*8.55*	*8.70*	Cap'l Spending per sh	*9.00*
16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.16	24.98	26.14	*29.70*	*31.30*	Book Value per sh	*34.65*
51.48	62.80	80.54	81.74	89.33	90.81	92.55	90.16	90.30	90.24	*91.00*	*92.00*	Common Shs Outst'g D	*103.00*
13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.2	14.4	15.9	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.76	.84	.86	.73	.84	.82	.83	.84	.90	1.01	*Value Line*		Relative P/E Ratio	*.95*
5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.7%	4.2%	4.1%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*
2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4789.7	4347.6	3438.5	*3490*	*3600*	Revenues ($mill) A	*5800*
79.5	86.2	135.8	162.3	170.5	180.3	179.7	201.2	199.3	192.2	*225*	*240*	Net Profit ($mill)	*310*
37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	36.4%	33.8%	*35.0%*	*35.0%*	Income Tax Rate	*38.0%*
2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.2%	4.6%	5.6%	*6.4%*	*6.7%*	Net Profit Margin	*5.3%*
50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	45.4%	49.4%	45.3%	*49.0%*	*49.0%*	Long-Term Debt Ratio	*49.0%*
49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	54.6%	50.6%	54.7%	*51.0%*	*51.0%*	Common Equity Ratio	*51.0%*
1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	3987.9	4461.5	4315.5	*5300*	*5650*	Total Capital ($mill)	*7000*
1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4793.1	5147.9	5475.6	*5825*	*6200*	Net Plant ($mill)	*8000*
6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	5.9%	6.9%	6.1%	5.8%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	8.1%	*8.5%*	*8.5%*	Return on Shr. Equity	*8.5%*
9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	8.8%	8.1%	*8.5%*	*8.5%*	Return on Com Equity	*8.5%*
2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	3.3%	2.8%	*3.5%*	*4.0%*	Retained to Com Eq	*4.5%*
70%	77%	73%	63%	65%	65%	68%	62%	62%	65%	*57%*	*54%*	All Div'ds to Net Prof	*50%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $2688.5 mill. **Due in 5 Yrs** $1320.0 mill.
LT Debt $2455.5 mill. **LT Interest** $110.0 mill.
(LT interest earned: 3.1x; total interest coverage: 3.1x)
Leases, Uncapitalized Annual rentals $17.6 mill.
Pfd Stock None
Pension Assets-9/12 $343.1 mill.
Oblig. $480.0 mill.
Common Stock 90,549,038 shs.
as of 4/26/13
MARKET CAP: $3.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	131.4	64.2	65.5
Other	879.6	763.8	936.9
Current Assets	1011.0	828.0	1002.4
Accts Payable	291.2	215.2	316.4
Debt Due	208.8	571.1	233.0
Other	367.6	489.7	377.4
Current Liab.	867.6	1276.0	926.8
Fix. Chg. Cov.	432%	448%	445%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.0%	-7.0%	3.5%
"Cash Flow"	4.0%	3.0%	4.5%
Earnings	5.0%	3.0%	5.5%
Dividends	1.5%	1.5%	1.5%
Book Value	6.5%	4.0%	5.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	1292.9	1940.3	770.2	786.3	4789.7
2011	1133.3	1581.5	843.6	789.2	4347.6
2012	1084.0	1225.5	576.4	552.6	3438.5
2013	1034.2	1309.0	*581*	*565.8*	*3490*
2014	*1050*	*1350*	*610*	*590*	*3600*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	1.00	1.17	d.03	.02	2.16
2011	.81	1.40	.04	.01	2.26
2012	.68	1.12	.31	--	2.10
2013	.85	1.23	*.34*	*.03*	*2.45*
2014	*.82*	*1.37*	*.35*	*.06*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.33	.33	.33	.335	1.33
2010	.335	.335	.335	.34	1.35
2011	.34	.34	.34	.345	1.37
2012	.345	.345	.345	.35	1.39
2013	.35	.35			

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to more than three million customers through six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Gas sales breakdown for 2012: 65%, residential; 28%, commercial; 3%, industrial; and 4% other. 2012 depreciation rate 3.3%. Has around 4,760 employees. Officers and directors own 1.2% of common stock (12/12 Proxy). President and Chief Executive Officer: Kim R. Cocklin. Incorporated: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy generated solid profits during the first half of fiscal 2013 (ends September 30th), relative to the year-earlier tally. The bread-and-butter natural gas distribution unit benefited from a drop in operating expenses, including legal and depreciation costs. Notably, during that period, Atmos was able to complete 10 rate-case proceedings, which ought to result in a $66.4 million rise in annual operating income. (The majority of the increase is for the Mid-Tex division.) Meanwhile, the regulated transmission and storage operation enjoyed higher revenues from a Gas Reliability Infrastructure Program filing that became effective in April, 2012. At this juncture, it seems that Atmos' fiscal 2013 share net will climb about 16%, to $2.45. Assuming additional expansion of operating margins, the bottom line stands to advance another 6%, to $2.60 a share, next year.

Non-core operations have been divested. One of them was the natural gas distribution segment in Georgia, representing around 64,000 customers, to an affiliate of Algonquin Power & Utilities Corp. for about $155 million. That follows the sale of the natural gas distribution business in Missouri, Iowa, and Illinois (serving roughly 84,000 customers) to an affiliate of Algonquin Power & Utilities Corp. for $129 million. Management has used the proceeds from those deals to support growth initiatives in such key states as Texas and Louisiana.

The stock offers a healthy amount of current dividend income, which is well covered by earnings. Too, our 2016-2018 projections indicate that further, albeit moderate, increases in the payout will probably take place. Other positives include a 2 (Above Average) Safety rank and excellent score for Price Stability.

The shares have climbed to their highest levels since our last report in March. We attribute that movement partially to Atmos' solid profits during fiscal 2013. Consequently, the equity is ranked to outperform the year-ahead market. But it appears that the good news is already reflected in the recent quotation, dampening long-term capital appreciation potential.

Frederick L. Harris, III *June 7, 2013*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '03, d17¢; '06, d18¢; '07, d2¢; '09, 12¢; '10, 5¢; '11, (1¢). Excludes discontinued operations: '11, 10¢; '12, 27¢; '13, 8¢. Next egs. rpt. due early Aug. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	90

LACLEDE GROUP NYSE-LG

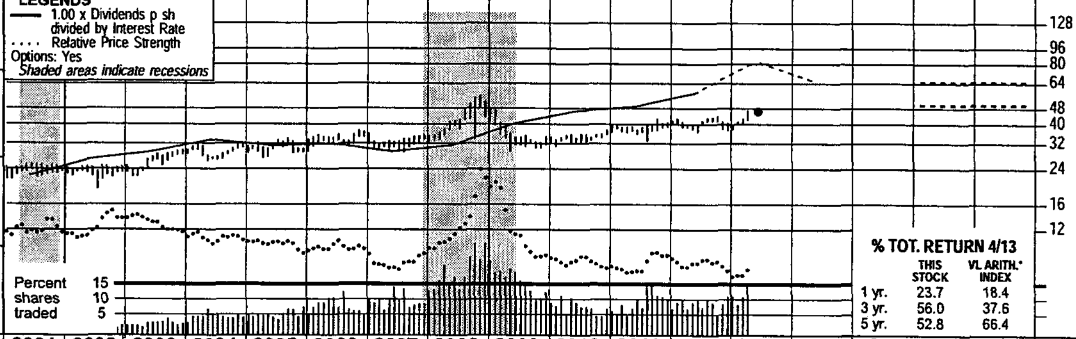
RECENT PRICE **46.46** | P/E RATIO **15.7** (Trailing: 16.4 / Median: 14.0) | RELATIVE P/E RATIO **0.90** | DIV'D YLD **3.7%** | VALUE LINE

TIMELINESS **3** Lowered 9/23/11
SAFETY **2** Raised 6/20/03
TECHNICAL **3** Raised 5/3/13
BETA .60 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3	37.8	42.8	44.0	47.1
Low:	19.0	21.8	26.0	26.9	29.1	28.8	31.9	29.3	30.8	32.9	36.5	37.4

Target Price Range
2016 | 2017 | 2018

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+40%)	12%
Low	50	(+10%)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	2
to Sell	0	0	0	0	0	0	0	1	2

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	62	56	68
to Sell	64	75	52
Hld's(000)	10921	11121	11283

Percent shares traded 15 10 5

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.7	18.4
3 yr.	56.0	37.6
5 yr.	52.8	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	77.83	71.48	49.76	*50.40*	*50.90*	Revenues per sh A	*58.80*
3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.11	4.62	4.58	*4.65*	*4.85*	"Cash Flow" per sh	*5.90*
1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.43	2.86	2.79	*2.85*	*3.00*	Earnings per sh A B	*3.75*
1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	1.61	1.66	*1.74*	*1.76*	Div'ds Decl'd per sh C■	*1.82*
2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.56	3.02	4.71	*5.00*	*2.90*	Cap'l Spending per sh	*3.00*
14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	24.02	25.56	26.60	*26.65*	*27.30*	Book Value per sh D	*28.65*
17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.29	22.43	22.62	*23.0*	*23.0*	Common Shs Outst'g E	*23.5*
12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.7	13.0	14.5	*Bold figures are*		Avg Ann'l P/E Ratio	*15.5*
.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.89	.87	.82	.97	*Value Line*		Relative P/E Ratio	*1.05*
5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	4.7%	4.3%	4.1%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $464.4 mill. Due in 5 Yrs $50.0 mill.
LT Debt $464.4 mill. LT Interest $24.0 mill.
(Total interest coverage: 4.4x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/11 $248.0 mill. Oblig. $384.2 mill.
Pfd Stock None
Common Stock 22,671,392 shs. as of 4/26/13

MARKET CAP: $1.1 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	1895.2	1735.0	1603.3	1125.5	*1150*	*1175*	Revenues ($mill) A	*1400*
34.6	36.1	40.1	50.5	49.8	57.6	64.3	54.0	63.8	63.1	*65.0*	*70.0*	Net Profit ($mill)	*90.0*
35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	33.6%	33.4%	31.4%	32.0%	*31.0%*	*30.0%*	Income Tax Rate	*28.0%*
3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.4%	3.1%	4.0%	5.6%	*5.6%*	*5.9%*	Net Profit Margin	*6.4%*
50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.9%	40.5%	38.9%	36.0%	*42.0%*	*43.5%*	Long-Term Debt Ratio	*48.0%*
49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.1%	59.5%	61.1%	64.0%	*58.0%*	*56.5%*	Common Equity Ratio	*52.0%*
605.0	737.4	707.9	798.9	784.5	876.1	906.3	899.9	937.7	941.0	*1050*	*1115*	Total Capital ($mill)	*1325*
621.2	646.9	679.5	763.8	793.8	823.2	855.9	884.1	928.7	1019.3	*1025*	*1175*	Net Plant ($mill)	*1120*
7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	8.7%	7.4%	8.1%	6.5%	*7.5%*	*7.5%*	Return on Total Cap'l	*8.0%*
11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	10.6%	*10.5%*	*11.0%*	Return on Shr. Equity	*13.0%*
11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	11.1%	10.6%	*10.5%*	*11.0%*	Return on Com Equity	*13.0%*
3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	5.9%	3.6%	4.9%	4.3%	*4.1%*	*4.5%*	Retained to Com Eq	*6.8%*
74%	73%	72%	59%	63%	56%	53%	64%	56%	60%	*61%*	*59%*	All Div'ds to Net Prof	*48%*

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	43.3	27.5	146.9
Other	325.8	315.5	313.0
Current Assets	369.1	343.0	459.9
Accts Payable	96.6	89.5	108.6
Debt Due	46.0	25.0	- -
Other	89.3	137.6	98.7
Current Liab.	231.9	252.1	207.3
Fix. Chg. Cov.	463%	442%	438%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	5.0%	-5.5%	*-2.0%*
"Cash Flow"	5.0%	4.5%	*5.0%*
Earnings	7.0%	4.0%	*5.5%*
Dividends	2.0%	3.0%	*2.0%*
Book Value	5.5%	6.5%	*2.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	491.2	635.3	324.5	284.0	1735.0
2011	444.2	543.8	344.3	271.0	1603.3
2012	410.9	358.2	186.9	169.5	1125.5
2013	307.0	397.6	*210*	*235.4*	*1150*
2014	*375*	*405*	*215*	*180*	*1175*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	1.03	1.26	.21	d.07	2.43
2011	1.05	1.25	.69	d.13	2.86
2012	1.12	1.32	.38	d.03	2.79
2013	1.14	1.34	*.40*	*d.03*	*2.85*
2014	*1.25*	*1.45*	*.40*	*d.10*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.385	.385	.385	.385	1.54
2010	.395	.395	.395	.395	1.58
2011	.405	.405	.405	.405	1.62
2012	.415	.415	.415	.415	1.66
2013	.425	.425			

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 628,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Utility therms sold and transported in fiscal 2012: 1.0 bill. Revenue mix for regulated operations: residential, 64; commercial and industrial, 21%; transportation, 2%; other, 13%. Has around 1,640 employees. Officers and directors own approximately 7% of common shares (1/13 proxy). Chairman: William E. Nasser; CEO: Suzanne Sitherwood. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

The Laclede Group reported good fiscal second-quarter earnings. Revenues came in at $397.6 million, while per share earnings were a robust $1.34, which includes merger-related expenses. Profits were helped by lower pension costs and a cooler winter. Revenues were also boosted by higher infrastructure spending, which is passed through to customers as part of the infrastructure system replacement surcharge (ISRS). The company's outstanding rate case, which potentially could drive revenues even higher through enhanced ISRS rates, could boost earnings as early as the second half of 2013, though the timing of an outcome is somewhat uncertain.

The Missouri Gas Purchase appears to be on track. The financing behind the bridge loan, which will go toward paying the $1.035 billion cost, is fully syndicated, and all parties are waiting on regulatory approval. Indeed, the governing body's approval in Massachusetts will be necessary for the selloff of the New England Gas Co. to Algonquin Power. After the deal is complete, management expects to leverage the capital structure to return to a more normal one-to-one debt to equity ratio. The company has announced an equity sale, and we will update our estimates as more information becomes available.

The Laclede Group is maintaining a high level of capital expenditures. Management expects the spending to total around $115 million for fiscal 2013, which is largely recoverable under ISRS. The company is still working on building its natural gas vehicle fueling station at Lambert Airport in St. Louis, and could have other stations in the pipeline. Though capital expenditures are high, cash flow has improved year over year, thus far.

The Timeliness rank of Laclede Group stock is 3 (Average). These shares are expected to market perform over the next six to 12 months. The stock has performed well (up 15%) since our last report, and the dividend yield remains good for a natural gas utility. The total return potential is also above average for the sector. This issue should appeal to both conservative and income investors, but waiting for a dip may be the best course of action, as this stock is up considerably for a utility.

John E. Seibert III *June 7, 2013*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late July.
(C) Dividends historically paid in early January, April, July, and October. ■Dividend reinvestment plan available.
(D) Incl. deferred charges. In '12: $456.0 mill., $20.41/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	85

NEW JERSEY RES. NYSE-NJR

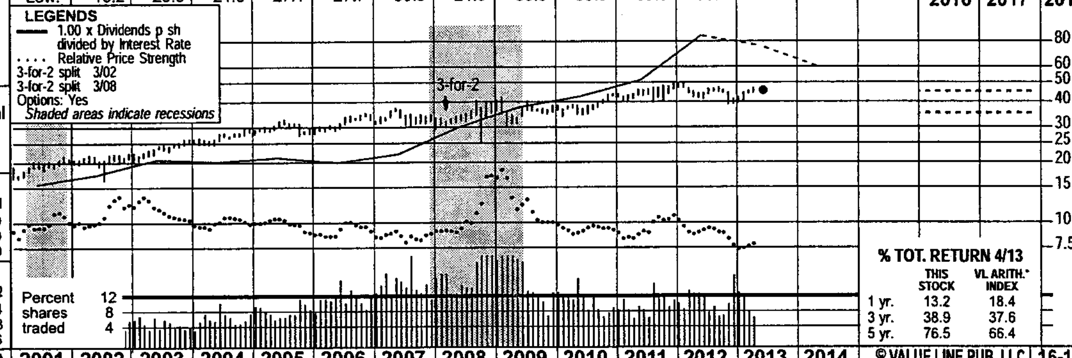
RECENT PRICE **45.56** | P/E RATIO **17.4** (Trailing: 19.6; Median: 16.0) | RELATIVE P/E RATIO **1.00** | DIV'D YLD **3.5%** | VALUE LINE

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
High:	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	44.1	50.5	50.3	47.6		
Low:	16.2	20.0	24.3	27.1	27.7	30.3	24.6	30.0	33.5	39.6	38.5	39.1		

Target Price Range
2016 | 2017 | 2018

TIMELINESS **3** Raised 5/10/13
SAFETY **1** Raised 9/15/06
TECHNICAL **3** Lowered 2/1/13
BETA .65 (1.00 = Market)

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 3/02
3-for-2 split 3/08
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(Nil)	3%
Low	35	(-25%)	-2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	1	0	0	0
to Sell	0	0	0	0	0	0	0	3	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	68	73	84
to Sell	80	75	68
Hld's(000)	23904	23780	24376

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.2	18.4
3 yr.	38.9	37.6
5 yr.	76.5	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	64.10	72.60	54.16	*66.25*	*68.25*	Revenues per sh A	*74.55*
1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.26	3.40	3.74	*3.55*	*3.75*	"Cash Flow" per sh	*4.00*
.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.46	2.58	2.71	*2.60*	*2.70*	Earnings per sh B	*2.95*
.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	1.44	1.54	*1.60*	*1.60*	Div'ds Decl'd per sh C■	*1.72*
1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	2.10	2.26	2.00	*2.00*	*2.00*	Cap'l Spending per sh	*2.00*
6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.62	18.73	18.15	*18.70*	*19.85*	Book Value per sh D	*23.50*
40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	41.17	41.45	41.53	*40.00*	*40.00*	Common Shs Outst'g E	*40.00*
13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	15.0	16.8	16.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.74	.99	.95	1.05	1.08	*Value Line*		Relative P/E Ratio	*.95*
5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%	3.7%	3.3%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $824.4 mill. Due in 5 Yrs $214.3 mill.
LT Debt $527.7 mill. LT Interest $19.6 mill.
Incl. $65.8 mill. capitalized leases.
(LT interest earned: 7.5x; total interest coverage: 7.5x)
Pension Assets-9/12 $207.8 mill. Oblig. $332.2 mill.
Pfd Stock None

Common Stock 41,776,523 shs. as of 4/30/13
MARKET CAP: $1.9 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	2592.5	2639.3	3009.2	2248.9	*2650*	*2730*	Revenues ($mill) A	*2980*
65.4	71.6	74.4	78.5	65.3	113.9	101.0	101.8	106.5	112.8	*105*	*110*	Net Profit ($mill)	*120*
39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	27.1%	41.4%	30.2%	8.6%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.9%	3.9%	3.5%	5.0%	*4.0%*	*4.0%*	Net Profit Margin	*4.0%*
38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	39.8%	37.2%	35.5%	39.2%	*40.0%*	*38.5%*	Long-Term Debt Ratio	*34.5%*
61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	60.2%	62.8%	64.5%	60.8%	*60.0%*	*61.5%*	Common Equity Ratio	*65.5%*
676.8	783.8	755.3	954.0	1028.0	1182.1	1144.8	1154.4	1203.1	1339.0	*1245*	*1295*	Total Capital ($mill)	*1440*
852.6	880.4	905.1	934.9	970.9	1017.3	1064.4	1135.7	1295.9	1484.9	*1515*	*1545*	Net Plant ($mill)	*1640*
10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	9.7%	9.7%	9.7%	9.4%	*9.5%*	*9.5%*	Return on Total Cap'l	*9.0%*
15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	13.9%	*14.0%*	*14.0%*	Return on Shr. Equity	*12.5%*
15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.0%	13.7%	13.9%	*14.0%*	*14.0%*	Return on Com Equity	*12.5%*
7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	7.2%	6.7%	6.2%	6.2%	*5.5%*	*5.5%*	Retained to Com Eq	*5.5%*
51%	49%	50%	50%	64%	40%	50%	52%	55%	56%	*61%*	*59%*	All Div'ds to Net Prof	*58%*

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	7.4	4.5	6.0
Other	725.0	642.8	756.6
Current Assets	732.4	647.3	762.6
Accts Payable	66.0	265.8	340.3
Debt Due	166.9	287.6	296.7
Other	470.5	99.7	99.5
Current Liab.	703.4	653.1	736.5
Fix. Chg. Cov.	700%	700%	700%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	4.5%	-3.5%	2.5%
"Cash Flow"	5.0%	6.0%	2.5%
Earnings	7.0%	8.5%	2.0%
Dividends	6.5%	8.5%	3.0%
Book Value	8.0%	6.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	609.6	918.4	479.8	631.5	2639.3
2011	713.2	977.0	648.1	670.9	3009.2
2012	642.4	612.9	425.1	568.5	2248.9
2013	736.0	960.9	*470*	*483.1*	*2650*
2014	*755*	*980*	*490*	*505*	*2730*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	.66	1.55	.28	d.03	2.46
2011	.71	1.62	.23	.02	2.58
2012	1.09	1.79	.10	d.27	2.71
2013	.85	1.64	*.25*	*d.14*	*2.60*
2014	*.87*	*1.86*	*.17*	*d.20*	*2.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.31	.31	.31	.31	1.24
2010	.34	.34	.34	.34	1.36
2011	.36	.36	.36	.36	1.44
2012	.38	.38	.38	.80	1.94
2013	--	.40	.40		

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 500,070 customers at 9/30/12 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2012 volume: 161 bill. cu. ft. (6% interruptible, 31% residential and commercial and electric utility, 63% incentive programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2012 dep. rate: 2.3%. Has 927 empls. Off./dir. own about 1.1% of common (12/12 Proxy). Chrmn., CEO & Pres. : Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources posted a mixed bag of financial results for the March interim. Indeed, the company's top line advanced approximately 57% on a year-over-year basis, to roughly $961 million. The bulk of this gain can be attributed to 3,697 new customer accounts at the New Jersey Natural Gas division. Those accounts were added in the first half of this fiscal year. Meanwhile, most of NJR's operating segments logged higher contributions to net financial earnings. The only two segments to register weaker contributions were the NJR Clean Energy Ventures and NJR Home Services units. Unfortunately, when combined with rising operating expenses, NJR's second-quarter bottom line declined about 8.5%, to $1.64. This was slightly lower than we had previously anticipated. However, we do expect the results to improve in the second half of the year. Consequently,

We have left our 2013 earnings estimate unchanged at $2.60 a share. Management has recently raised its guidance for new customer accounts at its New Jersey Natural Gas regulated utility division, which makes up the lion's share of overall operations. That segment was expected to add 12,500-14,500 new customers during 2013 and 2014 combined. However, at this point, it has raised the range to 13,000 to 15,000. Additionally, we look for the NJR Energy Services, NJR Clean Energy Ventures, and NJR Energy Holdings to be nicely complementary.

The overall financial position is in good shape. Indeed, the company's cash position has improved almost 33% during the first six months of this year, leaving its reserves at almost $6.0 million. Meantime, the long-term debt load continues to remain constant and represents a modest and easily serviceable portion of the capital structure.

Shares of New Jersey Resources have modest appeal for conservative investors. NJR offers a dividend yield that is in line with the median for the industry. Prospects are solid for good dividend growth, as well. Meanwhile, our Timeliness Ranking System suggests this equity will mirror the broader market averages in the year ahead. And total return potential is limited through 2016-2018.

Bryan J. Fong *June 7, 2013*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late July.
(C) Dividends historically paid in early Jan., April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2012: $441.3 million, $10.63/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	50

N.W. NAT'L GAS NYSE-NWN	RECENT PRICE 43.56	P/E RATIO 18.9 (Trailing: 20.6 Median: 17.0)	RELATIVE P/E RATIO 1.09	DIV'D YLD 4.2%	VALUE LINE

TIMELINESS 4 Lowered 5/10/13

SAFETY 1 Raised 3/18/05

TECHNICAL 3 Raised 5/10/13

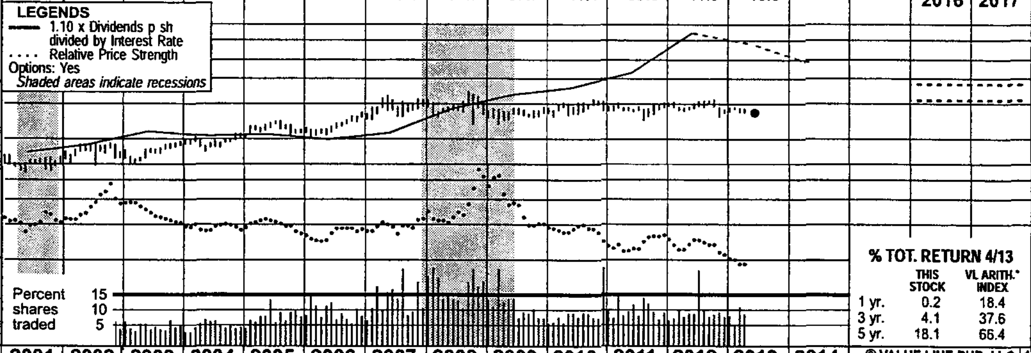
BETA .60 (1.00 = Market)

High:	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.5	50.9	49.0	50.8	46.6		
Low:	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7	41.1	39.6	41.0	43.0		

Target Price Range

2016 | 2017 | 2018

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+40%)	11%
Low	50	(+15%)	7%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	3	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	70	72	72
to Sell	51	54	58
Hld's(000)	16429	15820	16052

Percent shares traded 15 10 5

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	0.2	18.4
3 yr.	4.1	37.6
5 yr.	18.1	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.56	31.72	27.14	*27.60*	*28.15*	Revenues per sh	*29.65*
3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.18	5.00	4.94	*4.30*	*4.55*	"Cash Flow" per sh	*5.45*
1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.39	2.22	*2.30*	*2.50*	Earnings per sh A	*3.30*
1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	1.75	1.79	*1.83*	*1.87*	Div'ds Decl'd per sh B■	*2.00*
5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.35	3.76	4.91	*6.10*	*6.35*	Cap'l Spending per sh	*7.00*
16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	26.08	26.70	27.23	*28.00*	*29.15*	Book Value per sh D	*31.70*
22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.58	26.76	26.92	*27.00*	*27.00*	Common Shs Outst'g C	*28.00*
14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.0	19.0	21.1	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.08	1.19	1.35	*Value Line*		Relative P/E Ratio	*1.15*
4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.9%	3.8%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $822.5 mill. Due in 5 Yrs $200 mill.
LT Debt $691.7 mill. LT Interest $45.0 mill.

(Total interest coverage: 3.3x)

Pension Assets-12/12 $249.6 mill. Oblig. $435.9 mill.

Pfd Stock None

Common Stock 26,948,572 shares as of 4/26/13

MARKET CAP $1.2 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	848.8	730.6	*745*	*760*	Revenues ($mill)	*830*
46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	63.9	59.9	*63.0*	*67.5*	Net Profit ($mill)	*93.0*
33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	40.5%	40.4%	42.4%	*37.5%*	*36.0%*	Income Tax Rate	*31.0%*
7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	7.5%	8.2%	*8.4%*	*8.9%*	Net Profit Margin	*11.1%*
49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.1%	47.3%	48.5%	*48.5%*	*48.5%*	Long-Term Debt Ratio	*48.0%*
50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.9%	52.7%	51.5%	*51.5%*	*51.5%*	Common Equity Ratio	*52.0%*
1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1284.8	1356.2	1424.7	*1470*	*1530*	Total Capital ($mill)	*1710*
1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	1893.9	1973.6	*2055*	*2135*	Net Plant ($mill)	*2400*
5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	7.0%	6.2%	5.7%	*4.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	8.2%	*8.5%*	*8.5%*	Return on Shr. Equity	*10.5%*
9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	8.2%	*8.5%*	*8.5%*	Return on Com Equity	*10.5%*
2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	2.4%	1.6%	*1.5%*	*2.0%*	Retained to Com Eq	*4.5%*
72%	69%	63%	59%	52%	59%	56%	61%	73%	80%	*80%*	*75%*	All Div'ds to Net Prof	*60%*

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	5.8	8.9	8.3
Other	342.9	274.8	239.9
Current Assets	348.7	283.7	248.2
Accts Payable	86.3	85.6	77.0
Debt Due	181.6	190.3	130.8
Other	146.6	92.5	94.3
Current Liab.	414.5	368.4	302.1
Fix. Chg. Cov.	334%	329%	667%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	2.0%	-4.0%	*Nil*
"Cash Flow"	3.0%	1.0%	*1.5%*
Earnings	3.5%	0.5%	*5.0%*
Dividends	3.5%	4.5%	*2.5%*
Book Value	4.0%	4.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	286.5	162.4	95.1	268.1	812.1
2011	323.1	161.2	93.3	271.2	848.8
2012	317.5	106.6	89.8	229.5	730.6
2013	227.9	*125*	*85*	*307.1*	*745*
2014	*305*	*130*	*85*	*240*	*760*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	1.64	.26	d.28	1.11	2.73
2011	1.53	.08	d.31	1.09	2.39
2012	1.51	.05	d.39	1.05	2.22
2013	1.40	*.10*	*d.30*	*1.05*	*2.30*
2014	*1.55*	*.15*	*d.30*	*1.10*	*2.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435	.435	.435	.445	1.75
2012	.445	.445	.445	.455	1.79
2013	.455	.455			

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 681,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 59%; commercial, 29%; industrial, gas transportation, and other, 12%. Employs 1,092. BlackRock Inc. owns 8.2% of shares; officers and directors, 1.8% (4/13 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Gas started the year on a good note. Earnings were $1.40 a share. Though this is a decrease from 2012 first-quarter earnings, two rules were approved in the fourth quarter in a decoupling rates case, that will cause much less seasonality in earnings. The rules should help second- and third-quarter results. Higher natural gas gross margins, lower bad-debt expenses, and an improved Portland housing market all helped the bottom line. Management thinks margins should strengthen in the second and third quarters, based on the new rules, and reaffirmed its annual earnings target of $2.15-$2.35 a share. Currently, the base-rate case changes are causing earnings volatility, but we expect greater clarity after second-quarter results are reported. 2012 fourth-quarter earnings were in line with our estimates.

The company has many outstanding rates cases, which could affect the second half of the year. One is a new utility tariff, which would allow the company to provide consumers with compressed natural gas, mainly for fleet use. The prepaid pension case rate is still being decided, as is a system integrity program. All of these cases would be beneficial to long-term earnings, but likely won't contribute to results in the short term. The improved housing and natural gas vehicle trends may provide a tailwind to long-term earnings growth.

The balance sheet continues to be strong. Northwest Natural Gas has an "A" rating for Financial Strength and shareholder equity continues to grow. Cash flow will likely be spent on the dividend, which is steadily growing. Though payout growth is expected to lag the industry, the yield remains solid. That said, the rising share count could eventually be a drag on earnings per share and dividend growth.

Northwest Natural Gas shares have a Timeliness rank of 4 (Below Average). The shares are expected to lag the broader market, but do enjoy the highest Price Stability rating. Also, capital appreciation potential is below average. This stock remains a solid choice for an income-seeking investor, but has little appeal to all others.

John E. Seibert III *June 7, 2013*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢; Next earnings report due in early August.
(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.
(D) Includes intangibles. In 2012: $387.9 million, $14.41/share.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	90

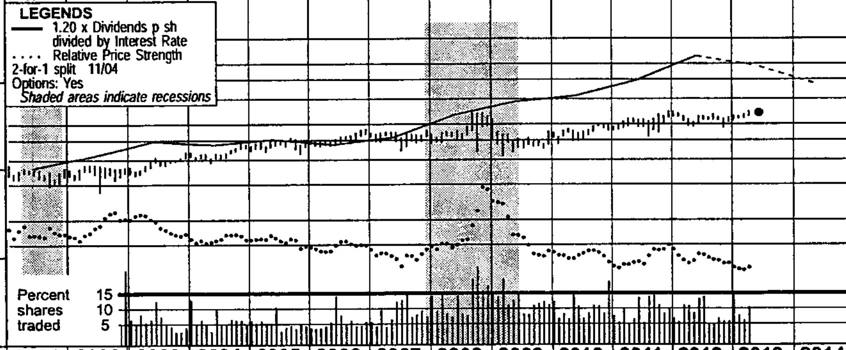
PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	34.11	P/E RATIO	19.8 (Trailing: 19.1 Median: 18.0)	RELATIVE P/E RATIO	1.14	DIV'D YLD	3.6%	VALUE LINE

TIMELINESS **3** Raised 6/22/12
SAFETY **2** New 7/27/90
TECHNICAL **2** Raised 5/31/13
BETA .65 (1.00 = Market)

High:	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	34.7	34.6	35.5
Low:	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	25.9	28.5	30.9

Target Price Range
2016 | 2017 | 2018



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+15%)	8%
Low	30	(-10%)	1%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	84	85	85
to Sell	74	68	78
Hld's(000)	33222	32681	33873

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.2	18.4
3 yr.	39.0	37.6
5 yr.	57.3	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	19.83	15.54	*16.00*	*16.80*	Revenues per sh A	*18.35*
1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	2.99	3.09	*3.10*	*3.15*	"Cash Flow" per sh	*3.35*
.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	1.57	1.66	*1.70*	*1.75*	Earnings per sh AB	*1.90*
.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	1.15	1.19	*1.23*	*1.27*	Div'ds Decl'd per sh C■	*1.39*
1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	3.37	7.33	*7.25*	*7.25*	Cap'l Spending per sh	*7.25*
6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	13.79	14.21	*15.65*	*16.10*	Book Value per sh D	*17.60*
60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	72.32	72.25	*76.00*	*76.00*	Common Shs Outst'g E	*76.00*
13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	18.9	19.2	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*18.0*
.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.09	1.19	1.22		*estimates*	Relative P/E Ratio	*1.20*
4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%	3.9%	4.7%			Avg Ann'l Div'd Yield	*3.9%*

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	1433.9	1122.8	*1225*	*1275*	Revenues ($mill) A	*1395*
74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	113.6	119.8	*130*	*135*	Net Profit ($mill)	*145*
34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	24.6%	29.7%	*25.0%*	*25.0%*	Income Tax Rate	*25.0%*
6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	7.9%	10.7%	*10.6%*	*10.5%*	Net Profit Margin	*10.5%*
42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	40.4%	48.7%	*45.5%*	*47.5%*	Long-Term Debt Ratio	*48.5%*
57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	59.6%	51.3%	*54.5%*	*52.5%*	Common Equity Ratio	*51.5%*
1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	1671.9	2002.0	*2200*	*2325*	Total Capital ($mill)	*2590*
1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	2627.3	3105.1	*3200*	*3300*	Net Plant ($mill)	*3600*
8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	8.2%	7.0%	*8.0%*	*7.5%*	Return on Total Cap'l	*7.5%*
11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	11.7%	*11.0%*	*11.0%*	Return on Shr. Equity	*11.0%*
11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	11.4%	11.7%	*11.0%*	*11.0%*	Return on Com Equity	*11.0%*
3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	3.1%	3.3%	*3.0%*	*3.0%*	Retained to Com Eq	*3.0%*
74%	66%	68%	74%	70%	69%	64%	72%	73%	72%	*72%*	*72%*	All Div'ds to Net Prof	*72%*

CAPITAL STRUCTURE as of 1/31/13
Total Debt $1505.0 mill. Due in 5 Yrs $175.0 mill.
LT Debt $875.0 mill. LT Interest $46.1 mill.
(LT interest earned: 4.1x; total interest coverage: 3.4x)

Pension Assets-10/12 $296.5 mill.
Oblig. $333.7 mill.

Pfd Stock None

Common Stock 72,520,220 shs.
as of 3/4/13

MARKET CAP: $2.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2011	2012	1/31/13
Cash Assets	6.8	2.0	10.6
Other	279.2	303.6	445.1
Current Assets	286.0	305.6	455.7
Accts Payable	129.7	142.0	150.7
Debt Due	331.0	365.0	630.0
Other	73.4	85.6	105.9
Current Liab.	534.1	592.6	886.6
Fix. Chg. Cov.	323%	325%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	3.0%	-4.5%	*-.5%*
"Cash Flow"	5.0%	3.5%	*2.0%*
Earnings	5.0%	3.5%	*3.0%*
Dividends	5.0%	5.5%	*3.0%*
Book Value	5.0%	3.0%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2010	673.7	472.9	211.6	194.1	1552.3
2011	652.0	392.6	197.3	192.0	1433.9
2012	471.8	308.4	161.2	181.4	1122.8
2013	515.9	*330*	*180*	*199.1*	*1225*
2014	*530*	*345*	*190*	*210*	*1275*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2010	1.14	.65	d.13	d.13	1.55
2011	1.16	.66	d.12	d.13	1.57
2012	1.05	.70	d.06	d.03	1.66
2013	1.18	*.70*	*d.09*	*d.09*	*1.70*
2014	*1.20*	*.71*	*d.08*	*d.08*	*1.75*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28	.29	.29	.29	1.15
2012	.29	.30	.30	.60	1.49
2013	--	.31			

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 976,253 customers in North Carolina, South Carolina, and Tennessee. 2012 revenue mix: residential (48%), commercial (27%), industrial (9%), other (16%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 48.7% of revenues. '12 deprec. rate: 2.9%. Estimated plant age: 10 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,752 employees. Off./dir. own about 1.2% of common stock, BlackRock; 7.5% (1/13 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas is off to a solid start this year. Indeed, the company's top line increased approximately 9.5% due to customer growth and a boost in volume deliveries in the residential, commercial, and industrial markets as a result of colder weather patterns. Additional benefits stemmed from increased transportation services in the power generation markets and higher ancillary sales. On the margin front, a rise in cost of goods sold was partially offset by a decline in operating expenses. The bottom line also benefited from a rise in other income and a drop in utility interest charges. Combined, these factors caused the January-period earnings to advance 12.5%, to $1.18 a share. This was in line with our previous estimate. Therefore,

We have left our fiscal 2013 share-net estimate unchanged at $1.70. This falls toward the lower end of the company's guidance range of $1.67-$1.77, which management recently reiterated. Additionally, it would represent an earnings advance of about 2.5%. This should be supported by continued customer additions, as well as capital projects that are slated to come on line later this year (see below).

The balance sheet is in good shape at the moment. The company's cash reserves have increased more than fivefold, so far this year, to roughly $10.6 million. Meanwhile, management has also trimmed the long-term debt load by about 10%. That figure represents a relatively modest portion of Piedmont's capital structure. What's more, the board recently approved a hike in the quarterly dividend of about 3.5% on a sequential basis, to $0.31 a share.

An active pipeline of capital projects augurs well for prospects. Piedmont has $550 million to $600 million earmarked for expansion programs. Of that, $250 million is set for system integrity upgrades. Also, the Sutton power generation delivery project is on schedule to be in service in June.

At the moment, these good-quality shares appear to be fairly valued. However, they may appeal to conservative, income-seeking accounts, thanks to their above-average dividend yield, top mark for Price Stability, and solid Safety rank.

Bryan J. Fong *June 7, 2013*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due mid June. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid early-January, April, July, October. 2013 Q1 dividend paid in Q4 of 2012. ■ Div'd reinvest. plan available; 5% discount. (D) Includes deferred charges. In 2012: $597.2 million, $8.27/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE	59.21	P/E RATIO	18.8 (Trailing: 20.3 Median: 16.0)	RELATIVE P/E RATIO	1.08	DIV'D YLD	3.1%	VALUE LINE

TIMELINESS 3 Lowered 11/23/12
SAFETY 2 Lowered 1/4/91
TECHNICAL 3 Raised 5/3/13
BETA .65 (1.00 = Market)

High:	18.3	20.3	26.5	32.4	34.3	41.3	40.6	40.8	54.2	58.0	58.0	61.8
Low:	14.1	15.3	19.7	24.9	25.6	31.2	25.2	32.0	37.2	42.8	45.8	50.5

2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+25%)	9%
Low	55	(-5%)	2%

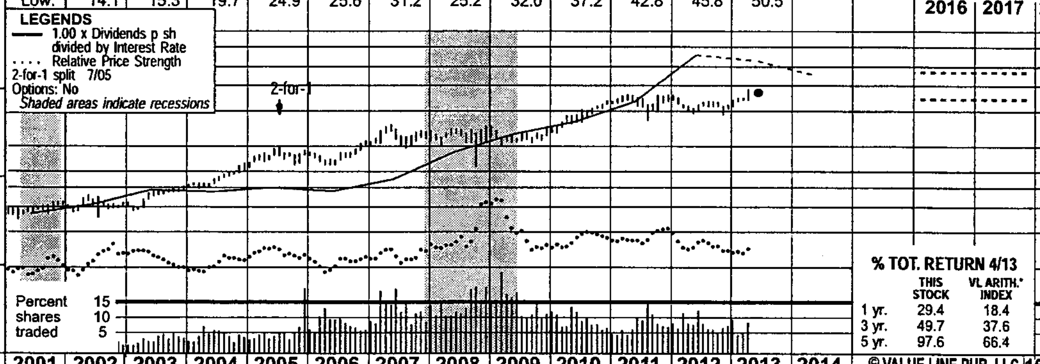
Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	3	1	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	3	2	1	2	1	1	1	6

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	78	78	69
to Sell	55	59	53
Hld's(000)	18018	18468	18794

Target Price Range
2016 | 2017 | 2018



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	28.37	30.97	27.42	22.31	*23.40*	*25.35*	Revenues per sh	*33.35*
1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.48	3.72	4.21	4.46	4.69	*4.75*	*5.35*	"Cash Flow" per sh	*6.65*
.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.38	2.70	2.90	3.03	*3.15*	*3.35*	Earnings per sh A	*4.60*
.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.22	1.36	1.50	1.65	*1.80*	*1.95*	Div'ds Decl'd per sh B ■	*2.45*
2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	3.67	5.59	6.39	8.02	*5.55*	*5.95*	Cap'l Spending per sh	*7.80*
6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.24	19.08	20.66	23.26	*25.40*	*26.10*	Book Value per sh C	*30.55*
21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	29.80	29.87	30.21	31.65	*32.50*	*33.50*	Common Shs Outst'g D	*36.00*
13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	15.0	16.8	18.4	16.9	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.96	1.00	1.07	1.15	1.08	*Value Line*		Relative P/E Ratio	*.95*
6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%	3.4%	3.0%	2.8%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $874.8 mill. Due in 5 Yrs $429.1 mill.
LT Debt $601.4 mill. LT Interest $15.0 mill.
(Total interest coverage: 5.6x)

Pension Assets-12/12 $150.2 mill.
Oblig. $224.4 mill.

Pfd Stock None

Common Stock 31,960,311 common shs.
as of 5/1/13

MARKET CAP: $1.9 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
696.8	819.1	921.0	931.4	956.4	962.0	845.4	925.1	828.6	706.3	*760*	*850*	Revenues ($mill)	*1200*
34.6	43.0	48.6	72.0	61.8	67.7	71.3	81.0	87.0	93.3	*105*	*125*	Net Profit ($mill)	*170*
40.6%	40.9%	41.5%	41.3%	41.9%	47.7%	23.0%	15.2%	22.4%	10.8%	*20.0%*	*25.0%*	Income Tax Rate	*30.0%*
5.0%	5.2%	5.3%	7.7%	6.5%	7.0%	8.4%	8.8%	10.5%	13.2%	*13.8%*	*14.7%*	Net Profit Margin	*14.2%*
50.8%	48.7%	44.9%	44.7%	42.7%	39.2%	36.5%	37.4%	40.5%	45.0%	*43.0%*	*42.5%*	Long-Term Debt Ratio	*42.0%*
49.0%	51.0%	55.1%	55.3%	57.3%	60.8%	63.5%	62.6%	59.5%	55.0%	*57.0%*	*57.5%*	Common Equity Ratio	*58.0%*
608.4	675.0	710.3	801.1	839.0	848.0	856.4	910.1	1048.3	1337.6	*1450*	*1525*	Total Capital ($mill)	*1900*
748.3	799.9	877.3	920.0	948.9	982.6	1073.1	1193.3	1352.4	1578.0	*1650*	*1725*	Net Plant ($mill)	*2000*
7.3%	7.9%	8.3%	10.1%	8.6%	8.9%	9.0%	9.5%	8.9%	7.4%	*8.0%*	*8.5%*	Return on Total Cap'l	*9.5%*
11.5%	12.4%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	13.9%	12.7%	*12.5%*	*14.5%*	Return on Shr. Equity	*15.5%*
11.6%	12.5%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	13.9%	12.7%	*12.5%*	*14.5%*	Return on Com Equity	*15.5%*
5.0%	5.9%	6.2%	10.2%	6.7%	6.7%	6.4%	7.1%	6.7%	5.8%	*5.5%*	*7.0%*	Retained to Com Eq	*7.5%*
57%	52%	50%	37%	48%	49%	51%	50%	52%	55%	*56%*	*52%*	All Div'ds to Net Prof	*52%*

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	7.5	4.6	1.3
Other	333.1	390.2	440.3
Current Assets	340.6	394.8	441.6
Accts Payable	153.7	193.3	217.5
Debt Due	323.6	363.9	273.4
Other	110.7	94.6	106.1
Current Liab.	588.0	651.8	597.0
Fix. Chg. Cov.	505%	579%	486%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	.5%	-3.5%	*3.5%*
"Cash Flow"	8.5%	7.5%	*7.0%*
Earnings	9.5%	6.5%	*8.0%*
Dividends	7.5%	10.0%	*8.5%*
Book Value	10.0%	7.0%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	329.3	151.6	160.7	283.5	925.1
2011	331.9	160.5	137.6	198.6	828.6
2012	274.8	121.9	112.0	197.6	706.3
2013	255.6	*130*	*130*	*244.4*	*760*
2014	*280*	*150*	*150*	*270*	*850*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	1.49	.24	.10	.87	2.70
2011	1.63	.20	.01	1.05	2.89
2012	1.65	.28	.13	.98	3.03
2013	1.52	*.35*	*.20*	*1.08*	*3.15*
2014	*1.60*	*.38*	*.22*	*1.15*	*3.35*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	--	.298	.298	.628	1.22
2010	--	.330	.330	.695	1.36
2011	--	.365	.365	.768	1.50
2012	--	.403	.403	.845	1.65
2013	--	.443			

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 347,725 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '12: residential, 37%; commercial, 18%; cogeneration and electric generation, 21%; industrial, 24%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 700 employees. Off./dir. control 1.0% of common shares; BlackRock Inc., 7.6% (3/13 proxy). Chrmn. & CEO: Edward Graham. Inc.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Telephone: 609-561-9000. Internet: www.sjindustries.com.

South Jersey Industries reported unimpressive performance for the first quarter. Revenues and share earnings both declined, on a year-over-year basis. The company's utility operations posted a modest bottom-line advance. Results here benefited from residential customer growth, but a seasonal increase in the reserve for doubtful accounts related to abnormally cold weather in March provided an offset. On the nonutility side, both the Retail Energy and the Wholesale Energy businesses experienced weakness.

South Jersey Gas should post healthy results going forward. The utility has over 359,000 customers in southern New Jersey (including Atlantic City). Natural gas remains the fuel of choice here, and the utility ought to further benefit from customer interest in converting from other sources of fuel. Moreover, spending on infrastructure projects under the Capital Investment Recovery Tracker Program should improve service quality and allow the utility to earn a good return on these investments. SJG received approval from the New Jersey Board of Public Utilities earlier in the year for a new four-year accelerated infrastructure investment program that permits investment of up to $141.2 million during this time frame.

The nonutility operations may well improve somewhat. The Retail Energy business should gain from new projects coming online. Demand for renewable and gas-fired energy projects remains strong. Elsewhere, the Wholesale Energy business will likely continue to face challenges, due to difficult market conditions. However, business development initiatives related to Marcellus Shale marketing and producer services should pay off. Also, the repricing or restructure of storage leases ought to afford significant benefits to ongoing wholesale marketing operations.

We project steady growth in earnings and dividends from the company in the coming years. Moreover, South Jersey earns good marks for Safety, Price Stability, and Earnings Predictability. This issue may offer some appeal for conservative investors. That said, total return potential does appear somewhat limited from the recent quotation, following a run-up in the share price.

Michael Napoli, CFA *June 7, 2013*

(A) Based on GAAP egs. through 2006, economic egs. thereafter. GAAP EPS: '07, $2.10; '08, $2.58; '09, $1.94; '10, $2.22; '11, $2.97; '12, $2.97. Excl. nonrecur. gain (loss): '01, $0.13; '08, $0.31; '09, ($0.44); '10, ($0.47); '11, $0.08; '12, ($0.06). Earnings may not sum due to rounding. Next egs. report due in August. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2012: $352.7 mill., $11.14 per shr. (D) In mill., adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	90

SOUTHWEST GAS NYSE-SWX

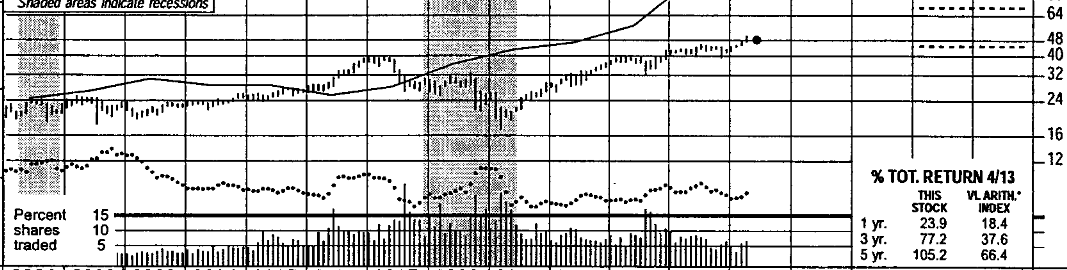
RECENT PRICE 48.42 | P/E RATIO 16.4 (Trailing: 16.7, Median: 16.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Lowered 11/16/12
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Raised 3/1/13
BETA .75 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	43.2	46.1	51.5
Low:	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	32.1	39.0	42.0

Target Price Range 2016 | 2017 | 2018

LEGENDS
—— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+45%)	12%
Low	45	(-5%)	2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	1	0	1	1	0	0	0
Options	0	0	1	0	0	1	0	0	7
to Sell	0	0	1	0	0	4	1	0	7

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	85	75	78
to Sell	70	79	68
Hld's(000)	34847	35008	34487

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.9	18.4
3 yr.	77.2	37.6
5 yr.	105.2	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	41.77	*42.00*	*43.25*	Revenues per sh	*50.00*
3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.46	6.81	7.73	*7.85*	*8.15*	"Cash Flow" per sh	*9.40*
.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	2.86	*2.95*	*3.10*	Earnings per sh A	*3.75*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	1.06	1.18	*1.32*	*1.40*	Div'ds Decl'd per sh B■†	*1.60*
6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	8.57	*6.40*	*7.30*	Cap'l Spending per sh	*9.60*
14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.66	28.39	*30.85*	*32.30*	Book Value per sh	*36.00*
27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	46.15	*47.00*	*48.00*	Common Shs Outst'g C	*50.00*
24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	15.0	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89	.98	.95	*Value Line*		Relative P/E Ratio	*1.00*
4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*2.8%*
						1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	1887.2	1927.8	*1975*	*2075*	Revenues ($mill)	*2500*
						38.5	58.9	48.1	80.5	83.2	61.0	87.5	103.9	112.3	133.3	*140*	*150*	Net Profit ($mill)	*190*
						30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	36.2%	36.2%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
						3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	6.0%	6.9%	*7.1%*	*7.2%*	Net Profit Margin	*7.6%*
						66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	43.2%	49.2%	*47.5%*	*47.5%*	Long-Term Debt Ratio	*48.5%*
						34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	56.8%	50.8%	*52.5%*	*52.5%*	Common Equity Ratio	*51.5%*
						1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2291.7	2155.9	2579	*2750*	*2950*	Total Capital ($mill)	*3500*
						2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	3218.9	3343.8	*3400*	*3500*	Net Plant ($mill)	*3750*
						4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.1%	6.4%	6.5%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
						6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	10.2%	*9.5%*	*9.5%*	Return on Shr. Equity	*10.5%*
						6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	9.2%	10.2%	*9.5%*	*9.5%*	Return on Com Equity	*10.5%*
						1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.1%	5.3%	6.0%	*5.5%*	*5.5%*	Retained to Com Eq	*6.0%*
						72%	49%	65%	42%	44%	63%	48%	43%	43%	41%	*44%*	*45%*	All Div'ds to Net Prof	*43%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $1256.0 mill. **Due in 5 Yrs** $198.2 mill.
LT Debt $1250.8 mill. **LT Interest** $70.0 mill.
(Total interest coverage: 3.2x) (49% of Cap'l)
Leases, Uncapitalized Annual rentals $7.0 mill.
Pension Assets-12/12 $645.0 mill. **Oblig.** $962.5 mill.
Pfd Stock None

Common Stock 46,328,592 shs. as of 5/1/13

MARKET CAP: $2.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	21.9	25.5	33.1
Other	439.7	432.9	337.1
Current Assets	461.6	458.4	370.2
Accts Payable	186.8	155.7	120.3
Debt Due	322.6	50.1	5.2
Other	338.2	329.3	290.4
Current Liab.	847.6	535.1	415.9
Fix. Chg. Cov.	359%	399%	412%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '16-'18
Revenues	1.5%	-1.5%	*3.5%*
"Cash Flow"	3.5%	3.0%	*5.0%*
Earnings	6.0%	6.5%	*7.0%*
Dividends	2.0%	4.0%	*7.0%*
Book Value	4.5%	5.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	668.8	385.8	307.7	468.1	1830.4
2011	628.4	388.5	352.6	517.7	1887.2
2012	657.6	409.8	371.8	488.6	1927.8
2013	613.5	*425*	*390*	*546.5*	*1975*
2014	*660*	*440*	*410*	*565*	*2075*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	1.42	d.02	d.11	.98	2.27
2011	1.48	.09	d.34	1.19	2.43
2012	1.70	d.08	d.09	1.34	2.86
2013	1.73	*.08*	*d.15*	*1.29*	*2.95*
2014	*1.80*	*.10*	*d.15*	*1.35*	*3.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265	.265	.265	1.05
2012	.265	.295	.295	.295	1.15
2013	.295	.33			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.9 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2012 margin mix: residential and small commercial, 85%; large commercial and industrial, 4%; transportation, 11%. Total throughput: 2.1 billion therms. Sold PriMerit Bank, 7/96. Has 6,015 employees. Off. & Dir. own 1.5% of common stock; BlackRock Inc., 8.2%; GAMCO Investors, Inc., 7.5%; T. Rowe Price Associates, Inc., 6.7% (3/13 Proxy). Chairman: Michael J. Melarkey. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas reported marginally improved share net for the first quarter. The top line declined somewhat for the period. But cost of gas sold and construction expenses declined nicely, and share net advanced modestly. Net income for the natural gas segment was roughly equivalent to the prior-year quarter, while construction services subsidiary NPL experienced a nice improvement.

Top-line performance may prove somewhat more favorable in the coming quarters. The utility operations will probably benefit from modest customer growth and higher rates (a $7 million annualized increase in Nevada should boost results). NPL should continue to experience healthy demand, considering the need to replace aging infrastructure. Moreover, efforts to control operating expenses ought to support the bottom line. Overall, we look for a relatively modest advance in revenues and share earnings for the company for full-year 2013.

Southwest Gas remains active on the regulatory front. It has filed a general rate case application with the California Public Utilities Commission requesting a total revenue increase of about $11.6 million. Hearings on the general rate case are expected for the third quarter, with new rates proposed to take effect in January, 2014. The company's focus on this matter is important, as it depends on such approved revenue increases to help it adjust to greater costs and as compensation for investment in infrastructure.

The stock is not without risk. The company will probably continue to incur greater operating costs as it expands. Moreover, insufficient, or lagging, rate relief could hurt performance at the core utility business.

This issue is ranked to track the broader market for the coming six to 12 months. This equity is not a standout for total return potential either, at this juncture. We do expect steady growth in earnings and dividends going forward. Moreover, Southwest Gas earns good marks for Price Stability and Earnings Predictability. However, all this appears to be partly reflected in the recent quotation. Moreover, the stock's dividend yield is below average for a utility.

Michael Napoli, CFA *June 7, 2013*

(A) Based on avg. shares outstand. thru. '97, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Earnings may not sum due to rounding. Next egs. report due early August. (B) Dividends historically paid early March, June, September, and December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	75

WGL HOLDINGS NYSE-WGL

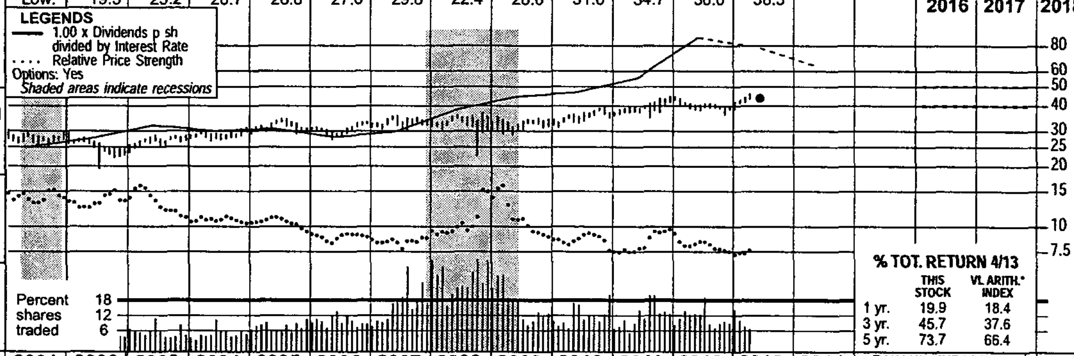
RECENT PRICE	43.75	P/E RATIO	16.9 (Trailing: 15.2; Median: 15.0)	RELATIVE P/E RATIO	0.97	DIV'D YLD	3.8%	VALUE LINE

TIMELINESS 3 Raised 4/19/13
SAFETY 1 Raised 4/2/93
TECHNICAL 3 Lowered 12/14/12
BETA .65 (1.00 = Market)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	40.0	45.0	45.0	46.2
Low:	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	31.0	34.7	36.0	38.3

Target Price Range 2016 | 2017 | 2018

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+15%)	7%
Low	40	(-10%)	2%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	3	0	0	1	0	0	2	0

Institutional Decisions

	2Q2012	3Q2012	4Q2012
to Buy	86	102	84
to Sell	83	67	87
Hld's(000)	31990	31678	31947

Percent shares traded 18 12 6

% TOT. RETURN 4/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	19.9	18.4
3 yr.	45.7	37.6
5 yr.	73.7	66.4

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.60	53.75	47.09	*48.30*	*49.50*	Revenues per sh A	*54.10*
3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.11	4.01	4.60	*4.45*	*4.55*	"Cash Flow" per sh	*4.85*
1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.27	2.25	2.68	*2.55*	*2.65*	Earnings per sh B	*2.95*
1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.50	1.55	1.59	*1.66*	*1.71*	Div'ds Decl'd per sh C■	*1.83*
3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	2.57	3.94	5.85	*4.85*	*4.80*	Cap'l Spending per sh	*4.80*
13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.82	23.49	24.75	*25.60*	*26.60*	Book Value per sh D	*29.80*
43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.54	51.20	51.50	*51.75*	*52.00*	Common Shs Outst'g E	*52.00*
12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	15.1	17.0	15.3	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.84	.96	1.07	.99	*Value Line*		Relative P/E Ratio	*1.00*
5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.6%	4.4%	4.1%	4.3%	*estimates*		Avg Ann'l Div'd Yield	*4.1%*

CAPITAL STRUCTURE as of 3/31/13
Total Debt $773.8 mill. **Due in 5 Yrs** $112.0 mill.
LT Debt $554.7 mill. **LT Interest** $36.4 mill.
(LT interest earned: 6.2x; total interest coverage: 5.7x)
Pension Assets-9/12 $1,108.9 mill.
Oblig. $1,417.2 mill.
Preferred Stock $28.2 mill. **Pfd. Div'd** $1.3 mill.

Common Stock 51,705,892 shs.
as of 4/30/13

MARKET CAP: $2.3 billion (Mid Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2706.9	2708.9	2751.5	2425.3	*2500*	*2575*	Revenues ($mill) A	*2815*
112.3	98.0	104.8	96.0	102.9	122.9	128.7	115.0	115.5	138.3	*130*	*140*	Net Profit ($mill)	*155*
38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	38.7%	42.4%	39.0%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.8%	4.2%	4.2%	5.7%	*5.3%*	*5.4%*	Net Profit Margin	*5.5%*
43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	33.3%	33.4%	32.3%	31.0%	*30.5%*	*30.0%*	Long-Term Debt Ratio	*28.0%*
54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	65.0%	66.2%	67.5%	*68.0%*	*70.0%*	Common Equity Ratio	*70.5%*
1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1687.7	1774.4	1818.1	1886.9	*1945*	*2010*	Total Capital ($mill)	*2175*
1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2269.1	2346.2	2489.9	2667.4	*2855*	*3060*	Net Plant ($mill)	*3765*
9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.8%	7.6%	7.5%	8.3%	*8.0%*	*8.0%*	Return on Total Cap'l	*8.0%*
13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	9.7%	9.4%	10.9%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	11.6%	9.9%	9.5%	11.0%	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	5.0%	3.3%	3.4%	4.3%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
56%	65%	62%	69%	66%	57%	57%	67%	64%	59%	*65%*	*64%*	All Div'ds to Net Prof	*61%*

CURRENT POSITION ($MILL.)	2011	2012	3/31/13
Cash Assets	4.3	10.3	9.7
Other	720.4	822.5	896.0
Current Assets	724.7	832.8	905.7
Accts Payable	279.4	270.4	298.7
Debt Due	116.5	247.7	219.1
Other	180.8	238.9	276.2
Current Liab.	576.7	757.0	794.0
Fix. Chg. Cov.	535%	535%	535%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Revenues	6.0%	0.5%	*1.0%*
"Cash Flow"	3.5%	1.5%	*2.5%*
Earnings	4.0%	3.0%	*3.5%*
Dividends	2.0%	3.0%	*3.0%*
Book Value	4.0%	4.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	727.4	1056	459.7	465.1	2708.9
2011	795.9	1017	490.3	448.1	2751.5
2012	727.7	839.5	438.3	419.8	2425.3
2013	686.7	891.4	*475*	*446.9*	*2500*
2014	*705*	*910*	*495*	*465*	*2575*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2010	1.01	1.64	d.07	d.29	2.27
2011	1.02	1.53	d.03	d.27	2.25
2012	1.13	1.58	.08	d.11	2.68
2013	1.14	1.75	*d.04*	*d.30*	*2.55*
2014	*1.18*	*1.77*	*d.02*	*d.28*	*2.65*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.36	.37	.37	.37	1.47
2010	.37	.378	.378	.378	1.50
2011	.378	.39	.39	.39	1.55
2012	.39	.40	.40	.40	1.59
2013	.40	.42			

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,094,109 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. State Street Global owns 9.3% of common stock; Off./dir. less than 1% (1/13 proxy). Chrmn. & CEO: Terry D. McCallister. Inc.: D.C. and VA. Addr.: 101 Const. Ave., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings posted better-than-expected financial results for the March period. Indeed, the company's top line increased approximately 6%, on a year-over-year basis. This reflected nicely higher revenue contributions from the utility division, which were partially offset by a year-to-year decline in volumes at the nonutility segment. The regulated utility business benefited from an increase in average active customer meters; favorable effects of changes in natural gas consumption patterns due to shifts in the weather; and a reduction in customer delinquencies and charge-offs. Meanwhile, on the margin front, overall operating expenses declined 100 basis points as a percentage of the top line. All told, WGL's bottom line advanced almost 11%, to $1.75 a share. This was a fair amount higher that we had previously anticipated. Consequently,

We have raised our 2013 and 2014 earnings estimates by a dime and nickel, to $2.55 and $2.65 a share, respectively. This would still represent an annual decline of almost 5% for this year. On the plus side are good contributions at the regulated utility, retail energy marketing, and commercial energy system divisions. Offsetting factors stem from weakness at the wholesale energy solutions unit, as well as rising costs in other areas of WGL's business. Meanwhile, our call is slightly above the high end of management's recently raised guidance range of $2.42-$2.54 for the year.

A pending rate case augurs well for prospects. Early in the fiscal third quarter, the company filed a rate case with the Maryland Public Service Commission requesting a revenue increase of $30.7 million to compensate for rising costs associated with pipeline replacement and higher operating and maintenance expenses.

Alternative-energy projects are also a plus. Washington Gas Energy Services (WGES) is providing 100% wind energy to DC's Union Station. Also, WGES is providing power for a new community power project that allows communities to use thier collective buying power to shift to clean energy while reducing costs.

The yield on these shares is a bit above the group average, but total return potential is below average.

Bryan J. Fong *June 7, 2013*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late July. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '12: $610.8 million, $11.93/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

ATTACHMENT C

American Water Works Co Inc: (NYSE: AWK)

ZACKS RANK: 3-HOLD #3

$39.41 -0.16 (-0.40%) **Volume 865,341** Jun 21 02:40 PM ET

Full Company Report

Get Full Company Report for: Enter Symbol GO

AMER WATER is the largest investor-owned U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs nearly seven thousand dedicated professionals who provide drinking water, wastewater and other related services to approximately 15.6 million people in 32 states and Ontario, Canada.

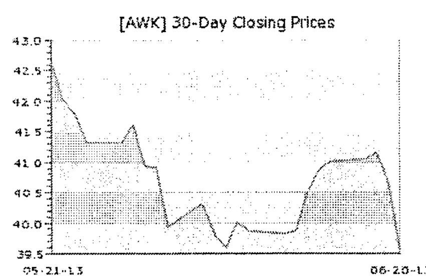
GENERAL INFORMATION

AMER WATER WORK
1025 LAUREL OAK ROAD
VOORHEES, NJ 08043
Phone: 856-346-8200
Fax: 856-346-8360
Web: http://www.amwater.com
Email: NA

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/08/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	39.57
52 Week High	43.09
52 Week Low	32.75
Beta	0.32
20 Day Moving Average	958,508.38
Target Price Consensus	45.78



% Price Change

4 Week	-5.33
12 Week	-4.51
YTD	9.45

% Price Change Relative to S&P 500

4 Week	-1.62
12 Week	-5.65
YTD	-3.17

Share Information

Shares Outstanding (millions)	177.70
Market Capitalization (millions)	7,031.63
Short Ratio	0.88
Last Split Date	NA

Dividend Information

Dividend Yield	2.83%
Annual Dividend	$1.12
Payout Ratio	0.47
Change in Payout Ratio	-0.11
Last Dividend Payout / Amount	05/22/2013 / $0.28

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.62

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	1.00

Current Year EPS Consensus Estimate	2.21	30 Days Ago	1.00
Estimated Long-Term EPS Growth Rate	8.00	60 Days Ago	1.18
Next EPS Report Date	08/08/2013	90 Days Ago	1.18

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	17.88	vs. Previous Year	10.34%	vs. Previous Year	2.84%
Trailing 12 Months	18.49	vs. Previous Quarter	6.67%	vs. Previous Quarter	-6.58%
PEG Ratio	2.23				

Price Ratios		ROE		ROA	
Price/Book	1.56	03-31-13	8.64	03-31-13	2.62
Price/Cash Flow	9.25	12-31-12	8.60	12-31-12	2.60
Price / Sales	2.43	09-30-12	8.86	09-30-12	2.64

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	0.51	03-31-13	0.48	03-31-13	13.22
12-31-12	0.50	12-31-12	0.47	12-31-12	13.06
09-30-12	0.64	09-30-12	0.61	09-30-12	13.48

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	12.92	03-31-13	21.95	03-31-13	25.41
12-31-12	12.45	12-31-12	21.94	12-31-12	25.14
09-30-12	12.96	09-30-12	22.53	09-30-12	25.21

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	43.43	03-31-13	1.15	03-31-13	53.57
12-31-12	43.64	12-31-12	1.17	12-31-12	53.96
09-30-12	42.95	09-30-12	1.17	09-30-12	53.91

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American Sts Wtr Co: (NYSE: AWR)

ZACKS RANK: 2-BUY #2

$52.00 -1.05 (-1.98%) **Volume 158,904** Jun 21 02:40 PM ET

Full Company Report Get Full Company Report for: Enter Symbol GO

American States is a public utility company engaged principally in the purchase, production, distribution and sale of water. The company also distributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

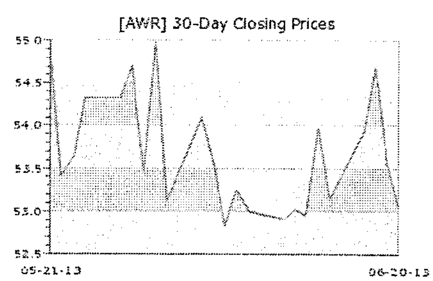
GENERAL INFORMATION

AMER STATES WTR
630 E FOOTHILL BLVD
SAN DIMAS, CA 91773-9016
Phone: 9093943600
Fax: 909-394-0711
Web: http://www.aswater.com
Email: investorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/05/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	53.05
52 Week High	57.80
52 Week Low	37.46
Beta	0.33
20 Day Moving Average	167,825.55
Target Price Consensus	55.50



% Price Change

4 Week	-1.10
12 Week	-7.85
YTD	11.61

% Price Change Relative to S&P 500

4 Week	2.78
12 Week	-8.95
YTD	-2.88

Share Information

Shares Outstanding (millions)	19.28
Market Capitalization (millions)	1,023.07
Short Ratio	2.71
Last Split Date	06/10/02

Dividend Information

Dividend Yield	2.68%
Annual Dividend	$1.42
Payout Ratio	0.48
Change in Payout Ratio	-0.08
Last Dividend Payout / Amount	05/13/2013 / $0.35

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.84

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	3.00

Current Year EPS Consensus Estimate	2.85	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	2.00	60 Days Ago	3.00
Next EPS Report Date	08/05/2013	90 Days Ago	3.00

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	18.61	vs. Previous Year	30.19%	vs. Previous Year	3.66%
Trailing 12 Months	17.80	vs. Previous Quarter	30.19%	vs. Previous Quarter	-0.89%
PEG Ratio	9.31				

Price Ratios		ROE		ROA	
Price/Book	2.21	03-31-13	12.83	03-31-13	4.50
Price/Cash Flow	10.47	12-31-12	12.41	12-31-12	4.27
Price / Sales	2.18	09-30-12	11.90	09-30-12	4.02

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	1.94	03-31-13	1.86	03-31-13	12.24
12-31-12	1.96	12-31-12	1.91	12-31-12	11.62
09-30-12	1.71	09-30-12	1.65	09-30-12	11.24

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	12.24	03-31-13	20.23	03-31-13	23.97
12-31-12	11.62	12-31-12	19.30	12-31-12	23.66
09-30-12	11.24	09-30-12	18.89	09-30-12	23.72

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	17.83	03-31-13	0.72	03-31-13	41.86
12-31-12	19.42	12-31-12	0.73	12-31-12	42.24
09-30-12	21.38	09-30-12	0.77	09-30-12	43.40

California Wtr Svc Group: (NYSE: CWT)

ZACKS RANK: 3-HOLD #3

$18.95 -0.32 (-1.66%) **Volume 296,620** Jun 21 02:43 PM ET

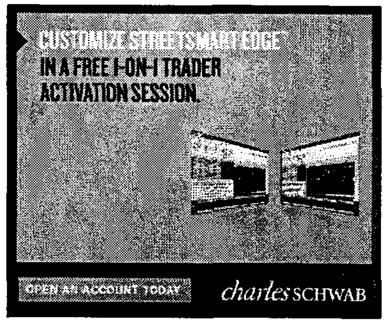
Full Company Report Get Full Company Report for: Enter Symbol GO

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

GENERAL INFORMATION

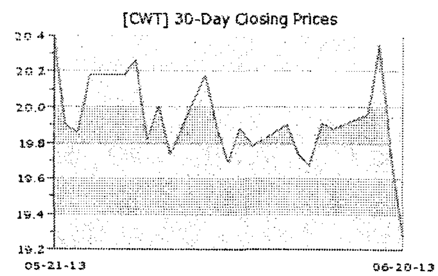
CALIF WATER SVC
1720 N FIRST ST C/O CALIFORNIA WATER SERVICE CO
SAN JOSE, CA 95112
Phone: 4083678200
Fax: 831-427-9185
Web: http://www.calwatergroup.com
Email: klichtenberg@calwater.com

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	07/24/2013



PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	19.27
52 Week High	21.22
52 Week Low	16.84
Beta	0.28
20 Day Moving Average	180,349.66
Target Price Consensus	21.50



% Price Change

4 Week	-2.97
12 Week	-3.17
YTD	7.47

% Price Change Relative to S&P 500

4 Week	0.84
12 Week	-4.32
YTD	-5.02

Share Information

Shares Outstanding (millions)	47.73
Market Capitalization (millions)	919.74
Short Ratio	2.78
Last Split Date	06/13/11

Dividend Information

Dividend Yield	3.32%
Annual Dividend	$0.64
Payout Ratio	0.58
Change in Payout Ratio	-0.07
Last Dividend Payout / Amount	05/02/2013 / $0.16

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.28

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.71

Current Year EPS Consensus Estimate	0.86	30 Days Ago	2.71
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	2.73
Next EPS Report Date	07/24/2013	90 Days Ago	2.71

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	22.36	vs. Previous Year	NA%	vs. Previous Year	-4.54%
Trailing 12 Months	17.36	vs. Previous Quarter	-125.00%	vs. Previous Quarter	-8.30%
PEG Ratio	3.73				

Price Ratios		ROE		ROA	
Price/Book	1.58	03-31-13	9.47	03-31-13	2.34
Price/Cash Flow	7.63	12-31-12	10.39	12-31-12	2.47
Price / Sales	1.66	09-30-12	9.84	09-30-12	2.35

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	0.90	03-31-13	0.88	03-31-13	8.41
12-31-12	0.60	12-31-12	0.58	12-31-12	8.56
09-30-12	0.79	09-30-12	0.76	09-30-12	8.27

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	8.41	03-31-13	12.22	03-31-13	12.20
12-31-12	8.72	12-31-12	12.55	12-31-12	11.30
09-30-12	8.44	09-30-12	13.11	09-30-12	11.33

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	36.36	03-31-13	0.76	03-31-13	43.14
12-31-12	37.33	12-31-12	0.92	12-31-12	47.84
09-30-12	39.18	09-30-12	1.01	09-30-12	50.24

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Conn Water Serv: (NASD: CTWS)

ZACKS RANK: 3-HOLD
#3

$28.29 0.04 (0.14%) **Volume 76,577** Jun 21 01:58 PM ET

Full Company Report

Get Full Company Report for: Enter Symbol GO

Connecticut Water Service, Inc., is a non-operating holding company whose income comes solely from its subsidiaries. The core business is water service to people throughout towns in Connecticut and Massachusetts.

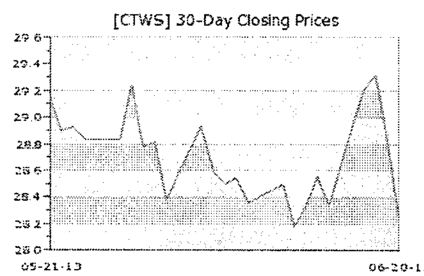
GENERAL INFORMATION

CONN WATER SVC
93 W MAIN ST
CLINTON, CT 06413
Phone: 8606698630
Fax: 860-669-9326
Web: http://www.ctwater.com
Email: info@ctwater.com

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/08/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	28.25
52 Week High	32.31
52 Week Low	27.31
Beta	0.48
20 Day Moving Average	31,071.05
Target Price Consensus	32.50



% Price Change

4 Week	-2.35
12 Week	-3.35
YTD	-3.22

% Price Change Relative to S&P 500

4 Week	1.48
12 Week	-4.51
YTD	-16.57

Share Information

Shares Outstanding (millions)	10.98
Market Capitalization (millions)	310.24
Short Ratio	5.82
Last Split Date	09/10/01

Dividend Information

Dividend Yield	3.43%
Annual Dividend	$0.97
Payout Ratio	0.66
Change in Payout Ratio	-0.10
Last Dividend Payout / Amount	05/30/2013 / $0.24

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.38
Current Year EPS Consensus Estimate	1.43

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.50
30 Days Ago	2.20

Estimated Long-Term EPS Growth Rate	Subscribe 4.00 Free Trial	60 Days Ago	2.20
Next EPS Report Date	08/08/2013	90 Days Ago	2.08

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FUNDAMENTAL RATIOS

P/E

Current FY Estimate	19.75
Trailing 12 Months	19.22
PEG Ratio	4.94

EPS Growth

vs. Previous Year	33.33%
vs. Previous Quarter	50.00%

Sales Growth

vs. Previous Year	6.39%
vs. Previous Quarter	1.02%

Price Ratios

Price/Book	1.67
Price/Cash Flow	13.15
Price / Sales	3.31

ROE

03-31-13	8.86
12-31-12	9.17
09-30-12	10.63

ROA

03-31-13	2.41
12-31-12	2.26
09-30-12	2.45

Current Ratio

03-31-13	2.68
12-31-12	2.29
09-30-12	0.89

Quick Ratio

03-31-13	2.55
12-31-12	2.19
09-30-12	0.85

Operating Margin

03-31-13	14.61
12-31-12	13.67
09-30-12	13.87

Net Margin

03-31-13	15.28
12-31-12	14.73
09-30-12	14.93

Pre-Tax Margin

03-31-13	15.28
12-31-12	16.26
09-30-12	14.97

Book Value

03-31-13	16.94
12-31-12	17.54
09-30-12	14.36

Inventory Turnover

03-31-13	26.66
12-31-12	26.70
09-30-12	27.57

Debt-to-Equity

03-31-13	0.96
12-31-12	0.96
09-30-12	1.48

Debt to Capital

03-31-13	48.80
12-31-12	48.95
09-30-12	59.53

At the center of everything we do is a strong commitment to independent research and sharing its profitable discoveries with investors. This dedication to giving investors a trading advantage led to the creation of our proven Zacks Rank stock-rating system. Since 1986 it has nearly tripled the S&P 500 with an average gain of +26% per year. These returns cover a period from 1986-2011 and were examined and attested by Baker Tilly, an independent accounting firm.

Visit performance for information about the performance numbers displayed above.

NYSE and AMEX data is at least 20 minutes delayed. NASDAQ data is at least 15 minutes delayed.

Middlesex Water Co: (NASD: MSEX)

$19.27 -0.01 (-0.05%) **Volume 44,914** **Jun 21 02:30 PM ET**

ZACKS RANK: 1-STRONG BUY #1

Full Company Report

Get Full Company Report for: Enter Symbol GO

Middlesex Water Company treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes.

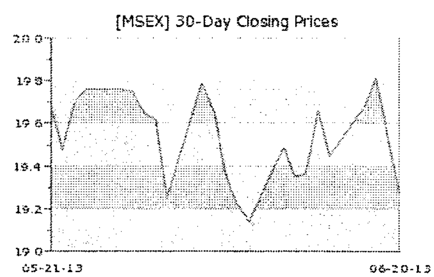
GENERAL INFORMATION

MIDDLESEX WATER
1500 RONSON RD P O BOX 1500
ISELIN, NJ 08830
Phone: 7326341500
Fax: 732-750-5981
Web: http://www.middlesexwater.com
Email: bsohler@middlesexwater.com

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/08/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	19.28
52 Week High	20.06
52 Week Low	17.48
Beta	0.47
20 Day Moving Average	30,428.50
Target Price Consensus	21.00



% Price Change

4 Week	-2.13
12 Week	-1.23
YTD	-0.15

% Price Change Relative to S&P 500

4 Week	1.71
12 Week	-2.41
YTD	-12.82

Share Information

Shares Outstanding (millions)	15.82
Market Capitalization (millions)	305.01
Short Ratio	7.18
Last Split Date	11/17/03

Dividend Information

Dividend Yield	3.89%
Annual Dividend	$0.75
Payout Ratio	0.77
Change in Payout Ratio	-0.02
Last Dividend Payout / Amount	05/13/2013 / $0.19

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.31
Current Year EPS Consensus Estimate	1.00

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.00
30 Days Ago	2.00

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Estimated Long-Term EPS Growth Rate	NA	60 Days Ago	2.00
Next EPS Report Date	08/08/2013	90 Days Ago	2.35

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	19.28	vs. Previous Year	72.73%	vs. Previous Year	14.83%
Trailing 12 Months	19.88	vs. Previous Quarter	11.76%	vs. Previous Quarter	-0.15%
PEG Ratio	NA				

Price Ratios		ROE		ROA	
Price/Book	1.67	03-31-13	8.66	03-31-13	2.85
Price/Cash Flow	11.85	12-31-12	8.00	12-31-12	2.62
Price / Sales	2.68	09-30-12	7.67	09-30-12	2.52

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	0.49	03-31-13	0.45	03-31-13	13.75
12-31-12	0.44	12-31-12	0.41	12-31-12	12.99
09-30-12	0.51	09-30-12	0.48	09-30-12	12.82

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	13.85	03-31-13	20.98	03-31-13	11.52
12-31-12	13.04	12-31-12	19.73	12-31-12	11.53
09-30-12	12.87	09-30-12	19.38	09-30-12	11.53

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	35.87	03-31-13	0.72	03-31-13	41.28
12-31-12	35.09	12-31-12	0.72	12-31-12	41.54
09-30-12	31.22	09-30-12	0.73	09-30-12	41.75

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Sjw Corp: (NYSE: SJW)

ZACKS RANK: 5-STRONG SELL #5

$24.88 -0.44 (-1.74%) **Volume 52,237** Jun 21 02:43 PM ET

Full Company Report Get Full Company Report for: Enter Symbol GO

SJW CORP. is a holding company which operates through its wholly-owned subsidiaries, San Jose Water Co., SJW Land Co., and Western Precision, Inc. San Jose Water Co., is a public utility in the business of providing water service to a population of approximately 928,000 people. Their service area encompasses about 134 sq. miles in the metropolitan San Juan area. SJW Land Co. operates parking facilities located adjacent to the their headquarters and the San Jose area.

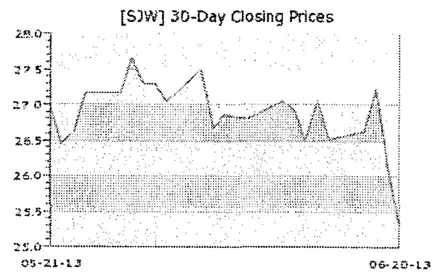
GENERAL INFORMATION

SJW CORP
110 W. TAYLOR STREET
SAN JOSE, CA 95110
Phone: 4082797800
Fax: 408-279-7917
Web: http://www.sjwater.com
Email: boardofdirectors@sjwater.com

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	07/24/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	25.32
52 Week High	28.11
52 Week Low	22.56
Beta	0.57
20 Day Moving Average	32,153.35
Target Price Consensus	29.67



% Price Change

4 Week	-4.85
12 Week	-4.45
YTD	-1.77

% Price Change Relative to S&P 500

4 Week	-1.11
12 Week	-5.60
YTD	-12.62

Share Information

Shares Outstanding (millions)	20.02
Market Capitalization (millions)	506.91
Short Ratio	4.01
Last Split Date	03/17/06

Dividend Information

Dividend Yield	2.88%
Annual Dividend	$0.73
Payout Ratio	0.61
Change in Payout Ratio	-0.11
Last Dividend Payout / Amount	05/02/2013 / $0.18

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.26

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	1.67

Current Year EPS Consensus Estimate	1.25	30 Days Ago	1.67
Estimated Long-Term EPS Growth Rate	NA	60 Days Ago	1.6[illegible]
Next EPS Report Date	07/24/2013	90 Days Ago	1.67

FUNDAMENTAL RATIOS

P/E

Current FY Estimate	20.26
Trailing 12 Months	21.28
PEG Ratio	NA

EPS Growth

vs. Previous Year	16.67%
vs. Previous Quarter	-77.42%

Sales Growth

vs. Previous Year	-1.97%
vs. Previous Quarter	-19.71%

Price Ratios

Price/Book	1.73
Price/Cash Flow	8.30
Price / Sales	1.95

ROE

03-31-13	8.31
12-31-12	8.32
09-30-12	7.40

ROA

03-31-13	2.09
12-31-12	2.10
09-30-12	1.87

Current Ratio

03-31-13	0.58
12-31-12	0.87
09-30-12	1.22

Quick Ratio

03-31-13	0.56
12-31-12	0.85
09-30-12	1.20

Operating Margin

03-31-13	8.65
12-31-12	8.53
09-30-12	7.52

Net Margin

03-31-13	8.65
12-31-12	8.53
09-30-12	8.80

Pre-Tax Margin

03-31-13	14.66
12-31-12	14.48
09-30-12	14.98

Book Value

03-31-13	14.63
12-31-12	14.72
09-30-12	14.58

Inventory Turnover

03-31-13	112.80
12-31-12	114.89
09-30-12	116.20

Debt-to-Equity

03-31-13	1.23
12-31-12	1.22
09-30-12	1.24

Debt to Capital

03-31-13	55.09
12-31-12	55.00
09-30-12	55.28

Aqua America Inc: (NYSE: WTR)

ZACKS RANK: 3-HOLD #3

$29.66 -0.52 (-1.72%) **Volume 1,281,009** Jun 21 02:51 PM ET

Full Company Report

Get Full Company Report for: Enter Symbol GO

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

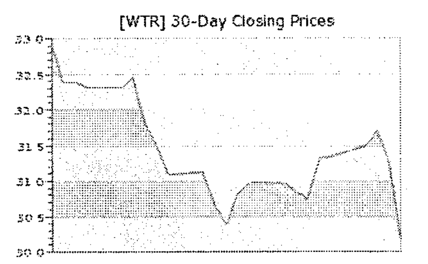
GENERAL INFORMATION

AQUA AMER INC
762 W. LANCASTER AVE
BRYN MAWR, PA 19010-3489
Phone: 6105278000
Fax: 610-645-1061
Web: http://www.aquaamerica.com
Email: NA

Industry	UTIL-WATER SPLY
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/05/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	30.18
52 Week High	33.28
52 Week Low	24.00
Beta	0.20
20 Day Moving Average	510,220.50
Target Price Consensus	33.17



% Price Change

4 Week	-6.82
12 Week	-4.01
YTD	22.82

% Price Change Relative to S&P 500

4 Week	-3.17
12 Week	-5.16
YTD	8.09

Share Information

Shares Outstanding (millions)	140.74
Market Capitalization (millions)	4,247.59
Short Ratio	4.46
Last Split Date	12/02/05

Dividend Information

Dividend Yield	2.32%
Annual Dividend	$0.70
Payout Ratio	0.62
Change in Payout Ratio	NA
Last Dividend Payout / Amount	05/15/2013 / $0.17

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.37

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.58

Current Year EPS Consensus Estimate	1.41	30 Days Ago	2.58
Estimated Long-Term EPS Growth Rate	5.50	60 Days Ago	2.58
Next EPS Report Date	08/05/2013	90 Days Ago	2.50

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	21.39	vs. Previous Year	45.00%	vs. Previous Year	5.75%
Trailing 12 Months	28.47	vs. Previous Quarter	NA%	vs. Previous Quarter	-0.52%
PEG Ratio	3.87				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.99	03-31-13	14.64	03-31-13	4.26
Price/Cash Flow	15.64	12-31-12	14.01	12-31-12	4.09
Price / Sales	5.49	09-30-12	11.59	09-30-12	3.39
Current Ratio		**Quick Ratio**		**Operating Margin**	
03-31-13	0.71	03-31-13	0.67	03-31-13	25.65
12-31-12	0.95	12-31-12	0.91	12-31-12	24.20
09-30-12	0.73	09-30-12	0.69	09-30-12	19.71
Net Margin		**Pre-Tax Margin**		**Book Value**	
03-31-13	26.52	03-31-13	32.94	03-31-13	10.11
12-31-12	25.73	12-31-12	33.12	12-31-12	9.90
09-30-12	21.70	09-30-12	31.82	09-30-12	9.41
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03-31-13	23.15	03-31-13	1.03	03-31-13	50.80
12-31-12	23.36	12-31-12	1.11	12-31-12	52.70
09-30-12	22.95	09-30-12	1.16	09-30-12	53.61

QUOTES
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FINANCIALS
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- Balance Sheet
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Agl Resources Inc: (NYSE: GAS)

$42.23 0.37 (0.87%) **Volume 477,539** Jun 21 03:00 PM ET

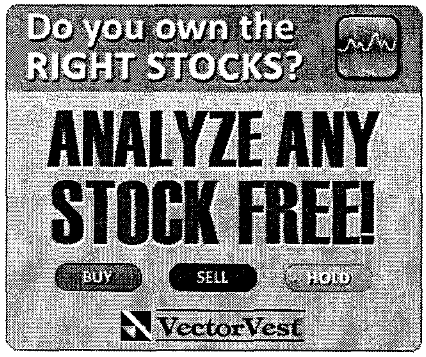
ZACKS RANK: 3-HOLD #3

Full Company Report Get Full Company Report for: Enter Symbol GO

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

GENERAL INFORMATION

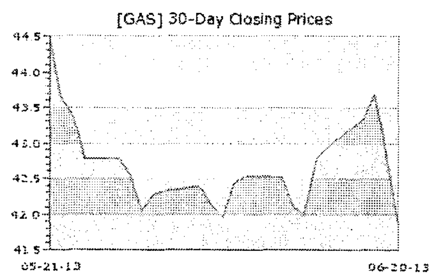
AGL RESOURCES
TEN PEACHTREE PLACE
ATLANTA, GA 30309
Phone: 4045844000
Fax: 404-584-3714
Web: http://www.aglresources.com
Email: scave@aglresources.com



Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/07/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	41.86
52 Week High	44.85
52 Week Low	36.90
Beta	0.41
20 Day Moving Average	391,409.50
Target Price Consensus	43.00



% Price Change

4 Week	-3.50
12 Week	-0.21
YTD	7.01

% Price Change Relative to S&P 500

4 Week	0.28
12 Week	-1.41
YTD	-5.73

Share Information

Shares Outstanding (millions)	118.18
Market Capitalization (millions)	4,947.06
Short Ratio	4.05
Last Split Date	12/04/95

Dividend Information

Dividend Yield	4.49%
Annual Dividend	$1.88
Payout Ratio	0.72
Change in Payout Ratio	0.08
Last Dividend Payout / Amount	05/15/2013 / $0.47

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.28

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	3.14

Current Year EPS Consensus Estimate	2.59	30 Days Ago	3.14
Estimated Long-Term EPS Growth Rate	3.50	60 Days Ago	2.59
Next EPS Report Date	08/07/2013	90 Days Ago	2.57

FUNDAMENTAL RATIOS

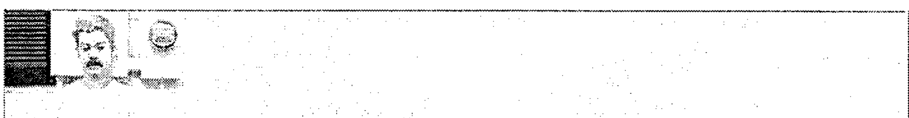
P/E		EPS Growth		Sales Growth	
Current FY Estimate	16.15	vs. Previous Year	12.93%	vs. Previous Year	21.72%
Trailing 12 Months	16.04	vs. Previous Quarter	43.96%	vs. Previous Quarter	40.31%
PEG Ratio	4.57				

Price Ratios		ROE		ROA	
Price/Book	1.39	03-31-13	8.89	03-31-13	2.23
Price/Cash Flow	7.01	12-31-12	8.43	12-31-12	2.13
Price / Sales	1.17	09-30-12	7.63	09-30-12	1.92

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	0.77	03-31-13	0.64	03-31-13	7.26
12-31-12	0.80	12-31-12	0.59	12-31-12	7.36
09-30-12	0.77	09-30-12	0.49	09-30-12	7.42

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	6.98	03-31-13	11.57	03-31-13	30.03
12-31-12	6.91	12-31-12	11.47	12-31-12	29.16
09-30-12	5.90	09-30-12	10.48	09-30-12	28.92

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	4.91	03-31-13	0.94	03-31-13	48.42
12-31-12	4.34	12-31-12	0.97	12-31-12	49.20
09-30-12	3.77	09-30-12	0.98	09-30-12	49.49



Atmos Energy Corp: (NYSE: ATO)

$38.71 -0.17 (-0.44%) **Volume 396,227** **Jun 21 03:01 PM ET**

ZACKS RANK: 2-BUY #2

Full Company Report Get Full Company Report for: Enter Symbol GO

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

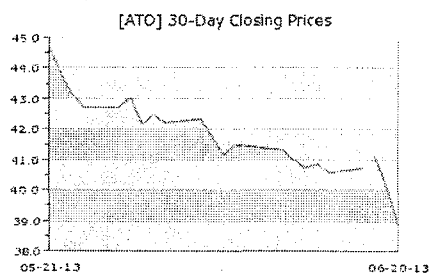
GENERAL INFORMATION

ATMOS ENERGY CP
1800 THREE LINCOLN CTR 5430 LBJ FREEWAY
DALLAS, TX 75240
Phone: 9729349227
Fax: 972-855-3040
Web: http://www.atmosenergy.com
Email: NA

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/2013
Next EPS Date	08/07/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	38.88
52 Week High	45.12
52 Week Low	32.94
Beta	0.45
20 Day Moving Average	421,751.84
Target Price Consensus	43.20



% Price Change

4 Week	-9.83
12 Week	-8.92
YTD	14.10

% Price Change Relative to S&P 500

4 Week	-6.29
12 Week	-10.01
YTD	1.30

Share Information

Shares Outstanding (millions)	90.55
Market Capitalization (millions)	3,520.54
Short Ratio	4.11
Last Split Date	05/17/94

Dividend Information

Dividend Yield	3.60%
Annual Dividend	$1.40
Payout Ratio	0.57
Change in Payout Ratio	-0.06
Last Dividend Payout / Amount	05/16/2013 / $0.35

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EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.36
Current Year EPS Consensus Estimate	2.51
Estimated Long-Term EPS Growth Rate	6.00
Next EPS Report Date	08/07/2013

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	3.00
30 Days Ago	3.00
60 Days Ago	2.86
90 Days Ago	2.57

FUNDAMENTAL RATIOS

P/E

Current FY Estimate	15.49
Trailing 12 Months	15.87
PEG Ratio	2.58

EPS Growth

vs. Previous Year	-2.34%
vs. Previous Quarter	68.92%

Sales Growth

vs. Previous Year	6.81%
vs. Previous Quarter	26.58%

Price Ratios

Price/Book	1.38
Price/Cash Flow	7.49
Price / Sales	1.01

ROE

03-31-13	9.25
12-31-12	9.51
09-30-12	9.15

ROA

03-31-13	2.91
12-31-12	2.99
09-30-12	2.86

Current Ratio

03-31-13	1.08
12-31-12	0.71
09-30-12	0.65

Quick Ratio

03-31-13	0.87
12-31-12	0.54
09-30-12	0.45

Operating Margin

03-31-13	6.45
12-31-12	6.67
09-30-12	6.22

Net Margin

03-31-13	6.80
12-31-12	6.75
09-30-12	6.30

Pre-Tax Margin

03-31-13	9.39
12-31-12	9.26
09-30-12	8.45

Book Value

03-31-13	28.12
12-31-12	26.80
09-30-12	26.16

Inventory Turnover

03-31-13	10.68
12-31-12	10.10
09-30-12	9.85

Debt-to-Equity

03-31-13	0.97
12-31-12	0.81
09-30-12	0.83

Debt to Capital

03-31-13	49.12
12-31-12	44.66
09-30-12	45.33

Laclede Group Inc: (NYSE: LG)

ZACKS RANK: 3-HOLD

$44.49 -0.03 (-0.06%) Volume 232,395 Jun 21 03:02 PM ET

#3

Full Company Report

Get Full Company Report for: Enter Symbol GO

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

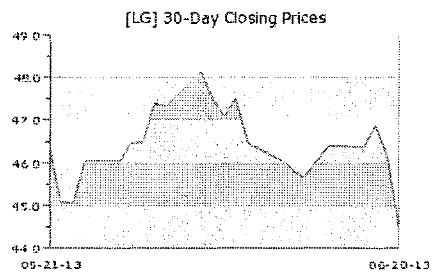
GENERAL INFORMATION

LACLEDE GRP INC
720 OLIVE ST
ST LOUIS, MO 63101
Phone: 3143420500
Fax: 314-421-1979
Web: http://www.thelacledegroup.com
Email: mkullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/2013
Next EPS Date	07/26/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	44.52
52 Week High	48.50
52 Week Low	37.35
Beta	0.07
20 Day Moving Average	636,594.00
Target Price Consensus	46.00



% Price Change

4 Week	-1.20
12 Week	4.26
YTD	19.42

% Price Change Relative to S&P 500

4 Week	2.68
12 Week	3.02
YTD	5.38

Share Information

Shares Outstanding (millions)	31.34
Market Capitalization (millions)	1,395.44
Short Ratio	11.75
Last Split Date	03/08/94

Dividend Information

Dividend Yield	3.82%
Annual Dividend	$1.70
Payout Ratio	0.55
Change in Payout Ratio	-0.04
Last Dividend Payout / Amount	06/07/2013 / $0.43

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.22

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.50

Current Year EPS Consensus Estimate	2.72	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	3.00
Next EPS Report Date	07/26/2013	90 Days Ago	3.00

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	16.36	vs. Previous Year	13.39%	vs. Previous Year	11.01%
Trailing 12 Months	14.31	vs. Previous Quarter	15.20%	vs. Previous Quarter	29.51%
PEG Ratio	5.45				

Price Ratios		ROE		ROA	
Price/Book	1.57	03-31-13	11.33	03-31-13	3.70
Price/Cash Flow	9.64	12-31-12	10.77	12-31-12	3.60
Price / Sales	1.32	09-30-12	10.36	09-30-12	3.45

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	2.22	03-31-13	2.00	03-31-13	6.60
12-31-12	1.45	12-31-12	1.08	12-31-12	6.45
09-30-12	1.36	09-30-12	0.94	09-30-12	5.57

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	5.99	03-31-13	8.31	03-31-13	28.35
12-31-12	6.17	12-31-12	8.55	12-31-12	27.56
09-30-12	5.57	09-30-12	7.90	09-30-12	26.73

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	8.65	03-31-13	0.73	03-31-13	42.05
12-31-12	7.66	12-31-12	0.59	12-31-12	36.99
09-30-12	8.28	09-30-12	0.56	09-30-12	36.07

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Visit performance for information about the performance numbers displayed above.

NYSE and AMEX data is at least 20 minutes delayed. NASDAQ data is at least 15 minutes delayed.

New Jersey Resources Corp: (NYSE: NJR)

ZACKS RANK: 3-HOLD #3

$42.04 0.12 (0.29%) **Volume 271,802** Jun 21 03:03 PM ET

Full Company Report Get Full Company Report for: Enter Symbol GO

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

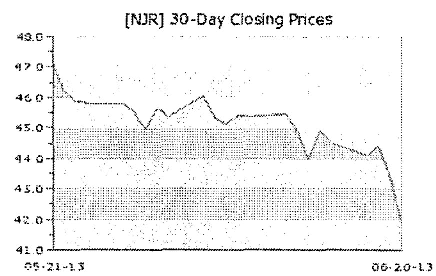
GENERAL INFORMATION

NJ RESOURCES
1415 WYCKOFF RD PO BOX 1468
WALL, NJ 07719
Phone: 9089381494
Fax: 732-938-3154
Web: http://www.njresources.com
Email: dpuma@njresources.com

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/2013
Next EPS Date	08/08/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	41.92
52 Week High	47.60
52 Week Low	38.51
Beta	0.21
20 Day Moving Average	137,358.05
Target Price Consensus	46.60



% Price Change

4 Week	-8.63
12 Week	-6.53
YTD	9.46

% Price Change Relative to S&P 500

4 Week	-5.05
12 Week	-7.65
YTD	-1.60

Share Information

Shares Outstanding (millions)	41.78
Market Capitalization (millions)	1,751.29
Short Ratio	15.47
Last Split Date	03/04/08

Dividend Information

Dividend Yield	3.82%
Annual Dividend	$1.60
Payout Ratio	0.69
Change in Payout Ratio	0.12
Last Dividend Payout / Amount	06/12/2013 / $0.40

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EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.22
Current Year EPS Consensus Estimate	2.64
Estimated Long-Term EPS Growth Rate	4.00
Next EPS Report Date	08/08/2013

CONSENSUS RECOMMENDATIONS

Sub

Current (1=Strong Buy, 5=Strong Sell)	2.86
30 Days Ago	2.86
60 Days Ago	2.86
90 Days Ago	2.86

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	15.87	vs. Previous Year	-8.94%	vs. Previous Year	56.77%
Trailing 12 Months	18.15	vs. Previous Quarter	91.76%	vs. Previous Quarter	30.55%
PEG Ratio	3.97				

Price Ratios		ROE		ROA	
Price/Book	1.95	03-31-13	11.39	03-31-13	3.43
Price/Cash Flow	11.32	12-31-12	12.16	12-31-12	3.71
Price / Sales	0.65	09-30-12	13.49	09-30-12	4.10

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	1.04	03-31-13	0.79	03-31-13	3.61
12-31-12	0.97	12-31-12	0.56	12-31-12	4.38
09-30-12	0.99	09-30-12	0.57	09-30-12	5.00

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	3.22	03-31-13	3.43	03-31-13	21.47
12-31-12	4.09	12-31-12	4.31	12-31-12	20.70
09-30-12	4.13	09-30-12	4.00	09-30-12	19.57

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	9.69	03-31-13	0.59	03-31-13	37.02
12-31-12	8.29	12-31-12	0.61	12-31-12	38.04
09-30-12	8.22	09-30-12	0.65	09-30-12	39.22

Northwest Natural Gas: (NYSE: NWN)

ZACKS RANK: 3-HOLD

$41.86 -0.12 (-0.29%) **Volume 209,391** Jun 21 03:03 PM ET #3

Full Company Report Get Full Company Report for: Enter Symbol GO

NW Natural is principally engaged in the distribution of natural gas. The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

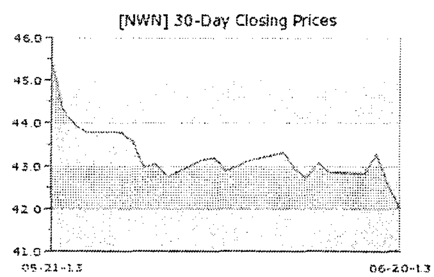
GENERAL INFORMATION

NORTHWEST NAT G
ONE PACIFIC SQUARE 220 NW SECOND AVE
PORTLAND, OR 97209
Phone: 5032264211
Fax: 503-273-4824
Web: http://www.nwnatural.com
Email: bob.hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/09/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	41.98
52 Week High	50.80
52 Week Low	41.01
Beta	0.22
20 Day Moving Average	107,862.95
Target Price Consensus	45.25



% Price Change

4 Week	-4.48
12 Week	-4.20
YTD	-3.73

% Price Change Relative to S&P 500

4 Week	-0.73
12 Week	-5.35
YTD	-15.05

Share Information

Shares Outstanding (millions)	26.95
Market Capitalization (millions)	1,131.32
Short Ratio	13.02
Last Split Date	09/09/96

Dividend Information

Dividend Yield	4.34%
Annual Dividend	$1.82
Payout Ratio	0.82
Change in Payout Ratio	0.17
Last Dividend Payout / Amount	04/26/2013 / $0.46

EPS INFORMATION

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Current Quarter EPS Consensus Estimate	0.09
Current Year EPS Consensus Estimate	2.26
Estimated Long-Term EPS Growth Rate	3.80
Next EPS Report Date	08/09/2013

CONSENSUS RECOMMENDATIONS

Sub

Current (1=Strong Buy, 5=Strong Sell)	3.38
30 Days Ago	3.38
60 Days Ago	3.50
90 Days Ago	3.50

FUNDAMENTAL RATIOS

P/E

Current FY Estimate	18.58
Trailing 12 Months	19.00
PEG Ratio	4.85

EPS Growth

vs. Previous Year	-7.28%
vs. Previous Quarter	33.33%

Sales Growth

vs. Previous Year	-12.48%
vs. Previous Quarter	21.08%

Price Ratios

Price/Book	1.49
Price/Cash Flow	8.32
Price / Sales	1.61

ROE

03-31-13	8.09
12-31-12	8.54
09-30-12	8.71

ROA

03-31-13	2.18
12-31-12	2.30
09-30-12	2.35

Current Ratio

03-31-13	0.82
12-31-12	0.77
09-30-12	0.57

Quick Ratio

03-31-13	0.65
12-31-12	0.59
09-30-12	0.36

Operating Margin

03-31-13	8.47
12-31-12	8.42
09-30-12	8.08

Net Margin

03-31-13	8.08
12-31-12	8.05
09-30-12	7.73

Pre-Tax Margin

03-31-13	14.15
12-31-12	14.23
09-30-12	13.48

Book Value

03-31-13	28.11
12-31-12	27.28
09-30-12	26.74

Inventory Turnover

03-31-13	6.98
12-31-12	7.15
09-30-12	7.45

Debt-to-Equity

03-31-13	0.91
12-31-12	0.94
09-30-12	0.89

Debt to Capital

03-31-13	47.76
12-31-12	48.55
09-30-12	47.21

Piedmont Natural Gas Co Inc: (NYSE: PNY)

ZACKS RANK: 3-HOLD
#3

$32.98 0.13 (0.40%) **Volume 414,531** Jun 21 03:06 PM ET

Full Company Report

Get Full Company Report for: Enter Symbol GO

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

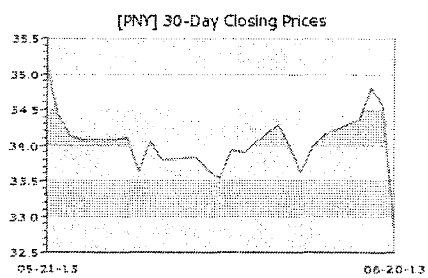
GENERAL INFORMATION

PIEDMONT NAT GA
4720 PIEDMONT ROW DR
CHARLOTTE, NC 28233
Phone: 7043643120
Fax: 704-365-3849
Web: http://www.piedmontng.com
Email: investorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	October
Last Reported Quarter	04/30/2013
Next EPS Date	09/06/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	32.85
52 Week High	35.53
52 Week Low	28.51
Beta	0.29
20 Day Moving Average	307,161.84
Target Price Consensus	33.29



% Price Change

4 Week	-3.75
12 Week	-0.09
YTD	10.38

% Price Change Relative to S&P 500

4 Week	0.03
12 Week	-1.29
YTD	-4.38

Share Information

Shares Outstanding (millions)	75.52
Market Capitalization (millions)	2,480.83
Short Ratio	12.09
Last Split Date	11/01/04

Dividend Information

Dividend Yield	3.77%
Annual Dividend	$1.24
Payout Ratio	0.68
Change in Payout Ratio	-0.03
Last Dividend Payout / Amount	03/21/2013 / $0.31

EPS INFORMATION

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Current Quarter EPS Consensus Estimate	-0.08
Current Year EPS Consensus Estimate	1.73
Estimated Long-Term EPS Growth Rate	4.30
Next EPS Report Date	09/06/2013

CONSENSUS RECOMMENDATIONS

Sub

Current (1=Strong Buy, 5=Strong Sell)	3.25
30 Days Ago	3.25
60 Days Ago	3.00
90 Days Ago	3.00

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	18.97	vs. Previous Year	5.71%	vs. Previous Year	29.50%
Trailing 12 Months	17.95	vs. Previous Quarter	-37.29%	vs. Previous Quarter	-22.58%
PEG Ratio	4.41				

Price Ratios		ROE		ROA	
Price/Book	2.02	04-30-13	12.28	04-30-13	3.51
Price/Cash Flow	10.35	01-31-13	12.23	01-31-13	3.50
Price / Sales	1.97	10-31-12	11.51	10-31-12	3.37

Current Ratio		Quick Ratio		Operating Margin	
04-30-13	0.47	04-30-13	0.39	04-30-13	10.74
01-31-13	0.51	01-31-13	0.42	01-31-13	11.10
10-31-12	0.52	10-31-12	0.39	10-31-12	10.67

Net Margin		Pre-Tax Margin		Book Value	
04-30-13	10.74	04-30-13	17.02	04-30-13	16.30
01-31-13	11.10	01-31-13	17.84	01-31-13	15.15
10-31-12	10.67	10-31-12	17.64	10-31-12	14.25

Inventory Turnover		Debt-to-Equity		Debt to Capital	
04-30-13	13.10	04-30-13	0.71	04-30-13	41.55
01-31-13	10.92	01-31-13	0.80	01-31-13	44.33
10-31-12	9.65	10-31-12	0.95	10-31-12	48.70

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South Jersey Industries Inc: (NYSE: SJI)

ZACKS RANK: 3-HOLD #3

$56.20 0.28 (0.50%) Volume 128,338 Jun 21 03:06 PM ET

Full Company Report Get Full Company Report for: Enter Symbol GO

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

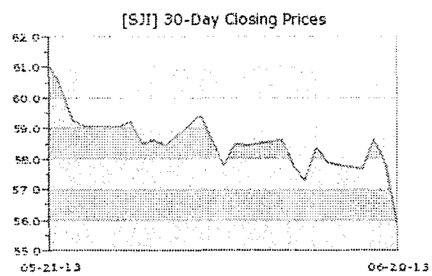
GENERAL INFORMATION

SOUTH JERSEY IN
1 SOUTH JERSEY PLAZA ROUTE 54
FOLSOM, NJ 08037
Phone: 609-561-9000
Fax: 609-561-8225
Web: http://www.sjindustries.com
Email: NA

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/06/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	55.92
52 Week High	61.78
52 Week Low	45.81
Beta	0.31
20 Day Moving Average	88,193.00
Target Price Consensus	65.00



% Price Change

4 Week	-5.64
12 Week	0.59
YTD	14.88

% Price Change Relative to S&P 500

4 Week	-1.93
12 Week	-0.61
YTD	0.77

Share Information

Shares Outstanding (millions)	31.96
Market Capitalization (millions)	1,787.20
Short Ratio	10.08
Last Split Date	07/01/05

Dividend Information

Dividend Yield	3.17%
Annual Dividend	$1.77
Payout Ratio	0.61
Change in Payout Ratio	0.08
Last Dividend Payout / Amount	06/06/2013 / $0.44

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.36

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.25

Current Year EPS Consensus Estimate	3.15	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	1.50
Next EPS Report Date	08/06/2013	90 Days Ago	1.50

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	17.75	vs. Previous Year	-7.88%	vs. Previous Year	-6.99%
Trailing 12 Months	19.22	vs. Previous Quarter	55.10%	vs. Previous Quarter	29.40%
PEG Ratio	2.96				

Price Ratios		ROE		ROA	
Price/Book	2.28	03-31-13	12.73	03-31-13	3.67
Price/Cash Flow	11.78	12-31-12	13.46	12-31-12	3.88
Price / Sales	2.60	09-30-12	14.21	09-30-12	4.09

Current Ratio		Quick Ratio		Operating Margin	
03-31-13	0.74	03-31-13	0.66	03-31-13	13.35
12-31-12	0.61	12-31-12	0.52	12-31-12	13.21
09-30-12	0.59	09-30-12	0.47	09-30-12	13.36

Net Margin		Pre-Tax Margin		Book Value	
03-31-13	11.70	03-31-13	12.12	03-31-13	24.50
12-31-12	12.97	12-31-12	14.44	12-31-12	23.55
09-30-12	14.61	09-30-12	16.58	09-30-12	22.54

Inventory Turnover		Debt-to-Equity		Debt to Capital	
03-31-13	9.93	03-31-13	0.77	03-31-13	43.60
12-31-12	9.81	12-31-12	0.82	12-31-12	44.96
09-30-12	9.00	09-30-12	0.81	09-30-12	44.87

Southwest Gas Corp: (NYSE: SWX)

ZACKS RANK: 4-SELL #4

$46.05 0.29 (0.63%) **Volume 186,371** Jun 21 03:07 PM ET

Full Company Report

Get Full Company Report for: Enter Symbol GO

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing, transporting, and distributing natural gas in portions of Arizona, Nevada, and California. The Company also engaged in financial services activities, through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

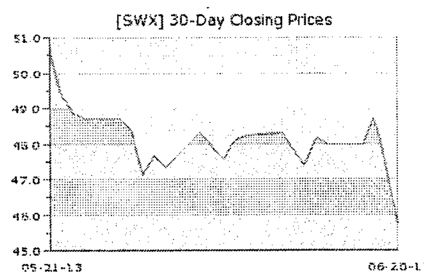
GENERAL INFORMATION

SOUTHWEST GAS
5241 SPRING MOUNTAIN RD PO BOX 98510
LAS VEGAS, NV 89193-8510
Phone: 7028767237
Fax: 702-876-7037
Web: http://www.swgas.com
Email: NA

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	December
Last Reported Quarter	03/31/2013
Next EPS Date	08/06/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	45.76
52 Week High	51.52
52 Week Low	39.01
Beta	0.67
20 Day Moving Average	142,172.25
Target Price Consensus	49.00



% Price Change

4 Week	-6.33
12 Week	-3.58
YTD	11.67

% Price Change Relative to S&P 500

4 Week	-2.65
12 Week	-4.74
YTD	-0.77

Share Information

Shares Outstanding (millions)	46.33
Market Capitalization (millions)	2,120.01
Short Ratio	5.96
Last Split Date	NA

Dividend Information

Dividend Yield	2.88%
Annual Dividend	$1.32
Payout Ratio	0.41
Change in Payout Ratio	-0.05
Last Dividend Payout / Amount	05/13/2013 / $0.33

EPS INFORMATION

Current Quarter EPS Consensus Estimate	0.07

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	2.43

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Current Year EPS Consensus Estimate	2.90	30 Days Ago	2.75
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.29
Next EPS Report Date	08/06/2013	90 Days Ago	2.38

FUNDAMENTAL RATIOS

P/E		EPS Growth		Sales Growth	
Current FY Estimate	15.78	vs. Previous Year	-2.94%	vs. Previous Year	-6.71%
Trailing 12 Months	15.73	vs. Previous Quarter	37.50%	vs. Previous Quarter	25.57%
PEG Ratio	3.01				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.54	03-31-13	10.36	03-31-13	3.12
Price/Cash Flow	6.39	12-31-12	10.68	12-31-12	3.16
Price / Sales	1.13	09-30-12	10.82	09-30-12	3.18
Current Ratio		**Quick Ratio**		**Operating Margin**	
03-31-13	0.89	03-31-13	0.89	03-31-13	7.20
12-31-12	0.86	12-31-12	0.86	12-31-12	7.13
09-30-12	0.75	09-30-12	0.75	09-30-12	7.00
Net Margin		**Pre-Tax Margin**		**Book Value**	
03-31-13	7.18	03-31-13	11.23	03-31-13	29.78
12-31-12	6.92	12-31-12	10.78	12-31-12	28.36
09-30-12	6.45	09-30-12	9.99	09-30-12	27.42
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
03-31-13	NA	03-31-13	0.91	03-31-13	47.57
12-31-12	NA	12-31-12	0.97	12-31-12	49.22
09-30-12	NA	09-30-12	0.99	09-30-12	49.82

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FINANCIALS
Financial Overview
Income Statements
Balance Sheet
Cash flow Statements

Wgl Holdings Inc: (NYSE: WGL)

ZACKS RANK: 2-BUY #2

$42.10 0.32 (0.77%) **Volume 256,930** Jun 21 03:08 PM ET

Full Company Report Get Full Company Report for: Enter Symbol GO

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

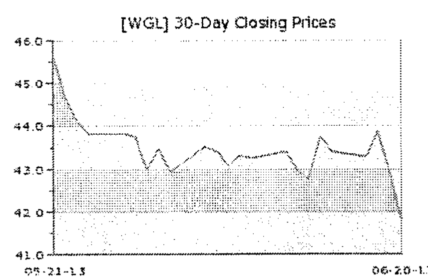
GENERAL INFORMATION

WGL HLDGS INC
101 CONSTITUTION AVE N.W.
WASHINGTON, DC 20080
Phone: 2026246011
Fax: 703-750-4828
Web: http://www.wglholdings.com
Email: robertdennis@washgas.com

Industry	UTIL-GAS DISTR
Sector	Utilities
Fiscal Year End	September
Last Reported Quarter	03/31/2013
Next EPS Date	08/09/2013

PRICE AND VOLUME INFORMATION

Zacks Rank	
Yesterday's Close	41.78
52 Week High	46.22
52 Week Low	35.96
Beta	0.22
20 Day Moving Average	153,174.25
Target Price Consensus	43.20



% Price Change

4 Week	-5.35
12 Week	-5.26
YTD	9.36

% Price Change Relative to S&P 500

4 Week	-1.63
12 Week	-6.39
YTD	-2.89

Share Information

Shares Outstanding (millions)	51.70
Market Capitalization (millions)	2,160.15
Short Ratio	6.00
Last Split Date	05/02/95

Dividend Information

Dividend Yield	4.02%
Annual Dividend	$1.68
Payout Ratio	0.56
Change in Payout Ratio	-0.06
Last Dividend Payout / Amount	04/08/2013 / $0.42

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EPS INFORMATION

Current Quarter EPS Consensus Estimate	-0.05
Current Year EPS Consensus Estimate	2.50
Estimated Long-Term EPS Growth Rate	5.30
Next EPS Report Date	08/09/2013

CONSENSUS RECOMMENDATIONS

Current (1=Strong Buy, 5=Strong Sell)	3.14
30 Days Ago	3.14
60 Days Ago	3.00
90 Days Ago	3.00

FUNDAMENTAL RATIOS

P/E

Current FY Estimate	16.72
Trailing 12 Months	14.56
PEG Ratio	3.18

EPS Growth

vs. Previous Year	10.76%
vs. Previous Quarter	53.51%

Sales Growth

vs. Previous Year	6.19%
vs. Previous Quarter	29.80%

Price Ratios

Price/Book	1.57
Price/Cash Flow	9.11
Price / Sales	0.89

ROE

03-31-13	11.37
12-31-12	10.84
09-30-12	10.95

ROA

03-31-13	3.57
12-31-12	3.39
09-30-12	3.42

Current Ratio

03-31-13	1.14
12-31-12	1.04
09-30-12	1.10

Quick Ratio

03-31-13	0.90
12-31-12	0.73
09-30-12	0.69

Operating Margin

03-31-13	6.10
12-31-12	5.85
09-30-12	5.73

Net Margin

03-31-13	6.50
12-31-12	6.00
09-30-12	5.82

Pre-Tax Margin

03-31-13	10.36
12-31-12	9.87
09-30-12	9.67

Book Value

03-31-13	26.59
12-31-12	25.24
09-30-12	24.62

Inventory Turnover

03-31-13	7.19
12-31-12	7.00
09-30-12	6.89

Debt-to-Equity

03-31-13	0.40
12-31-12	0.42
09-30-12	0.46

Debt to Capital

03-31-13	28.35
12-31-12	29.38
09-30-12	31.23

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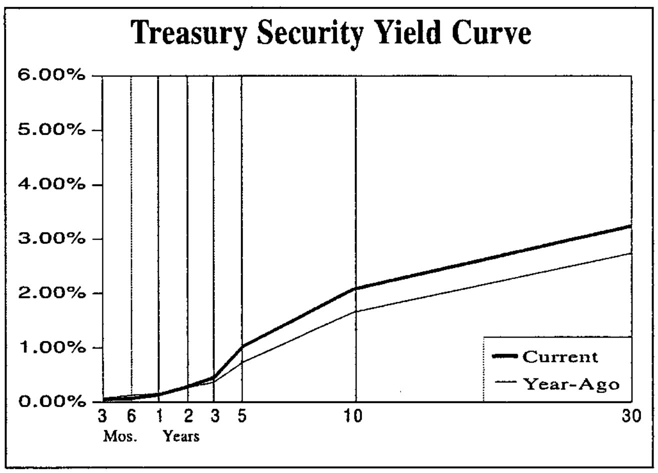
Visit performance for information about the performance numbers displayed above.

ATTACHMENT D

ATTACHMENT D

Selected Yields

	Recent (6/05/13)	3 Months Ago (3/06/13)	Year Ago (6/06/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.17	0.20	0.30
3-month LIBOR	0.27	0.28	0.47
Bank CDs			
6-month	0.08	0.10	0.21
1-year	0.10	0.13	0.32
5-year	0.64	0.70	1.11
U.S. Treasury Securities			
3-month	0.05	0.09	0.08
6-month	0.07	0.11	0.13
1-year	0.13	0.15	0.17
5-year	1.02	0.81	0.73
10-year	2.08	1.95	1.66
10-year (inflation-protected)	-0.10	-0.64	-0.52
30-year	3.24	3.16	2.74
30-year Zero	3.49	3.42	2.95



	Recent (6/05/13)	3 Months Ago (3/06/13)	Year Ago (6/06/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.31	1.77	1.37
FHLMC 5.5% (Gold)	2.68	2.25	2.16
FNMA 5.5%	2.27	1.88	1.97
FNMA ARM	2.13	2.12	2.29
Corporate Bonds			
Financial (10-year) A	3.27	3.03	3.40
Industrial (25/30-year) A	4.26	4.08	4.05
Utility (25/30-year) A	4.19	4.07	3.98
Utility (25/30-year) Baa/BBB	4.60	4.42	4.38
Foreign Bonds (10-Year)			
Canada	2.05	1.85	1.81
Germany	1.51	1.46	1.34
Japan	0.85	0.65	0.85
United Kingdom	2.01	1.96	1.66
Preferred Stocks			
Utility A	5.55	5.40	5.30
Financial BBB	5.06	5.93	6.52
Financial Adjustable A	5.53	5.53	5.53
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.84	3.74	3.77
25-Bond Index (Revs)	4.39	4.29	4.73
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.19	0.21
1-year A	0.88	0.78	0.93
5-year Aaa	1.01	0.80	0.78
5-year A	1.94	1.78	1.74
10-year Aaa	2.21	2.01	1.95
10-year A	3.21	2.89	2.98
25/30-year Aaa	3.36	3.13	3.47
25/30-year A	5.11	4.82	4.81
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.38	4.21	4.32
Electric AA	4.53	4.34	4.63
Housing AA	4.87	4.64	4.69
Hospital AA	4.62	4.45	4.54
Toll Road Aaa	4.56	4.37	4.38

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	5/29/13	5/15/13	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1897054	1823318	73736	1762549	1632938	1544745
Borrowed Reserves	410	422	-12	403	547	1866
Net Free/Borrowed Reserves	1896644	1822896	73748	1762146	1632390	1542879

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

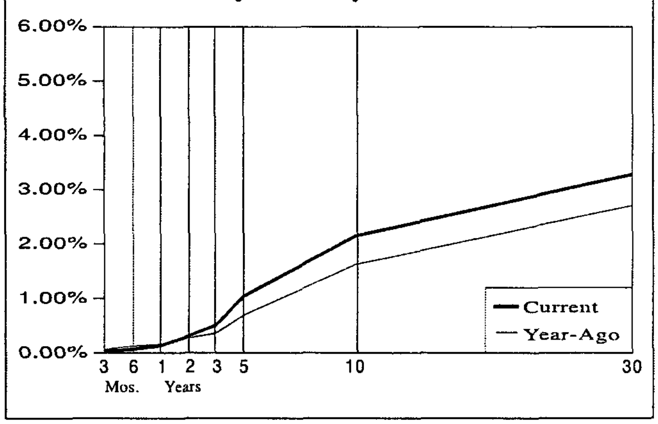
	Recent Levels			Ann'l Growth Rates Over the Last...		
	5/20/13	5/13/13	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2533.8	2540.0	-6.2	8.0%	10.1%	12.0%
M2 (M1+savings+small time deposits)	10541.5	10553.4	-11.9	4.6%	5.2%	6.7%

Source: United States Federal Reserve Bank

Selected Yields

	Recent (5/29/13)	3 Months Ago (2/27/13)	Year Ago (5/30/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.16	0.21	0.31
3-month LIBOR	0.28	0.29	0.47
Bank CDs			
6-month	0.08	0.10	0.21
1-year	0.10	0.13	0.33
5-year	0.64	0.70	1.12
U.S. Treasury Securities			
3-month	0.03	0.10	0.07
6-month	0.07	0.13	0.13
1-year	0.13	0.15	0.17
5-year	1.04	0.76	0.69
10-year	2.14	1.88	1.62
10-year (inflation-protected)	-0.14	-0.63	-0.48
30-year	3.28	3.08	2.71
30-year Zero	3.51	3.37	2.93

Treasury Security Yield Curve



	Recent (5/29/13)	3 Months Ago (2/27/13)	Year Ago (5/30/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.25	1.59	1.32
FHLMC 5.5% (Gold)	2.57	2.22	2.15
FNMA 5.5%	2.19	1.83	1.97
FNMA ARM	2.12	2.23	2.32
Corporate Bonds			
Financial (10-year) A	3.27	2.99	3.28
Industrial (25/30-year) A	4.28	4.03	3.98
Utility (25/30-year) A	4.19	4.03	3.91
Utility (25/30-year) Baa/BBB	4.51	4.40	4.39
Foreign Bonds (10-Year)			
Canada	2.07	1.87	1.80
Germany	1.53	1.45	1.27
Japan	0.93	0.67	0.85
United Kingdom	2.00	1.96	1.65
Preferred Stocks			
Utility A	5.74	5.37	5.32
Financial BBB	6.34	5.92	6.51
Financial Adjustable A	5.53	5.53	5.53
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.70	3.74	3.81
25-Bond Index (Revs)	4.30	4.30	4.76
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.16	0.21
1-year A	0.82	0.74	0.92
5-year Aaa	0.91	0.87	0.80
5-year A	1.84	1.79	1.74
10-year Aaa	2.11	2.04	2.00
10-year A	3.11	2.90	3.03
25/30-year Aaa	3.28	3.13	3.51
25/30-year A	5.03	4.83	4.83
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.29	4.21	4.35
Electric AA	4.46	4.34	4.66
Housing AA	4.78	4.64	4.72
Hospital AA	4.55	4.47	4.56
Toll Road Aaa	4.51	4.37	4.42

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	5/15/13	5/1/13	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1823317	1751983	71334	1722318	1600204	1528214
Borrowed Reserves	422	407	15	412	599	2090
Net Free/Borrowed Reserves	1822895	1751576	71319	1721907	1599605	1526124

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	5/13/13	5/6/13	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2540.1	2540.3	-0.2	8.6%	10.2%	12.4%
M2 (M1+savings+small time deposits)	10553.4	10540.7	12.7	4.1%	5.2%	7.0%

Source: United States Federal Reserve Bank

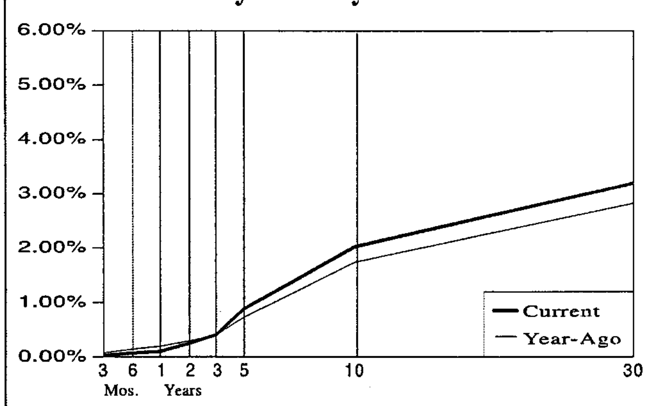
Selected Yields

	Recent (5/22/13)	3 Months Ago (2/20/13)	Year Ago (5/23/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.17	0.20	0.31
3-month LIBOR	0.27	0.29	0.47
Bank CDs			
6-month	0.09	0.10	0.21
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.12
U.S. Treasury Securities			
3-month	0.03	0.12	0.08
6-month	0.07	0.13	0.14
1-year	0.10	0.15	0.19
5-year	0.89	0.84	0.73
10-year	2.02	1.99	1.74
10-year (inflation-protected)	-0.26	-0.68	-0.45
30-year	3.19	3.18	2.82
30-year Zero	3.47	3.47	3.03

	Recent (5/22/13)	3 Months Ago (2/20/13)	Year Ago (5/23/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.19	1.60	1.14
FHLMC 5.5% (Gold)	2.36	2.32	2.19
FNMA 5.5%	1.99	2.01	1.99
FNMA ARM	2.12	2.23	2.32
Corporate Bonds			
Financial (10-year) A	3.04	3.08	3.39
Industrial (25/30-year) A	4.20	4.12	4.03
Utility (25/30-year) A	4.12	4.12	3.98
Utility (25/30-year) Baa/BBB	4.52	4.45	4.50
Foreign Bonds (10-Year)			
Canada	1.97	2.02	1.88
Germany	1.43	1.65	1.38
Japan	0.89	0.75	0.87
United Kingdom	1.90	2.19	1.77
Preferred Stocks			
Utility A	5.59	5.51	5.32
Financial BBB	6.22	5.91	6.50
Financial Adjustable A	5.52	5.52	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.61	3.72	3.75
25-Bond Index (Revs)	4.25	4.30	4.75
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.19	0.21
1-year A	0.81	0.79	0.91
5-year Aaa	0.86	0.85	0.80
5-year A	1.79	1.85	1.75
10-year Aaa	2.05	2.00	1.97
10-year A	3.05	2.93	3.03
25/30-year Aaa	3.24	3.15	3.51
25/30-year A	4.99	4.86	4.83
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.28	4.22	4.35
Electric AA	4.42	4.35	4.65
Housing AA	4.74	4.65	4.75
Hospital AA	4.56	4.47	4.56
Toll Road Aaa	4.41	4.37	4.42

Source: Bloomberg Finance L.P.

Treasury Security Yield Curve



Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels 5/15/13	Recent Levels 5/1/13	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1823319	1751984	71335	1722319	1600204	1528214
Borrowed Reserves	422	407	15	412	599	2090
Net Free/Borrowed Reserves	1822897	1751577	71320	1721907	1599605	1526124

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels 5/6/13	Recent Levels 4/29/13	Change	Ann'l Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2540.2	2523.1	17.1	9.8%	9.5%	12.7%
M2 (M1+savings+small time deposits)	10540.2	10535.0	5.2	4.2%	4.4%	6.9%

Source: United States Federal Reserve Bank

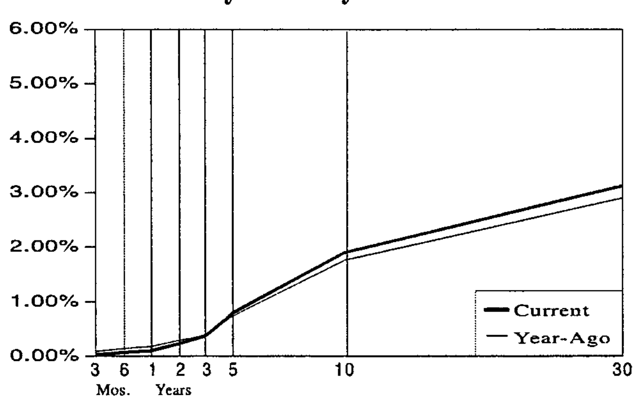
Selected Yields

	Recent (5/15/13)	3 Months Ago (2/13/13)	Year Ago (5/16/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.19	0.21	0.31
3-month LIBOR	0.27	0.29	0.47
Bank CDs			
6-month	0.09	0.10	0.22
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.12
U.S. Treasury Securities			
3-month	0.03	0.09	0.09
6-month	0.07	0.12	0.14
1-year	0.10	0.15	0.18
5-year	0.80	0.89	0.74
10-year	1.90	2.04	1.76
10-year (inflation-protected)	-0.40	-0.68	-0.38
30-year	3.12	3.22	2.90
30-year Zero	3.41	3.48	3.13

	Recent (5/15/13)	3 Months Ago (2/13/13)	Year Ago (5/16/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.08	1.85	1.13
FHLMC 5.5% (Gold)	2.22	2.16	2.09
FNMA 5.5%	1.87	1.90	1.87
FNMA ARM	2.12	2.23	2.32
Corporate Bonds			
Financial (10-year) A	2.96	3.23	3.36
Industrial (25/30-year) A	4.13	4.18	4.05
Utility (25/30-year) A	4.07	4.15	4.00
Utility (25/30-year) Baa/BBB	4.42	4.50	4.48
Foreign Bonds (10-Year)			
Canada	1.92	2.04	1.92
Germany	1.38	1.67	1.47
Japan	0.86	0.75	0.83
United Kingdom	1.92	2.21	1.88
Preferred Stocks			
Utility A	5.47	5.50	5.31
Financial BBB	6.22	5.92	6.69
Financial Adjustable A	5.51	5.51	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.67	3.68	3.71
25-Bond Index (Revs)	4.22	4.29	4.73
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.20	0.21
1-year A	0.82	0.78	0.95
5-year Aaa	0.85	0.83	0.78
5-year A	1.78	1.83	1.78
10-year Aaa	1.99	1.99	1.92
10-year A	2.99	2.90	3.06
25/30-year Aaa	3.19	3.12	3.50
25/30-year A	4.94	4.83	4.95
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.24	4.21	4.30
Electric AA	4.37	4.31	4.60
Housing AA	4.69	4.68	4.70
Hospital AA	4.54	4.43	4.56
Toll Road Aaa	4.39	4.36	4.42

Source: Bloomberg Finance L.P.

Treasury Security Yield Curve



Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	5/1/13	4/17/13	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1751987	1793542	-41555	1687300	1571604	1514671
Borrowed Reserves	407	397	10	428	666	2320
Net Free/Borrowed Reserves	1751580	1793145	-41565	1686872	1570938	1512351

MONEY SUPPLY

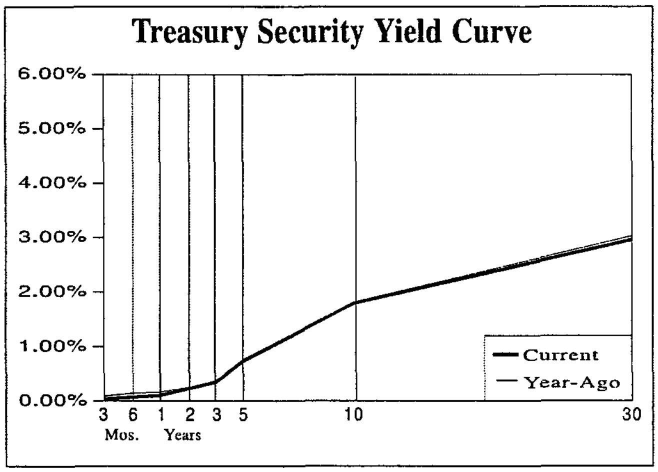
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/29/13	4/22/13	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2523.1	2508.5	14.6	10.1%	8.4%	12.0%
M2 (M1+savings+small time deposits)	10535.0	10501.4	33.6	4.4%	4.8%	6.9%

Source: United States Federal Reserve Bank

Selected Yields

	Recent (5/08/13)	3 Months Ago (2/06/13)	Year Ago (5/09/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.19	0.21	0.32
3-month LIBOR	0.28	0.29	0.47
Bank CDs			
6-month	0.09	0.10	0.22
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.13
U.S. Treasury Securities			
3-month	0.04	0.07	0.09
6-month	0.07	0.11	0.14
1-year	0.10	0.15	0.17
5-year	0.73	0.85	0.76
10-year	1.79	1.98	1.82
10-year (inflation-protected)	-0.52	-0.72	-0.34
30-year	2.96	3.18	3.03
30-year Zero	3.25	3.42	3.27



	Recent (5/08/13)	3 Months Ago (2/06/13)	Year Ago (5/09/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.04	1.83	1.09
FHLMC 5.5% (Gold)	2.13	2.06	2.08
FNMA 5.5%	1.86	1.83	1.86
FNMA ARM	2.12	2.23	2.39
Corporate Bonds			
Financial (10-year) A	2.83	3.18	3.34
Industrial (25/30-year) A	3.96	4.14	4.14
Utility (25/30-year) A	3.94	4.09	4.07
Utility (25/30-year) Baa/BBB	4.29	4.45	4.54
Foreign Bonds (10-Year)			
Canada	1.81	2.00	1.98
Germany	1.27	1.63	1.52
Japan	0.60	0.78	0.85
United Kingdom	1.77	2.10	1.90
Preferred Stocks			
Utility A	5.46	5.48	5.31
Financial BBB	6.20	5.90	6.18
Financial Adjustable A	5.51	5.51	5.51
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.77	3.67	3.81
25-Bond Index (Revs)	4.19	4.29	4.77
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.22	0.18
1-year A	0.79	0.82	0.98
5-year Aaa	0.81	0.85	0.83
5-year A	1.73	1.85	1.84
10-year Aaa	1.93	2.02	1.96
10-year A	2.92	2.92	3.11
25/30-year Aaa	3.12	3.14	3.56
25/30-year A	4.86	4.85	5.03
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.21	4.22	4.28
Electric AA	4.34	4.33	4.60
Housing AA	4.67	4.68	4.77
Hospital AA	4.48	4.45	4.58
Toll Road Aaa	4.35	4.39	4.42

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	5/1/13	**4/17/13**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1751987	1793542	-41555	1687300	1571604	1514671
Borrowed Reserves	407	397	10	428	666	2320
Net Free/Borrowed Reserves	1751580	1793145	-41565	1686872	1570938	1512351

MONEY SUPPLY

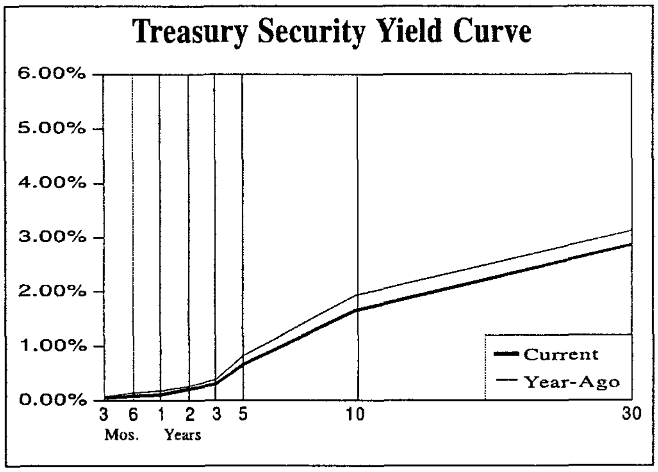
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/22/13	**4/15/13**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	2508.5	2486.9	21.6	9.5%	8.7%	11.6%
M2 (M1+savings+small time deposits)	10501.0	10550.6	-49.6	3.4%	5.2%	7.0%

Source: United States Federal Reserve Bank

Selected Yields

	Recent (5/01/13)	3 Months Ago (1/30/13)	Year Ago (5/02/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.19	0.22	0.31
3-month LIBOR	0.27	0.30	0.47
Bank CDs			
6-month	0.09	0.10	0.22
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.13
U.S. Treasury Securities			
3-month	0.05	0.06	0.08
6-month	0.08	0.11	0.14
1-year	0.11	0.13	0.18
5-year	0.66	0.86	0.82
10-year	1.65	1.97	1.93
10-year (inflation-protected)	-0.67	-0.68	-0.35
30-year	2.86	3.16	3.12
30-year Zero	3.08	3.43	3.36



	Recent (5/01/13)	3 Months Ago (1/30/13)	Year Ago (5/02/12)
Mortgage-Backed Securities			
GNMA 5.5%	1.99	1.86	1.10
FHLMC 5.5% (Gold)	2.19	2.12	2.07
FNMA 5.5%	1.85	1.91	1.87
FNMA ARM	2.12	2.16	2.32
Corporate Bonds			
Financial (10-year) A	2.70	3.22	3.43
Industrial (25/30-year) A	3.80	4.12	4.22
Utility (25/30-year) A	3.78	4.10	4.15
Utility (25/30-year) Baa/BBB	4.15	4.45	4.63
Foreign Bonds (10-Year)			
Canada	1.68	2.00	2.02
Germany	1.20	1.71	1.61
Japan	0.59	0.77	0.89
United Kingdom	1.65	2.11	2.05
Preferred Stocks			
Utility A	5.53	5.40	5.42
Financial BBB	6.20	5.89	6.19
Financial Adjustable A	5.50	5.50	5.50
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.90	3.54	3.86
25-Bond Index (Revs)	4.29	4.24	4.78
General Obligation Bonds (GOs)			
1-year Aaa	0.16	0.21	0.20
1-year A	0.77	0.79	1.03
5-year Aaa	0.78	0.81	0.86
5-year A	1.71	1.80	1.87
10-year Aaa	1.91	1.95	2.02
10-year A	2.91	2.87	3.17
25/30-year Aaa	3.10	3.11	3.62
25/30-year A	4.85	4.81	5.08
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.20	4.21	4.38
Electric AA	4.33	4.32	4.69
Housing AA	4.63	4.62	4.86
Hospital AA	4.45	4.42	4.60
Toll Road Aaa	4.31	4.38	4.44

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/17/13	**4/3/13**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1793541	1726553	66988	1654429	1548156	1505709
Borrowed Reserves	397	391	6	451	746	2565
Net Free/Borrowed Reserves	1793144	1726162	66982	1653978	1547410	1503144

MONEY SUPPLY

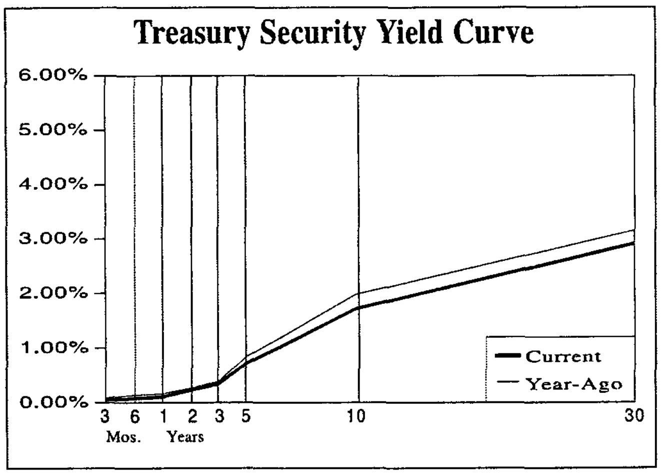
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/15/13	**4/8/13**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	2481.0	2457.9	23.1	6.4%	7.7%	10.8%
M2 (M1+savings+small time deposits)	10536.3	10491.9	44.4	3.0%	6.3%	7.2%

Source: United States Federal Reserve Bank

Selected Yields

	Recent (4/24/13)	3 Months Ago (1/23/13)	Year Ago (4/25/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.20	0.23	0.36
3-month LIBOR	0.28	0.30	0.47
Bank CDs			
6-month	0.09	0.10	0.22
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.13
U.S. Treasury Securities			
3-month	0.05	0.07	0.09
6-month	0.08	0.10	0.14
1-year	0.11	0.13	0.17
5-year	0.72	0.74	0.84
10-year	1.72	1.81	1.98
10-year (inflation-protected)	-0.68	-0.75	-0.28
30-year	2.91	3.01	3.15
30-year Zero	3.15	3.26	3.39



	Recent (4/24/13)	3 Months Ago (1/23/13)	Year Ago (4/25/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.06	1.80	1.12
FHLMC 5.5% (Gold)	2.24	2.06	2.10
FNMA 5.5%	1.90	1.76	1.89
FNMA ARM	2.15	2.16	2.36
Corporate Bonds			
Financial (10-year) A	2.78	3.07	3.52
Industrial (25/30-year) A	3.88	3.97	4.27
Utility (25/30-year) A	3.85	3.94	4.17
Utility (25/30-year) Baa/BBB	4.18	4.32	4.65
Foreign Bonds (10-Year)			
Canada	1.72	1.88	2.11
Germany	1.24	1.54	1.74
Japan	0.59	0.74	0.92
United Kingdom	1.69	1.99	2.14
Preferred Stocks			
Utility A	5.41	5.40	5.67
Financial BBB	6.19	5.88	6.14
Financial Adjustable A	5.50	5.50	5.50
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.89	3.53	3.90
25-Bond Index (Revs)	4.28	4.22	4.81
General Obligation Bonds (GOs)			
1-year Aaa	0.18	0.17	0.18
1-year A	0.77	0.75	1.02
5-year Aaa	0.78	0.78	0.87
5-year A	1.71	1.73	1.86
10-year Aaa	1.92	1.88	2.02
10-year A	2.92	2.82	3.17
25/30-year Aaa	3.13	3.09	3.63
25/30-year A	4.87	4.77	5.08
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.22	4.22	4.40
Electric AA	4.35	4.32	4.64
Housing AA	4.65	4.62	4.82
Hospital AA	4.49	4.41	4.60
Toll Road Aaa	4.36	4.35	4.44

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES
(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels 4/17/13	Recent Levels 4/3/13	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1793540	1726553	66987	1654429	1548156	1505709
Borrowed Reserves	397	391	6	451	746	2565
Net Free/Borrowed Reserves	1793143	1726162	66981	1653978	1547410	1503144

MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

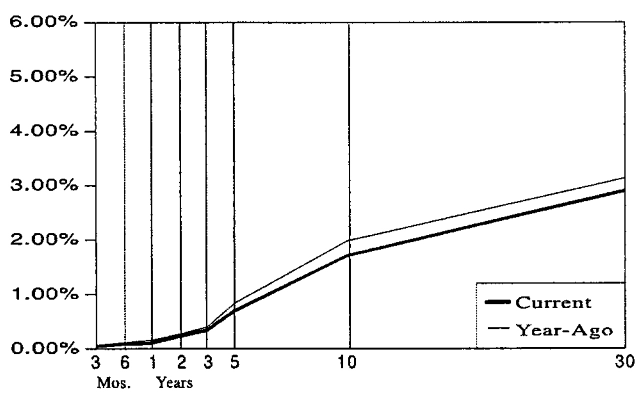
	Recent Levels 4/8/13	Recent Levels 4/1/13	Change	Ann'l Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2457.7	2452.8	4.8	3.8%	7.1%	10.3%
M2 (M1+savings+small time deposits)	10491.0	10517.3	-26.3	0.2%	5.6%	6.9%

Source: United States Federal Reserve Bank

Selected Yields

	Recent (4/17/13)	3 Months Ago (1/16/13)	Year Ago (4/18/12)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.20	0.23	0.32
3-month LIBOR	0.28	0.30	0.47
Bank CDs			
6-month	0.09	0.10	0.22
1-year	0.11	0.13	0.33
5-year	0.64	0.70	1.14
U.S. Treasury Securities			
3-month	0.05	0.07	0.07
6-month	0.09	0.10	0.12
1-year	0.11	0.14	0.16
5-year	0.70	0.76	0.84
10-year	1.71	1.85	1.98
10-year (inflation-protected)	-0.67	-0.73	-0.29
30-year	2.90	3.05	3.13
30-year Zero	3.13	3.25	3.36

Treasury Security Yield Curve



	Recent (4/17/13)	3 Months Ago (1/16/13)	Year Ago (4/18/12)
Mortgage-Backed Securities			
GNMA 5.5%	2.14	1.77	1.08
FHLMC 5.5% (Gold)	2.23	1.98	2.14
FNMA 5.5%	1.93	1.75	1.94
FNMA ARM	2.15	2.23	2.36
Corporate Bonds			
Financial (10-year) A	2.79	3.05	3.48
Industrial (25/30-year) A	3.86	3.96	4.21
Utility (25/30-year) A	3.84	3.96	4.15
Utility (25/30-year) Baa/BBB	4.19	4.31	4.62
Foreign Bonds (10-Year)			
Canada	1.71	1.89	2.04
Germany	1.23	1.57	1.72
Japan	0.60	0.76	0.94
United Kingdom	1.68	2.00	2.13
Preferred Stocks			
Utility A	5.38	5.48	5.34
Financial BBB	6.18	5.91	6.44
Financial Adjustable A	5.49	5.49	5.49
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	3.93	3.60	3.97
25-Bond Index (Revs)	4.30	4.26	4.85
General Obligation Bonds (GOs)			
1-year Aaa	0.17	0.19	0.21
1-year A	0.76	0.75	1.01
5-year Aaa	0.80	0.80	0.93
5-year A	1.74	1.76	1.91
10-year Aaa	1.95	1.89	2.11
10-year A	2.94	2.84	3.23
25/30-year Aaa	3.13	3.11	3.66
25/30-year A	4.88	4.79	5.10
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.24	4.22	4.45
Electric AA	4.37	4.32	4.67
Housing AA	4.67	4.63	4.87
Hospital AA	4.47	4.43	4.60
Toll Road Aaa	4.39	4.35	4.44

Source: Bloomberg Finance L.P.

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	4/3/13	3/20/13	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1726553	1697294	29259	1607277	1517991	1494429
Borrowed Reserves	391	392	-1	479	836	2812
Net Free/Borrowed Reserves	1726162	1696902	29260	1606799	1517155	1491617

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Ann'l Growth Rates Over the Last...		
	4/1/13	3/25/13	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	2453.0	2443.5	9.5	2.2%	7.1%	10.3%
M2 (M1+savings+small time deposits)	10518.2	10450.4	67.8	1.6%	5.9%	7.1%

Source: United States Federal Reserve Bank

GLOBAL UTILITIES

DOCKET NO. W-01212A-12-0309 ET AL

TABLE OF CONTENTS TO SURREBUTTAL SCHEDULES WAR

WEIGHTED AVERAGE COST OF CAPITAL – GLOBAL WATER - PALO VERDE UTILITIES COMPANY

		(A)	(B)	(C)	(D)	(E)	(F)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	CAPITAL RATIO	COST	WEIGHTED COST
1	SHORT-TERM DEBT	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	LONG-TERM DEBT	62,047,253	-	62,047,253	51.73%	6.36%	3.29%
3	COMMON EQUITY	57,892,796	-	57,892,796	48.27%	8.50%	4.10%
4	TOTAL CAPITALIZATION	$119,940,049	$ -	$ 119,940,049	100.00%		
5	WEIGHTED AVERAGE COST OF CAPITAL						7.39%

WEIGHTED AVERAGE COST OF CAPITAL – GLOBAL WATER - SANTA CRUZ WATER COMPANY

		(A)	(B)	(C)	(D)	(E)	(F)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	CAPITAL RATIO	COST	WEIGHTED COST
1	SHORT-TERM DEBT	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	LONG-TERM DEBT	50,745,824	-	50,745,824	54.50%	6.58%	3.59%
3	COMMON EQUITY	42,364,815	-	42,364,815	45.50%	8.50%	3.87%
4	TOTAL CAPITALIZATION	$ 93,110,639	$ -	$ 93,110,639	100.00%		
5	WEIGHTED AVERAGE COST OF CAPITAL						7.46%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-1, PAGE 1
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): LINES 1 THROUGH 3 / LINE 4
COLUMN (E): LINES 1 AND 2, SCHEDULE WAR 1, PAGE 2 OF 3, LINE 3; TESTIMONY, WAR
COLUMN (F): LINES 1 THRU 3; COLUMN (D) X COLUMN (E)

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
COST OF CAPITAL SUMMARY

WEIGHTED AVERAGE COST OF CAPITAL – GLOBAL WATER - VALENCIA WATER COMPANY, TOWN DIVISION

		(A)	(B)	(C)	(D)	(E)	(F)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	CAPITAL RATIO	COST	WEIGHTED COST
1	SHORT-TERM DEBT	$ 188,558	$ -	$ 188,558	1.17%	5.95%	0.07%
2	LONG-TERM DEBT	3,248,406	-	3,248,406	20.17%	5.69%	1.15%
3	COMMON EQUITY	12,667,946	-	12,667,946	78.66%	8.50%	6.69%
4	TOTAL CAPITALIZATION	$ 16,104,910	$ -	$ 16,104,910	100.00%		
5	**WEIGHTED AVERAGE COST OF CAPITAL**						**7.91%**

WEIGHTED AVERAGE COST OF CAPITAL – WATER UTILITY OF GREATER TONOPAH, INC.

		(A)	(B)	(C)	(D)	(E)	(F)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	CAPITAL RATIO	COST	WEIGHTED COST
1	SHORT-TERM DEBT	$ 25,759	$ -	$ 25,759	0.82%	6.22%	0.05%
2	LONG-TERM DEBT	415,212	-	415,212	13.18%	6.33%	0.83%
3	COMMON EQUITY	2,708,518	-	2,708,518	86.00%	8.50%	7.31%
4	TOTAL CAPITALIZATION	$ 3,149,489	$ -	$ 3,149,489	100.00%		
5	**WEIGHTED AVERAGE COST OF CAPITAL**						**8.19%**

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-1, PAGE 1
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): LINES 1 THROUGH 3 / LINE 4
COLUMN (E): LINES 1 AND 2, SCHEDULE WAR 1, PAGE 2 OF 3, LINE 3; TESTIMONY, WAR
COLUMN (F): LINES 1 THRU 3; COLUMN (D) X COLUMN (E)

WEIGHTED AVERAGE COST OF CAPITAL – WILLOW VALLEY WATER COMPANY, INC.

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	$ 29,470	$ -	$ 29,470	0.89%	5.17%	0.05%
2	LONG-TERM DEBT	387,538	-	387,538	11.65%	4.68%	0.55%
3	COMMON EQUITY	2,908,686	-	2,908,686	87.46%	8.50%	7.43%
4	TOTAL CAPITALIZATION	$ 3,325,694	$ -	$ 3,325,694	100.00%		
5	**WEIGHTED AVERAGE COST OF CAPITAL**						**8.03%**

WEIGHTED AVERAGE COST OF CAPITAL – VALENCIA WATER COMPANY, GREATER BUCKEYE DIVISION

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	$ 12,886	$ -	$ 12,886	0.49%	6.78%	0.03%
2	LONG-TERM DEBT	121,380	-	121,380	4.61%	6.24%	0.29%
3	COMMON EQUITY	2,499,277	-	2,499,277	94.90%	8.50%	8.07%
4	TOTAL CAPITALIZATION	$ 2,633,543	$ -	$ 2,633,543	100.00%		
5	**WEIGHTED AVERAGE COST OF CAPITAL**						**8.39%**

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-1, PAGE 1
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): LINES 1 THROUGH 3 / LINE 4
COLUMN (E): LINES 1 AND 2, SCHEDULE WAR 1, PAGE 2 OF 3, LINE 3; TESTIMONY, WAR
COLUMN (F): LINES 1 THRU 3; COLUMN (D) X COLUMN (E)

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
COST OF CAPITAL SUMMARY

WEIGHTED AVERAGE COST OF CAPITAL – GLOBAL WATER - WATER UTILITY OF NORTHERN SCOTTSDALE

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	SHORT-TERM DEBT	$ -	$ -	$ -	0.00%	0.00%	0.00%
2	LONG-TERM DEBT	-	-	-	0.00%	0.00%	0.00%
3	COMMON EQUITY	(233,834)	-	(233,834)	100.00%	8.50%	8.50%
4	TOTAL CAPITALIZATION	$ (233,834)	$ -	$ (233,834)	100.00%		
5	**WEIGHTED AVERAGE COST OF CAPITAL**						**8.50%**

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-1, PAGE 1
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): LINES 1 THROUGH 3 / LINE 4
COLUMN (E): LINES 1 AND 2, SCHEDULE WAR 1, PAGE 2 OF 3, LINE 3; TESTIMONY, WAR
COLUMN (F): LINES 1 THRU 3; COLUMN (D) X COLUMN (E)

WEIGHTED AVERAGE COST OF LONG-TERM DEBT – GLOBAL WATER - PALO VERDE UTILITIES COMPANY

		(A)	(B)	(C)	(D)	(E)	(F)	(G)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	ANNUAL COST	CAPITAL RATIO	COST	WEIGHTED COST
1	2006, DUE 12/01/2017	$ 4,041,872	$ -	$ 4,041,872	$ 220,282	6.51%	5.45%	0.36%
2	2006, DUE 12/01/2022	4,600,776	-	4,600,776	257,643	7.41%	5.60%	0.42%
3	2006, DUE 12/01/2032	17,300,102	-	17,300,102	994,756	27.88%	5.75%	1.60%
4	2007, DUE 12/01/2013	488,468	-	488,468	26,866	0.79%	5.50%	0.04%
5	2007, DUE 12/01/2037	22,712,932	-	22,712,932	1,487,697	36.61%	6.55%	2.40%
6	2008, DUE 12/01/2018	691,144	-	691,144	44,060	1.11%	6.37%	0.07%
7	2008, DUE 12/01/2038	12,211,959	-	12,211,959	915,897	19.68%	7.50%	1.48%
8	TOTAL CAPITALIZATION/INTEREST	$ 62,047,253	$ -	$ 62,047,253	$ 3,947,201	100.00%		
9	WEIGHTED AVERAGE COST OF LONG-TERM DEBT							6.36%

WEIGHTED AVERAGE COST OF LONG-TERM DEBT – GLOBAL WATER - SANTA CRUZ WATER COMPANY

		(A)	(B)	(C)	(D)	(E)	(F)	(G)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	ANNUAL COST	CAPITAL RATIO	COST	WEIGHTED COST
1	2006, DUE 12/01/2017	$ 1,418,128	$ -	$ 1,418,128	$ 77,288	2.79%	5.45%	0.15%
2	2006, DUE 12/01/2022	1,614,224	-	1,614,224	90,397	3.18%	5.60%	0.18%
3	2006, DUE 12/01/2032	6,069,898	-	6,069,898	349,019	11.96%	5.75%	0.69%
4	2007, DUE 12/01/2013	631,532	-	631,532	34,734	1.24%	5.50%	0.07%
5	2007, DUE 12/01/2037	29,365,145	-	29,365,145	1,923,417	57.87%	6.55%	3.79%
6	2008, DUE 12/01/2018	623,856	-	623,856	39,771	1.23%	6.38%	0.08%
7	2008, DUE 12/01/2038	11,023,041	-	11,023,041	826,728	21.72%	7.50%	1.63%
8	TOTAL CAPITALIZATION/INTEREST	$ 50,745,824	$ -	$ 50,745,824	$ 3,341,354	100.00%		
9	WEIGHTED AVERAGE COST OF LONG-TERM DEBT							6.58%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COMPANY SCHEDULE D-2
COLUMN (E): LINES 1 THROUGH 7 / LINE 8
COLUMN (F): LINES 1 THRU 3; COLUMN (D) / COLUMN (C)
COLUMN (G): LINES 1 THRU 7; COLUMN (E) X COLUMN (F)
COLUMN (G) LINE 9: SUM OF COLUMN G, LINES 1 THRU 7

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 201
COST OF CAPITAL SUMMARY

WEIGHTED AVERAGE COST OF SHORT-TERM DEBT – GLOBAL WATER - VALENCIA WATER COMPANY, TOWN DIVISION

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 920024-99	$ 3,849	$ -	$ 3,849	$ 224	2.04%	5.82%	0.12%
2	WIFA 920102-06	126,712	-	126,712	8,553	67.20%	6.75%	4.54%
3	WIFA 92A170-10	57,997	-	57,997	2,436	30.76%	4.20%	1.29%
4	TOTAL CAPITALIZATION/INTEREST	$ 188,558	$ -	$ 188,558	$ 11,213	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							5.95%

WEIGHTED AVERAGE COST OF LONG-TERM DEBT – GLOBAL WATER - VALENCIA WATER COMPANY, TOWN DIVISION

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 920024-99	$ 29,281	$ -	$ 29,281	$ 1,701	0.90%	5.81%	0.05%
2	WIFA 920102-06	1,878,688	-	1,878,688	126,811	57.83%	6.75%	3.90%
3	WIFA 92A170-10	1,340,437	-	1,340,437	56,298	41.26%	4.20%	1.73%
4	TOTAL CAPITALIZATION/INTEREST	$ 3,248,406	$ -	$ 3,248,406	$ 184,811	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							5.69%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COMPANY SCHEDULE D-2
COLUMN (E): LINES 1 THROUGH 3 / LINE 4
COLUMN (F): LINES 1 THRU 3; COLUMN (D) / COLUMN (C)
COLUMN (G): LINES 1 THRU 3; COLUMN (E) X COLUMN (F)
COLUMN (G) LINE 5: SUM OF COLUMN G, LINES 1 THRU 3

WEIGHTED AVERAGE COST OF SHORT-TERM DEBT – WATER UTILITY OF GREATER TONOPAH, INC.

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 920071-03	$ 4,925	$ -	$ 4,925	$ 215	19.12%	4.37%	0.84%
2	WIFA 920104-06	20,834	-	20,834	1,385	80.88%	6.65%	5.38%
3		-	-	-	-	0.00%	0.00%	0.00%
4	TOTAL CAPITALIZATION/INTEREST	$ 25,759	$ -	$ 25,759	$ 1,601	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							**6.22%**

WEIGHTED AVERAGE COST OF LONG-TERM DEBT – WATER UTILITY OF GREATER TONOPAH, INC.

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 920071-03	$ 59,157	$ -	$ 59,157	$ 2,589	14.25%	4.38%	0.62%
2	WIFA 920104-06	356,055	-	356,055	23,678	85.75%	6.65%	5.70%
3		-	-	-	-	0.00%	0.00%	0.00%
4	TOTAL CAPITALIZATION/INTEREST	$ 415,212	$ -	$ 415,212	$ 26,267	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							**6.33%**

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COMPANY SCHEDULE D-2
COLUMN (E): LINES 1 THROUGH 3 / LINE 4
COLUMN (F): LINES 1 THRU 3; COLUMN (D) / COLUMN (C)
COLUMN (G): LINES 1 THRU 3; COLUMN (E) X COLUMN (F)
COLUMN (G) LINE 5: SUM OF COLUMN G, LINES 1 THRU 3

WEIGHTED AVERAGE COST OF SHORT-TERM DEBT - WILLOW VALLEY WATER COMPANY

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 92A179-10	$ 9,656	$ -	$ 9,656	$ 406	32.77%	4.20%	1.38%
2	WIFA 920010-98	14,344	-	14,344	879	48.67%	6.13%	2.98%
3	WIFA 920078-03	5,470	-	5,470	239	18.56%	4.37%	0.81%
4	TOTAL CAPITALIZATION/INTEREST	$ 29,470	$ -	$ 29,470	$ 1,524	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							**5.17%**

WEIGHTED AVERAGE COST OF LONG-TERM DEBT - WILLOW VALLEY WATER COMPANY

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) RUCO ADJUSTMENT	(C) RUCO ADJUSTED	(D) ANNUAL COST	(E) CAPITAL RATIO	(F) COST	(G) WEIGHTED COST
1	WIFA 92A179-10	$ 232,347	$ -	$ 232,347	$ 9,759	59.95%	4.20%	2.52%
2	WIFA 920010-98	91,312	-	91,312	5,593	23.56%	6.13%	1.44%
3	WIFA 920078-03	63,879	-	63,879	2,795	16.48%	4.38%	0.72%
4	TOTAL CAPITALIZATION/INTEREST	$ 387,538	$ -	$ 387,538	$ 18,147	100.00%		
5	**WEIGHTED AVERAGE COST OF LONG-TERM DEBT**							**4.68%**

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COMPANY SCHEDULE D-2
COLUMN (E): LINES 1 THROUGH 3 / LINE 4
COLUMN (F): LINES 1 THRU 3; COLUMN (D) / COLUMN (C)
COLUMN (G): LINES 1 THRU 3; COLUMN (E) X COLUMN (F)
COLUMN (G) LINE 5: SUM OF COLUMN G, LINES 1 THRU 3

WEIGHTED AVERAGE COST OF SHORT-TERM DEBT – VALENCIA WATER COMPANY, GREATER BUCKEYE DIVISION

		(A)	(B)	(C)	(D)	(E)	(F)	(G)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	ANNUAL COST	CAPITAL RATIO	COST	WEIGHTED COST
1	WIFA 920072-03	$ 2,677	$ -	$ 2,677	$ 125	20.77%	4.67%	0.97%
2	WIFA 920103-06	5,108	-	5,108	340	39.64%	6.66%	2.64%
3	STEWART TITLE (GARCIA)	5,101	-	5,101	408	39.59%	8.00%	3.17%
4	TOTAL CAPITALIZATION/INTEREST	$ 12,886	$ -	$ 12,886	$ 873	100.00%		
5	WEIGHTED AVERAGE COST OF LONG-TERM DEBT							6.78%

WEIGHTED AVERAGE COST OF LONG-TERM DEBT – VALENCIA WATER COMPANY, GREATER BUCKEYE DIVISION

		(A)	(B)	(C)	(D)	(E)	(F)	(G)
LINE NO.	DESCRIPTION	COMPANY PROPOSED	RUCO ADJUSTMENT	RUCO ADJUSTED	ANNUAL COST	CAPITAL RATIO	COST	WEIGHTED COST
1	WIFA 920072-03	$ 33,356	$ -	$ 33,356	$ 1,564	27.48%	4.69%	1.29%
2	WIFA 920103-06	76,278	-	76,278	5,072	62.84%	6.65%	4.18%
3	STEWART TITLE (GARCIA)	11,746	-	11,746	940	9.68%	8.00%	0.77%
4	TOTAL CAPITALIZATION/INTEREST	$ 121,380	$ -	$ 121,380	$ 7,576	100.00%		
5	WEIGHTED AVERAGE COST OF LONG-TERM DEBT							6.24%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-2
COLUMN (B): TESTIMONY WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COMPANY SCHEDULE D-2
COLUMN (E): LINES 1 THROUGH 3 / LINE 4
COLUMN (F): LINES 1 THRU 3; COLUMN (D) / COLUMN (C)
COLUMN (G): LINES 1 THRU 3; COLUMN (E) X COLUMN (F)
COLUMN (G) LINE 5: SUM OF COLUMN G, LINES 1 THRU 3

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
COST OF CAPITAL SUMMARY

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	7.92%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	8.84%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	**AVERAGE OF DCF ESTIMATES**	**8.38%**	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	5.65%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	5.52%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	6.84%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	6.66%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	**AVERAGE OF CAPM ESTIMATES**	**6.17%**	(SUM OF LINES 6 THRU 9) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**7.27%**	(SUM OF LINES 4 AND 10) ÷ 2
12	**FINAL COST OF COMMON EQUITY ESTIMATE**	**8.50%**	TESTIMONY WAR

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWK	AMERICAN WATER WORKS COMPANY, INC.	2.71%	+	5.21%	=	7.91%
2	AWR	AMERICAN STATES WATER CO.	2.61%	+	6.16%	=	8.78%
3	CWT	CALIFORNIA WATER SERVICE GROUP	3.22%	+	5.28%	=	8.50%
4	CTWS	CONNECTICUT WATER SERVICE, INC.	3.41%	+	3.55%	=	6.96%
5	MSEX	MIDDLESEX WATER COMPANY	3.88%	+	3.01%	=	6.89%
6	SJW	SJW CORPORATION	2.78%	+	6.24%	=	9.02%
7	WTR	AQUA AMERICA, INC.	2.20%	+	5.19%	=	7.39%
8	**WATER COMPANY AVERAGE**						**7.92%**
9	GAS	AGL RESOURCES, INC.	4.37%	+	3.00%	=	7.38%
10	ATO	ATMOS ENERGY CORP.	3.23%	+	4.92%	=	8.15%
11	LG	LACLEDE GROUP, INC.	3.73%	+	6.92%	=	10.64%
12	NJR	NEW JERSEY RESOURCES CORPORATION	3.51%	+	5.51%	=	9.02%
13	NWN	NORTHWEST NATURAL GAS CO.	4.12%	+	4.29%	=	8.41%
14	PNY	PIEDMONT NATURAL GAS COMPANY	3.66%	+	3.54%	=	7.20%
15	SJI	SOUTH JERSEY INDUSTRIES, INC.	3.00%	+	8.85%	=	11.84%
16	SWX	SOUTHWEST GAS CORPORATION	2.68%	+	6.56%	=	9.24%
17	WGL	WGL HOLDINGS, INC.	3.78%	+	3.91%	=	7.69%
18	**NATURAL GAS LDC AVERAGE**						**8.84%**

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	/	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWK	AMERICAN WATER WORKS COMPANY, INC.	$1.12	/	$41.35	=	2.71%
2	AWR	AMERICAN STATES WATER CO.	1.42	/	54.30	=	2.61%
3	CWT	CALIFORNIA WATER SERVICE GROUP	0.64	/	19.88	=	3.22%
4	CTWS	CONNECTICUT WATER SERVICE, INC.	0.97	/	28.40	=	3.41%
5	MSEX	MIDDLESEX WATER COMPANY	0.75	/	19.32	=	3.88%
6	SJW	SJW CORPORATION	0.73	/	26.30	=	2.78%
7	WTR	AQUA AMERICA, INC.	0.70	/	31.89	=	2.20%
8	**WATER COMPANY AVERAGE**						2.97%
9	GAS	AGL RESOURCES, INC.	$1.88	/	$42.98	=	4.37%
10	ATO	ATMOS ENERGY CORP.	1.40	/	43.32	=	3.23%
11	LG	LACLEDE GROUP, INC.	1.70	/	45.61	=	3.73%
12	NJR	NEW JERSEY RESOURCES CORPORATION	1.60	/	45.59	=	3.51%
13	NWN	NORTHWEST NATURAL GAS CO.	1.82	/	44.17	=	4.12%
14	PNY	PIEDMONT NATURAL GAS COMPANY	1.24	/	33.85	=	3.66%
15	SJI	SOUTH JERSEY INDUSTRIES, INC.	1.77	/	59.12	=	3.00%
16	SWX	SOUTHWEST GAS CORPORATION	1.32	/	49.24	=	2.68%
17	WGL	WGL HOLDINGS, INC.	1.68	/	44.49	=	3.78%
18	**NATURAL GAS LDC AVERAGE**						3.56%

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT
SURVEY - RATINGS & REPORTS DATED 04/19/2013 (WATER COMPANIES) AND 06/07/2013 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF ADJUSTED CLOSING PRICES FROM 04/15/2013 TO 06/07/2013
STOCK QUOTES OBTAINED THROUGH YAHOO! FINANCE WEB SITE - HISTORICAL QUOTES (http://finance.yahoo.com).
COLUMN (C): COLUMN (A) DIVIDED BY COLUMN (B)

NOTE:
CLOSING STOCK PRICES ARE ADJUSTED FOR DIVIDENDS AND STOCK SPLITS.

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWK	AMERICAN WATER WORKS COMPANY, INC.	4.70%	+	0.51%	=	5.21%
2	AWR	AMERICAN STATES WATER CO.	5.60%	+	0.56%	=	6.16%
3	CWT	CALIFORNIA WATER SERVICE GROUP	3.00%	+	2.28%	=	5.28%
4	CTWS	CONNECTICUT WATER SERVICE, INC.	3.00%	+	0.55%	=	3.55%
5	MSEX	MIDDLESEX WATER COMPANY	2.50%	+	0.51%	=	3.01%
6	SJW	SJW CORPORATION	3.80%	+	2.44%	=	6.24%
7	WTR	AQUA AMERICA, INC.	5.00%	+	0.19%	=	5.19%
8	**WATER COMPANY AVERAGE**						**4.95%**
9	GAS	AGL RESOURCES, INC.	3.00%	+	0.00%	=	3.00%
10	ATO	ATMOS ENERGY CORP.	4.10%	+	0.82%	=	4.92%
11	LG	LACLEDE GROUP, INC.	6.50%	+	0.42%	=	6.92%
12	NJR	NEW JERSEY RESOURCES CORPORATION	5.50%	+	0.01%	=	5.51%
13	NWN	NORTHWEST NATURAL GAS CO.	4.00%	+	0.29%	=	4.29%
14	PNY	PIEDMONT NATURAL GAS COMPANY	3.00%	+	0.54%	=	3.54%
15	SJI	SOUTH JERSEY INDUSTRIES, INC.	7.25%	+	1.60%	=	8.85%
16	SWX	SOUTHWEST GAS CORPORATION	6.00%	+	0.56%	=	6.56%
17	WGL	WGL HOLDINGS, INC.	3.70%	+	0.21%	=	3.91%
18	**NATURAL GAS LDC AVERAGE**						**5.28%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-01212A-12-0309 ET AL
SCHEDULE WAR - 4
PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY NAME	(A) SHARE GROWTH	x	[1 - (1 / M ÷ B)]	=	(C) EXTERNAL GROWTH (sv)
1	AWK	AMERICAN WATER WORKS COMPANY, INC.	1.40%	x	[1 - (1 / 1.57)]	=	0.51%
2	AWR	AMERICAN STATES WATER CO.	1.00%	x	[1 - (1 / 2.29)]	=	0.56%
3	CWT	CALIFORNIA WATER SERVICE GROUP	7.00%	x	[1 - (1 / 1.48)]	=	2.28%
4	CTWS	CONNECTICUT WATER SERVICE, INC.	1.40%	x	[1 - (1 / 1.65)]	=	0.55%
5	MSEX	MIDDLESEX WATER COMPANY	1.30%	x	[1 - (1 / 1.64)]	=	0.51%
6	SJW	SJW CORPORATION	6.00%	x	[1 - (1 / 1.69)]	=	2.44%
7	WTR	AQUA AMERICA, INC.	0.30%	x	[1 - (1 / 2.85)]	=	0.19%
8	**WATER COMPANY AVERAGE**						**1.01%**
9	GAS	AGL RESOURCES, INC.	0.01%	x	[1 - (1 / 1.31)]	=	0.00%
10	ATO	ATMOS ENERGY CORP.	2.60%	x	[1 - (1 / 1.46)]	=	0.82%
11	LG	LACLEDE GROUP, INC.	1.00%	x	[1 - (1 / 1.71)]	=	0.42%
12	NJR	NEW JERSEY RESOURCES CORPORATION	0.01%	x	[1 - (1 / 2.44)]	=	0.01%
13	NWN	NORTHWEST NATURAL GAS CO.	0.80%	x	[1 - (1 / 1.58)]	=	0.29%
14	PNY	PIEDMONT NATURAL GAS COMPANY	1.00%	x	[1 - (1 / 2.16)]	=	0.54%
15	SJI	SOUTH JERSEY INDUSTRIES, INC.	2.80%	x	[1 - (1 / 2.33)]	=	1.60%
16	SWX	SOUTHWEST GAS CORPORATION	1.50%	x	[1 - (1 / 1.60)]	=	0.56%
17	WGL	WGL HOLDINGS, INC.	0.50%	x	[1 - (1 / 1.74)]	=	0.21%
18	**NATURAL GAS LDC AVERAGE**						**0.54%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/19/2013 (WATER COMPANIES) AND 06/07/2013 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWK	AMERICAN WATER WORKS COMPANY, INC.	2008	-		4.60%		-	25.64	160.00	
2			2009	0.3440		5.20%		1.79%	22.91	174.63	
3			2010	0.4379		6.50%		2.85%	23.59	175.00	
4			2011	0.4767		7.20%		3.43%	24.11	175.66	
5			2012	0.5450		8.40%		4.58%	25.10	176.99	
6			GROWTH 2008 - 2012					3.16%	-0.50%		2.56%
7			2013	0.5378		8.50%		4.57%		178.00	0.57%
8			2014	0.5333		8.50%		4.53%		179.00	0.57%
9			2016-18	0.5088		9.50%		4.83%	3.50%	190.00	1.43%
10											
11	AWR	AMERICAN STATES WATER CO.	2008	0.3548		8.60%		3.05%	17.95	17.30	
12			2009	0.3765		8.20%		3.09%	19.39	18.53	
13			2010	0.5315		11.00%		5.85%	20.26	18.63	
14			2011	0.5089		10.30%		5.24%	21.68	18.85	
15			2012	0.5496		11.90%		6.54%	23.61	19.26	
16			GROWTH 2008 - 2012					4.75%	5.50%		2.72%
17			2013	0.4630		12.00%		5.56%		19.25	-0.05%
18			2014	0.4561		12.50%		5.70%		19.50	0.62%
19			2016-18	0.4333		12.50%		5.42%	6.50%	21.50	2.22%
20											
21	CWT	CALIFORNIA WATER SERVICE GROUP	2008	0.3789		9.90%		3.75%	9.72	41.45	
22			2009	0.3980		9.60%		3.82%	10.13	41.53	
23			2010	0.3407		8.60%		2.93%	10.45	41.67	
24			2011	0.2791		8.00%		2.23%	10.76	41.82	
25			2012	0.3824		9.00%		3.44%	11.30	41.91	
26			GROWTH 2008 - 2012					3.24%	5.00%		0.28%
27			2013	0.2471		7.00%		1.73%		47.75	13.93%
28			2014	0.3818		8.00%		3.05%		48.00	7.02%
29			2016-18	0.3333		9.50%		3.17%	5.50%	50.00	3.59%
30											
31	CTWS	CONNECTICUT WATER SERVICE, INC.	2008	0.2072		9.10%		1.89%	12.23	8.46	
32			2009	0.2437		9.40%		2.29%	12.67	8.57	
33			2010	0.1858		8.70%		1.62%	13.05	8.68	
34			2011	0.1681		8.30%		1.40%	13.50	8.76	
35			2012	0.3725		7.30%		2.72%	16.89	10.97	
36			GROWTH 2008 - 2012					1.98%	3.00%		6.71%
37			2013	0.3000		8.00%		2.40%		11.00	0.27%
38			2014	0.3548		9.00%		3.19%		11.25	1.27%
39			2016-18	0.3529		8.50%		3.00%	6.50%	12.00	1.81%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/19/2013
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2008 - 2012

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
DIVIDEND GROWTH COMPONENTS

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	MSEX	MIDDLESEX WATER COMPANY	2008	0.2135		8.90%		1.90%	10.03	13.40	
2			2009	0.0139		7.00%		0.10%	10.33	13.52	
3			2010	0.2500		8.20%		2.05%	11.13	15.57	
4			2011	0.1310		7.50%		0.98%	11.27	15.70	
5			2012	0.1778		7.80%		1.39%	11.48	15.82	
6			GROWTH 2008 - 2012					1.28%	4.00%		4.24%
7			2013	0.2105		8.00%		1.68%		16.00	1.14%
8			2014	0.2400		8.50%		2.04%		16.25	1.35%
9			2016-18	0.3043		9.00%		2.74%	2.00%	17.00	1.45%
10											
11	SJW	SJW CORPORATION	2008	0.3981		8.00%		3.19%	13.99	18.18	
12			2009	0.1852		6.00%		1.11%	13.66	18.50	
13			2010	0.1905		6.20%		1.18%	13.75	18.55	
14			2011	0.3784		7.90%		2.99%	14.20	18.59	
15			2012	0.3983		8.10%		3.23%	14.68	18.70	
16			GROWTH 2008 - 2012					2.34%	4.50%		0.71%
17			2013	0.4385		8.50%		3.73%		20.00	6.95%
18			2014	0.4643		8.50%		3.95%		21.00	5.97%
19			2016-18	0.4375		8.50%		3.72%	5.00%	23.00	4.23%
20											
21	WTR	AQUA AMERICA, INC.	2008	0.3014		9.30%		2.80%	7.82	135.37	
22			2009	0.2857		9.40%		2.69%	8.12	136.49	
23			2010	0.3444		10.60%		3.65%	8.51	137.97	
24			2011	0.3942		11.60%		4.57%	9.01	138.88	
25			2012	0.3853		11.00%		4.24%	9.87	140.35	
26			GROWTH 2008 - 2012					3.59%	7.00%		0.91%
27			2013	0.4815		12.00%		5.78%		140.50	0.11%
28			2014	0.4207		12.00%		5.05%		141.00	0.23%
29			2016-18	0.3750		11.50%		4.31%	6.50%	143.00	0.37%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/19/2013
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2008 - 2012

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	AGL RESOURCES, INC.	2008	0.3801		12.60%		4.79%	21.48	76.90	
2			2009	0.4028		12.50%		5.03%	22.95	77.54	
3			2010	0.4133		12.90%		5.33%	23.24	78.00	
4			2011	0.1038		5.20%		0.54%	28.33	117.10	
5			2012	0.2500		8.00%		2.00%	28.76	117.88	
6			GROWTH 2008 - 2012					3.54%	5.00%		11.27%
7			2013	0.2627		8.00%		2.10%		117.00	-0.75%
8			2014	0.3379		8.50%		2.87%		117.00	-0.37%
9			2016-18	0.5024		6.00%		3.01%	5.00%	117.00	-0.15%
10											
11	ATO	ATMOS ENERGY CORP.	2008	0.3500		8.80%		3.08%	22.60	90.81	
12			2009	0.3299		8.30%		2.74%	23.52	92.55	
13			2010	0.3796		9.20%		3.49%	24.16	90.16	
14			2011	0.3982		8.80%		3.50%	24.98	90.30	
15			2012	0.3429		8.10%		2.78%	26.14	90.24	
16			GROWTH 2008 - 2012					3.12%	4.00%		-0.16%
17			2013	0.4286		8.50%		3.64%		91.00	0.84%
18			2014	0.4538		8.50%		3.86%		92.00	0.97%
19			2016-18	0.5000		8.50%		4.25%	5.50%	103.00	2.68%
20											
21	LG	LACLEDE GROUP, INC.	2008	0.4356		11.80%		5.14%	22.12	21.99	
22			2009	0.4760		12.40%		5.90%	23.32	22.17	
23			2010	0.3539		10.10%		3.57%	24.02	22.29	
24			2011	0.4371		11.10%		4.85%	25.56	22.43	
25			2012	0.4050		10.60%		4.29%	26.60	22.62	
26			GROWTH 2008 - 2012					4.75%	6.50%		0.71%
27			2013	0.3895		10.50%		4.09%		23.00	1.68%
28			2014	0.4133		11.00%		4.55%		23.00	0.84%
29			2016-18	0.5147		13.00%		6.69%	2.00%	23.50	0.77%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2008	0.5889		15.70%		9.25%	17.28	42.06	
32			2009	0.4833		14.60%		7.06%	16.59	41.59	
33			2010	0.4472		14.00%		6.26%	17.62	41.17	
34			2011	0.4419		13.70%		6.05%	18.73	41.45	
35			2012	0.4317		13.90%		6.00%	18.15	41.53	
36			GROWTH 2008 - 2012					6.92%	6.50%		-0.32%
37			2013	0.3846		14.00%		5.38%		40.00	-3.68%
38			2014	0.4074		14.00%		5.70%		40.00	-1.86%
39			2016-18	0.4169		12.50%		5.21%	4.00%	40.00	-0.75%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/07/2013
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2008 - 2012

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	NWN	NORTHWEST NATURAL GAS CO.	2008	0.4086		10.90%		4.45%	23.71	26.50	
2			2009	0.4346		11.40%		4.95%	24.88	26.53	
3			2010	0.3846		10.50%		4.04%	26.08	26.58	
4			2011	0.2678		8.90%		2.38%	26.70	26.76	
5			2012	0.1937		8.20%		1.59%	27.23	26.92	
6			GROWTH 2008 - 2012					3.48%	4.00%		0.39%
7			2013	0.2043		8.50%		1.74%		27.00	0.30%
8			2014	0.2520		8.50%		2.14%		27.00	0.15%
9			2016-18	0.3939		10.50%		4.14%	3.00%	28.00	0.79%
10											
11	PNY	PIEDMONT NATURAL GAS COMPANY	2008	0.3087		12.40%		3.83%	12.11	73.26	
12			2009	0.3593		13.20%		4.74%	12.67	73.27	
13			2010	0.2839		11.60%		3.29%	13.35	72.28	
14			2011	0.2675		11.40%		3.05%	13.79	72.32	
15			2012	0.2831		11.70%		3.31%	14.21	72.25	
16			GROWTH 2008 - 2012					3.65%	3.00%		-0.35%
17			2013	0.2765		11.00%		3.04%		76.00	5.19%
18			2014	0.2743		11.00%		3.02%		76.00	2.56%
19			2016-18	0.2684		11.00%		2.95%	4.00%	76.00	1.02%
20											
21	SJI	SOUTH JERSEY INDUSTRIES, INC.	2008	0.5110		13.10%		6.69%	17.33	29.73	
22			2009	0.4874		13.10%		6.38%	18.24	29.80	
23			2010	0.4963		14.20%		7.05%	19.08	29.87	
24			2011	0.4828		13.90%		6.71%	20.66	30.21	
25			2012	0.4554		12.70%		5.78%	23.26	31.65	
26			GROWTH 2008 - 2012					6.52%	7.00%		1.58%
27			2013	0.4286		12.50%		5.36%		32.50	2.69%
28			2014	0.4179		14.50%		6.06%		33.50	2.88%
29			2016-18	0.4674		15.50%		7.24%	6.50%	36.00	2.61%
30											
31	SWX	SOUTHWEST GAS CORPORATION	2008	0.3525		5.90%		2.08%	23.49	44.19	
32			2009	0.5103		7.90%		4.03%	24.44	45.09	
33			2010	0.5595		8.90%		4.98%	25.62	45.56	
34			2011	0.5638		9.20%		5.19%	26.66	45.96	
35			2012	0.5874		10.20%		5.99%	28.39	46.15	
36			GROWTH 2008 - 2012					4.45%	5.00%		1.09%
37			2013	0.5525		9.50%		5.25%		47.00	1.84%
38			2014	0.5484		9.50%		5.21%		48.00	1.98%
39			2016-18	0.5733		10.50%		6.02%	5.00%	50.00	1.62%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/07/2013
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2008 - 2012

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-01212A-12-0309 ET AL
SCHEDULE WAR - 5

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WGL	WGL HOLDINGS, INC.	2008	0.4221		11.60%		4.90%	20.99	49.92	
2			2009	0.4190		11.60%		4.86%	21.89	50.14	
3			2010	0.3392		9.90%		3.36%	22.82	50.54	
4			2011	0.3111		9.50%		2.96%	23.49	51.20	
5			2012	0.4067		11.00%		4.47%	24.75	51.50	
6			GROWTH 2008 - 2012					4.11%	4.50%		0.78%
7			2013	0.3490		10.00%		3.49%		51.75	0.49%
8			2014	0.3547		10.00%		3.55%		52.00	0.48%
9			2016-18	0.3797		10.00%		3.80%	4.00%	52.00	0.19%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/07/2013
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINE 6, SIMPLE AVERAGE GROWTH, 2008 - 2012

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

DOCKET NO. W-01212A-12-0309 ET AL
SCHEDULE WAR - 6

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
GROWTH RATE COMPARISON

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AWK	5.21%	8.00%	9.50%	7.50%	3.50%	-	-	-0.50%	5.60%	-	-	-0.53%
2	AWR	6.16%	2.00%	8.00%	8.00%	6.50%	11.50%	4.50%	5.50%	6.57%	16.14%	6.16%	7.09%
3	CWT	5.28%	6.00%	5.50%	6.00%	5.50%	5.00%	1.00%	5.00%	4.86%	1.79%	1.65%	3.84%
4	CTWS	3.55%	4.00%	6.00%	2.50%	6.50%	4.00%	1.50%	3.00%	3.93%	8.35%	2.20%	8.41%
5	MSEX	3.01%	-	4.00%	1.50%	2.00%	2.50%	1.50%	4.00%	2.58%	0.28%	1.40%	3.43%
6	SJW	6.24%	-	7.50%	4.50%	5.00%	-3.00%	5.00%	4.50%	3.92%	2.24%	2.23%	1.21%
7	WTR	5.19%	5.50%	8.00%	8.00%	6.50%	4.50%	8.00%	7.00%	6.79%	10.54%	7.06%	5.99%
8				6.93%	5.43%	5.07%	4.08%	3.58%	4.07%		6.56%	3.45%	4.21%
9	AVERAGES	4.95%	5.10%		5.81%			3.91%		4.89%		4.74%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	GAS	3.00%	4.30%	9.00%	6.50%	5.00%	1.50%	6.50%	5.00%	5.40%	-3.81%	0.88%	7.57%
2	ATO	4.92%	4.30%	5.50%	1.50%	5.50%	3.00%	1.50%	4.00%	3.61%	1.23%	1.50%	3.70%
3	LG	6.92%	3.00%	5.50%	2.00%	2.00%	4.00%	3.00%	6.50%	3.71%	1.39%	2.74%	4.72%
4	NJR	5.51%	4.00%	2.00%	3.00%	4.00%	8.50%	8.50%	6.50%	5.21%	0.09%	8.53%	1.24%
5	NWN	4.29%	3.80%	5.00%	2.50%	3.00%	0.50%	4.50%	4.00%	3.33%	-3.59%	4.17%	3.52%
6	PNY	3.54%	4.30%	3.00%	3.00%	4.00%	3.50%	5.50%	3.00%	3.76%	2.74%	3.68%	4.08%
7	SJI	8.85%	6.00%	8.00%	8.50%	6.50%	6.50%	10.00%	7.00%	7.50%	7.49%	10.42%	7.63%
8	SWX	6.56%	5.30%	7.00%	7.00%	5.00%	6.50%	4.00%	5.00%	5.69%	19.77%	7.01%	4.85%
9	WGL	3.91%	5.30%	3.50%	3.00%	4.00%	3.00%	3.00%	4.50%	3.76%	2.37%	3.05%	4.21%
10				5.39%	4.11%	4.33%	4.11%	5.17%	5.06%		3.07%	4.66%	4.61%
11	AVERAGES	5.28%	4.48%		4.61%			4.78%		4.66%		4.12%	

REFERENCES:

COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/19/2013 (WATER COMPANIES) AND 06/07/2013 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 04/19/2013 (WATER COMPANIES) AND 06/07/2013 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 9 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 04/19/2013 (WATER COMPANIES) AND 06/07/2013 (NATURAL GAS LDC's)

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+	[	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWK	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
2	AWR	k	=	3.06%	+	[	0.70	x	(	9.80%	-	6.10%	)]	=	5.65%
3	CWT	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
4	CTWS	k	=	3.06%	+	[	0.75	x	(	9.80%	-	6.10%	)]	=	5.83%
5	MSEX	k	=	3.06%	+	[	0.70	x	(	9.80%	-	6.10%	)]	=	5.65%
6	SJW	k	=	3.06%	+	[	0.85	x	(	9.80%	-	6.10%	)]	=	6.20%
7	WTR	k	=	3.06%	+	[	0.60	x	(	9.80%	-	6.10%	)]	=	5.28%
8	WATER COMPANY AVERAGE						0.70								5.65%
9	GAS	k	=	3.06%	+	[	0.75	x	(	9.80%	-	6.10%	)]	=	5.83%
10	ATO	k	=	3.06%	+	[	0.70	x	(	9.80%	-	6.10%	)]	=	5.65%
11	LG	k	=	3.06%	+	[	0.60	x	(	9.80%	-	6.10%	)]	=	5.28%
12	NJR	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
13	NWN	k	=	3.06%	+	[	0.60	x	(	9.80%	-	6.10%	)]	=	5.28%
14	PNY	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
15	SJI	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
16	SWX	k	=	3.06%	+	[	0.75	x	(	9.80%	-	6.10%	)]	=	5.83%
17	WGL	k	=	3.06%	+	[	0.65	x	(	9.80%	-	6.10%	)]	=	5.46%
18	NATURAL GAS LDC AVERAGE						0.67								5.52%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$k = r_f + [\,ß\,(r_m - r_f)\,]$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 30-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 03/01/2013 THROUGH 04/19/2013 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2011 PERIOD MINUS TOTAL RETURNS ON LONG-TERM TREASURIES DURING THE SAME PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2012 YEARBOOK.

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x (	r_m	-	r_f	)] =	(B) EXPECTED RETURN
1	AWK	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
2	AWR	k	=	3.06%	+ [	0.70	x (	11.80%	-	6.40%	)] =	6.84%
3	CWT	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
4	CTWS	k	=	3.06%	+ [	0.75	x (	11.80%	-	6.40%	)] =	7.11%
5	MSEX	k	=	3.06%	+ [	0.70	x (	11.80%	-	6.40%	)] =	6.84%
6	SJW	k	=	3.06%	+ [	0.85	x (	11.80%	-	6.40%	)] =	7.65%
7	WTR	k	=	3.06%	+ [	0.60	x (	11.80%	-	6.40%	)] =	6.30%
8	WATER COMPANY AVERAGE					0.70						6.84%
9	GAS	k	=	3.06%	+ [	0.75	x (	11.80%	-	6.40%	)] =	7.11%
10	ATO	k	=	3.06%	+ [	0.70	x (	11.80%	-	6.40%	)] =	6.84%
11	LG	k	=	3.06%	+ [	0.60	x (	11.80%	-	6.40%	)] =	6.30%
12	NJR	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
13	NWN	k	=	3.06%	+ [	0.60	x (	11.80%	-	6.40%	)] =	6.30%
14	PNY	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
15	SJI	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
16	SWX	k	=	3.06%	+ [	0.75	x (	11.80%	-	6.40%	)] =	7.11%
17	WGL	k	=	3.06%	+ [	0.65	x (	11.80%	-	6.40%	)] =	6.57%
18	NATURAL GAS LDC AVERAGE					0.67						6.66%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\,ß\,(r_m - r_f)\,]$$

WHERE:
k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)
r_f = PROXY FOR THE RISK FREE RATE ON LONG-TERM TREASURIES (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES:

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 30-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 04/26/2013 THROUGH 06/14/2013 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2012 PERIOD MINUS TOTAL RETURNS ON LONG-TERM TREASURIES DURING THE SAME PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2013 YEARBOOK.

GLOBAL UTILITIES
DOCKET NO. W-01212A-12-0309 ET AL
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-01212A-12-0309 ET AL
SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.90%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.84%	-6.80%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	2009	-0.36%	5.00%	3.25%	0.50%	0.00% - 0.25%	0.15%	4.08%	5.84%	6.87%
21	2010	1.64%	2.80%	3.25%	0.72%	0.00% - 0.25%	0.13%	4.25%	5.50%	5.98%
22	2011	3.00%	1.70%	3.25%	0.75%	0.00% - 0.25%	0.05%	3.93%	5.06%	5.58%
23	2012	1.70%	2.20%	3.25%	0.75%	0.00% - 0.25%	0.08%	2.92%	3.99%	4.42%
24	CURRENT	1.10%	2.40%	3.25%	0.75%	0.00% - 0.25%	0.05%	3.24%	4.19%	4.60%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 06/143/2013
COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 06/14/2013
COLUMN (H) THROUGH (I): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
COLUMN (H) THROUGH (I): 2003 MERGENT NEWS REPORTS

GLOBAL UTILITIES
TEST YEAR ENDED DECEMBER 31, 2011
AVERAGE CAPITAL STRUCTURES

DOCKET NO. W-01212A-12-0309 ET AL
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES (000's)

LINE NO.		AWK	PCT.	AWR	PCT.	CWT	PCT.	CTWS	PCT.	SJW	PCT.
1	DEBT	$ 5,339.9	55.6%	$ 340.6	45.5%	$ 479.2	52.4%	$ 178.5	49.0%	$ 343.8	56.6%
2											
3	PREFERRED STOCK	25.7	0.3%	0.0	0.0%	0.0	0.0%	0.7	0.2%	0.0	0.0%
4											
5	COMMON EQUITY	4,235.8	44.1%	408.6	54.5%	435.5	47.6%	185.3	50.8%	264.0	43.4%
6											
7	TOTALS	$ 9,601.4	100%	$ 749.2	100%	$ 914.7	100%	$ 364.5	100%	$ 607.8	100%

LINE NO.		MSEX	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
8							
9							
10		MSEX	PCT.	WTR	PCT.	AVERAGE	PCT.
11							
12	DEBT	$ 132.2	42.3%	$ 1,395.4	52.7%	$ 1,172.8	54.0%
13							
14	PREFERRED STOCK	3.3	1.1%	0.0	0.0%	4.2	0.2%
15							
16	COMMON EQUITY	177.0	56.6%	1,251.8	47.3%	994.0	45.8%
17							
18	TOTALS	$ 312.5	100%	$ 2,647.2	100%	$ 2,171.0	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES (000's)

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
1		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
2											
3	DEBT	$ 3,561.0	51.6%	$ 1,956.3	45.3%	$ 339.4	40.9%	$ 525.1	39.2%	$ 641.7	47.3%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
6											
7	COMMON EQUITY	3,339.0	48.4%	2,359.2	54.7%	491.3	59.1%	813.9	60.8%	714.5	52.7%
8											
9	TOTALS	$ 6,900.0	100%	$ 4,315.5	100%	$ 830.7	100%	$ 1,339.0	100%	$ 1,356.2	100%

LINE NO.		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	NATURAL GAS LDC AVERAGE	PCT.
10											
11										NATURAL GAS LDC	
12		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	AVERAGE	PCT.
13											
14	DEBT	$ 675.0	40.4%	$ 424.2	40.5%	$ 930.8	43.2%	$ 589.2	31.2%	$ 1,071.4	44.8%
15											
16	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	28.2	1.5%	$ 3.1	0.1%
17											
18	COMMON EQUITY	996.9	59.6%	624.1	59.5%	1,225.0	56.8%	1,269.5	67.3%	1,314.8	55.0%
19											
20	TOTALS	$ 1,671.9	100%	$ 1,048.3	100%	$ 2,155.8	100%	$1,886.9	100%	$ 2,389.4	100%

LINE NO.		WATER & LDC AVERAGE	PCT.
21			
22		WATER & LDC	
23		AVERAGE	PCT.
24			
25	DEBT	$ 1,122.1	49.3%
26			
27	PREFERRED STOCK	1.6	0.1%
28			
29	COMMON EQUITY	1,154.4	50.7%
30			
31	TOTALS	$ 2,278.1	100%

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS